

This Prospectus is a non-official and non-binding translation into English of the original "Folleto Informativo" drafted in Spanish language and registered with the "Comisión Nacional del Mercado de Valores" (the Spanish Securities Market Commission, "CNMV") on 27 September 2007. The "Folleto Informativo" drafted in Spanish language is the only official document.

FONDO DE TITULIZACIÓN DE ACTIVOS SANTANDER HIPOTECARIO 4

ASSET-BACKED SECURITIES

1,244,800,000 €

Series A1	814,300,000 €	EURIBOR 3M + Up to a maximum of 0.13%	AAA/AAA/Aaa
Series A2	661,900,000 €	EURIBOR 3M + Up to a maximum of 0.26%	AAA/AAA/Aaa
Series A3	278,000,000 €	EURIBOR 3M + Up to a maximum of 0.34%	AAA/AAA/Aaa
Series B	20,900,000 €	EURIBOR 3M + Up to a maximum of 0.36%	AA/AA/Aa2
Series C	30,700,000 €	EURIBOR 3M + Up to a maximum of 0.52%	A/A/A1
Series D	27,100,000 €	EURIBOR 3M + Up to a maximum of 1.20%	BBB/BBB/Baa2
Series E	27,100,000 €	EURIBOR 3M + Up to a maximum of 3.50%	BB/BB/Ba3
Series F	14,800,000 €	EURIBOR 3M + 4.00% Fixed Part + Variable Part	CCC/CCC-/Ca

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JOINT LEAD MANAGERS



UNDERWRITERS



Paying Agent



Fund Promoted and Managed by:

SANTANDER DE TITULIZACIÓN,
S.G.F.T., S.A.

FUND REGISTERED IN THE CNMV ON SEPTEMBER 27TH, 2007

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This document is the information prospectus (hereinafter, the “**Information Prospectus**” or the “**Prospectus**”) for the Santander Hipotecario 4 Asset Fund (hereinafter the “**Fund**”) approved and registered in the *Comisión Nacional del Mercado de Valores* (Spanish Securities Market Commission, hereinafter, the “**CNMV**”) on 27th September 2007, in accordance with the stipulations in Regulation 809/2004, which includes the following:

1. A description of the main risk factors related to the issue, the securities and the assets which support the issue (hereinafter, the “**Risk Factors**”);
2. A registration document for the securities, drawn up in accordance with Annex VII of Regulation 809/2004 (hereinafter the “**Registration Document**”);
3. A note on the securities drafted in accordance with Annex XIII of Regulation 809/2004 (hereinafter, the “**Securities Note**”); and
4. An additional module to the Securities Note drafted by following the module stipulated in Annex VIII of Regulation 809/2004 (hereinafter, the “**Additional Building Block**”).
5. A glossary of definitions (hereinafter the “**Definitions**”).

RISK FACTORS

I. Specific Risk Factors of the Fund:

(i) Risk of insolvency of the Fund:

If the Fund is unable to meet its payment obligations on a generalized basis, the provisions of article 11 of Royal Decree 926/1998 will apply: that is, the Management Company, after informing the CNMV, will proceed with the orderly liquidation of the Fund, in accordance with the rules established in this regard in this Prospectus.

The Fund shall only be liable for the performance of its obligations up to the amount of its assets.

(ii) Legal nature and absence of legal status of the Fund:

The Fund lacks legal status. Consequently, the Management Company must carry out its administration and representation and comply with the obligations legally established in relation to the Fund. It shall be liable to the Bondholders and the remaining ordinary creditors of the Fund up to the limit of its net worth in the event of breach of said obligations.

The fund has closed-end assets and liabilities.

(iii) Compulsory substitution of Management Company:

In accordance with articles 18 and 19 of Royal Decree 926/1998, the Management Company shall be replaced in the event it is held to be insolvent vis-à-vis its creditors. If, in such a case, four months should have elapsed since the occurrence of the cause for the substitution and no other Management Company shall be appointed, an Early Liquidation of the Fund and an Early Redemption of the Bonds shall occur.

(iv) Limitation of actions as regards the Management Company:

The Bondholders and the other ordinary creditors of the Fund will only be able to bring an action against the Management Company of the Fund in the case of non-compliance with its functions or failure to observe the provisions in the Deed of Constitution, in this Prospectus or in the applicable legislation in force. Such actions shall be resolved by the corresponding declaratory proceedings..

(v) Applicability of Insolvency Proceedings Act:

In the event of insolvency of the Bank as Assignor of the Loans and issuer of the Mortgage Transmission Certificates, the goods belonging to the Fund (including the Mortgage Loans), with the exception of money due to its fungible nature, in the insolvency wealth of the Bank would lie with the Fund, and shall be made available to it in the terms of articles 80 and 81 of the Insolvency Proceedings Act.

However, both the Informative Prospectus and the Deed of Constitution provide certain mechanisms to palliate the above effects in relation to the money due to its fungible nature.

In order to mitigate the consequences that a declaration of insolvency of the Assignor might have to these effects on the rights of the Fund, in particular, for the effects of articles 1.527 of the Civil Code, section 3.3.a) of the Additional Building Block provides that “in the event of insolvency or any sign thereof, of intervention by the Bank of Spain, of liquidation or substitution of the Administrator, or if the

Management Company should deem it to be reasonably justified, they may require the Administrator to notify the Debtors and their warrantors, as the case may be, to transmit the loans pending redemption to the Fund, and all payments derived from the Loans will only be releasing in nature if they are done with the Cash-flow Account opened in the name of the Fund. However, both if the Administrator has failed to comply with the notification to the Debtors in the five (5) Business Days following reception of the requirement, as in the case of Administrator insolvency, it will be the Management Company, directly or through a new Administrator that has been designated, who will notify the Debtors and, as the case may be, their respective warrantors”.

If the Bank is declared insolvent, the money received by the Bank and held thereby on account of the complementary contracts subscribed thereby, described in section 3.4.2.1. b) and 3.4.3. of the Additional Building Block prior to the date of declaration of insolvency, it could become attached to the results of the insolvency proceeding according to majority interpretation of articles 80 and 81 of Insolvency Proceedings Act.

Likewise, and for the same effects of attenuating the mentioned risk, certain mechanisms have been provided, which are described in sections 3.4.4. and 3.4.5. of the Additional Building Block.

In the event of insolvency of the Management Company, it shall be replaced by another management company in accordance with the provisions of article 19 of Royal Decree 926/1998.

The structure of the contemplated asset securitizing operation does not, without infringement by the parties, allow there to be amounts of cash that might enter the mass of the Management Company, as the amounts corresponding to Fund income shall be paid in the terms provided herein, in accounts open in the name of the Fund by the Management Company (which intervenes in opening these accounts, but not as a mandatory of the Fund, but rather as its legal representative).

However, the insolvency of any of the intervening subjects (the Bank, the Management Company or any other counterpart of the Fund) may affect their contractual relations with the Fund.

(vi) Infringement of contracts by third parties:

The Fund, represented by the Management Company, has formalized contracts with third parties to provide certain services and financial transactions with regard to the Assets and the Bonds.

These include the Subordinated Loan Agreement, the Swap Agreement, the Guaranteed Rate Reinvestment Agreement and the International Subscription Agreement.

The Bondholders may be harmed in the event any of the counterparties of the Fund in the above-mentioned agreements do not fulfill its obligations assumed by virtue thereof.

II. Specific Risk Factors of the Assets Backing the issue:

(i) Risk of non-payment of the Assets:

The holders of Bonds issued against the Fund shall assume the risk of non-payment of the Assets pooled therein. Nevertheless, the credit enhancements described in section 3.4.2 of the Additional Building Block have been arranged.

The Bank, as Assignor, assumes no liability for non-payment of the Obligors, whether for principal, interest, or any other amount they may owe by virtue of the Assets. According to article 348 of the Commercial Code, the Assignor shall only be liable for the existence and legitimacy of the Assets at the time of the assignment, in the terms and conditions stated in the Prospectus, as well as for the legal status pursuant to which the assignment is made. The Assignor does not guarantee the successful conclusion of the transaction.

(ii) Risk of prepayment of the Assets:

The Assets pooled into the Fund are susceptible of being prepaid when the Obligors prepay the portion of principal pending redemption, according to the terms of each loan agreement from which the Assets derive, or when the Assignor is subrogated in such loan agreements by an entity qualified for such purpose.

(iii) Liability:

The Bonds issued by the Fund do not represent an obligation of the Management Company or the Assignor. The flow of funds used to meet the obligations to which the Bonds give rise is insured or guaranteed solely under the specific circumstances and up to the limits described under section 2 of the Additional Building Block. With the exception of these guarantees, there are no others granted by any public or private entity, including the Assignor, the Management Company or any affiliate company or investee company of any of the above. The Assets pooled into the Fund and the rights they carry with them constitute the sole source of income of the Fund and, therefore, of payments to the titleholders of its liabilities.

(iv) Protection:

An investment in Bonds may be affected, among others, by a deterioration of the general economic conditions which has an adverse effect on the payments of the Assets which back the issue of the Fund. In the event that non-payments should reach an elevated level, they could reduce, or even eliminate, the protection against losses in the Loan portfolio enjoyed by the Bonds as a result of the existence of the credit enhancements described under section 3.4.2 of the Additional Building Block. The foregoing considerations notwithstanding, the Bondholders have their risk mitigated by the order of priority of payments described under section 3.4.6.(b) of the Additional Building Block (“**Order of Priority of Payment**”) and by the order of priority of liquidation payments described under section 3.4.6.(d) of the Additional Building Block (“**Order of Priority of Liquidation Payments**”).

(v) Interest Rate Risk:

The average interest rate of the assets at August 27, 2007 is 4.63%, while the average interest rate to be paid for the Bonds is 5.133% (assuming the hypothesis of this Prospectus). This contingency is covered by the Swap Agreement subscribed by the

Fund, paying therefore 0.51%, which is the result of taking the rate of the Bonds from the loan interest rate.

However, the Swap agreement signed between the Fund and the Counterpart (the Bank) grants the Fund a margin surplus of 0.65% on the Notional Swap on Party B, as described in section 3.4.7 of the Additional Building Block to Securities Note.

III. Risk Factors Specific to the Securities

(i) Limited liquidity:

There is no guarantee that trading in the Bonds with a minimum frequency or volume will occur in the market.

There is no commitment for intervention in secondary trading on the part of any entity, thereby giving liquidity to the Bonds through the offering of compensation.

Furthermore, in no case may the Fund repurchase the Bonds from the Bondholders, although they may indeed be redeemed early in their entirety, in the case of Early Liquidation of the Fund, on the terms established under section 4.4.3 of the Registration Document.

(ii) Yield:

The calculation of the average life, return and duration of the Bonds is subject, among others, to hypotheses regarding prepayment rates of the Assets which may not materialize, as well as future market interest rates, given the variable nature of the nominal interest rates.

(iii) Default interest:

Under no circumstance, will the delay in the payment of interest or reimbursement of the principal to the titleholder of the Bonds give rise to the payment of default interest in their favor.

(iv) Duration:

The calculation of the average life and duration of each Bond Series described in section 4.10 of the Securities Note is subject, among other hypotheses, to quotas of prepayments and unpaid Assets which may not materialize. Compliance with the quota of prepayment of the Assets is influenced by a variety of economic and social factors such as the evolution of market interest rates, the economic situation of the Obligors and general economic activity, which prevent its prediction.

(v) Rating of the Bonds:

The credit risk of the Bonds issued against the Fund has been subject to the evaluation of the rating agencies Fitch Rating España, S.A./ Standard & Poor's/Moody's Investors Service España, S.A.

The final ratings assigned may be revised, suspended or withdrawn at any time by the above-mentioned rating agencies depending on any information they may receive.

Their ratings do not constitute and under no circumstances may be construed as invitation, recommendation or encouragement addressed to the investors in order to

they carried out any transaction regarding the Bonds, and especially, in order to acquire, keep, encumbrance or transfer such Bonds.

(vi) Deferral of payment of interest:

This Prospectus and any other complementary documentation regarding the Bonds provides the deferral of the order or priority of payment of the interest of the Series B, C, D, and E Bonds in the event of the circumstance set forth in section 3.4.6.(c) of the Additional Building Block will occur.

(vii) Compliance with formal obligations by the investors.

In accordance with current Spanish legislation, the returns on the Bonds achieved by an investor not resident in Spain will either be (i) exempt from withholdings on account of the Non Resident Income Tax (in the case of investors acting through a permanent establishment), or (ii) exempt in the same terms established for returns derived from public debt (in the case of investors working in Spain without a permanent establishment and provided they are not achieved through countries or territories regulatorily considered tax havens).

The above notwithstanding, to make effective the exclusion from the above withholdings, the fulfilment is necessary of certain formal obligations by the said investors, currently provided in the Order of December 22nd 1999 and in Royal Decree 2281/1998, of October 23rd, modified by Royal Decree 1778/2004, of July 30th and from January 1st 2008, by Royal Decree 1065/2007, of July 27th, without prejudice to the possible arbitration of specific regulations for securitisation funds in the future.

When, according to the above provisions, the right to exemption is not suitably certified (that is, it is not certified that the non-resident is not acting through a tax haven or the Fund is not delivered, through the Paying Agent, the certificates corresponding to the Bond compensation and deposit entity), the returns derived from the Bonds will be subject to a withholding currently set at 18%.

The above tax consequences are based on current legislation at the time of issue, and are not intended to be exhaustive and must therefore not be considered as replacing the necessary tax advice for the particular situation of each investor.

REGISTRATION DOCUMENT

This Registration Document has been prepared in accordance with Annex VII of Regulation (EC) No. 809/2004 and approved by the Comisión Nacional del Mercado de Valores (*Spanish Securities Market Commission*) on September 27th, 2007.

1. PERSONS RESPONSIBLE

1.1 Persons responsible for the information appearing in the Registration Document.

- a) MR. IGNACIO ORTEGA GAVARA, acting in his capacity as General Manager of SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A., having its registered offices at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660, Boadilla del Monte (Madrid), assumes responsibility for the information contained in this Registration Document.

MR. IGNACIO ORTEGA GAVARA acts in the exercise of the powers conferred upon him by the Board of Directors of the Management Company at its meeting held on July 23rd, 2007,

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is the promoter of the securitization fund FONDO DE TITULIZACIÓN DE ACTIVOS, SANTANDER HIPOTECARIO 4 and shall be responsible for the administration and legal representation thereof.

1.2 Declaration by those responsible for the Registration Document.

- a) MR. IGNACIO ORTEGA GAVARA declares on behalf of the Management Company, that, having taken all reasonable care to ensure that such is the case, the information given in the Registration Document is, to the best of his knowledge, in accordance with the facts and does not omit anything likely to affect its contents.

2. STATUTORY AUDITORS OF THE FUND

2.1 Name and address of the Fund's auditors (together with any membership of any relevant professional body).

In accordance with the stipulations in section 4.4 of this Registration Document, the Fund lacks historical financial information.

However, during the term of the Fund, the annual accounts will be audited on an annual basis by the auditors.

The Board of Directors of the Management Company, at its meeting on July 23, 2007 at which the establishment of this Fund was resolved, appointed the following accounting firm as the Fund's Statutory Auditors: Deloitte, S.L. whose data are detailed in section 5.2h) of this Registration Document.

2.2 Fiscal years, accounting principles and statutory filing of annual financial statements.

The fiscal year of the Fund will coincide with the calendar year. However, and as an exception, the first fiscal year will start on the Constitution Date of the Fund, and the last fiscal year will finish on the date on the expiration date of the Fund.

The Management Company shall file the Fund's annual financial statements with the CNMV, together with the auditors' report in respect thereof, within four (4) months following the closing date of the Fund's fiscal year (i.e. prior to April 30 of each year).

The Fund's annual financial statements and relevant auditors' report shall be filed with the Mercantile Registry on an annual basis.

3. RISK FACTORS

The risk factors specific to the Fund are those described under section I of the document included at the beginning of this Prospectus entitled “RISK FACTORS”.

4. INFORMATION ABOUT THE ISSUER

4.1 Statement that the Issuer has been established as a securitization fund.

The Issuer is an asset securitization fund established according to Royal Decree 926/1998 for the purpose of acquiring the Assets assigned to the Fund by the Bank and issuing the Bonds. It lacks its own legal status under Spanish law.

4.2 Legal and professional name of the Fund.

The Fund will be established under the name FONDO DE TITULIZACIÓN DE ACTIVOS, SANTANDER HIPOTECARIO 4, under Spanish law.

4.3 Place of registration of Issuer and registration number.

The Fund is registered in Spain, in the CNMV.

The establishment of the Fund and issue of the Bonds have as a prior requirement that it be registered in the official registries of the CNMV in Spain. This Prospectus was registered with the CNMV on September 27th, 2007.

Neither the constitution of the Fund nor the Bonds, which are issued and charged to its assets, will be registered in the Mercantile Register, making use of the power contained in article 5.4 of Royal Decree 926/1998.

4.4 Date of Constitution and period of activity of the Fund, except where indefinite.

4.4.1. Constitution Date.

It is envisaged that the date of execution of the Deed of Constitution and, consequently, the Fund's Constitution Date, will be October 1st, 2007.

The Deed of Constitution may not undergo any change except in exceptional circumstances and, as the case may be, in accordance with the conditions established by the regulations in force, and provided that such are permitted by current legislation. In any case, such acts will have to be notified previously by the Management Company to the CNMV or to the competent administrative body, or will have to be previously authorized if necessary, and their notification to the Rating Agencies, provided always that such acts do not impair the rating assigned to the Bonds by the Rating Agencies or cause any damage to the Bondholders. The Deed of Constitution may also be modified at the request of the CNMV.

The Management Company guarantees that the contents of the Deed of Constitution will coincide with that of the Prospectus and that the Deed of Constitution will coincide with the draft deed which has been submitted to the CNMV as a consequence of the registration of this Prospectus.

4.4.2. Period of activity of the Fund.

It is planned that the Fund will develop its activity from the Constitution Date until the Legal Maturity Date, that is, until October 15th, 2050 or, if this is not a Business

Days, the following Business Days, without prejudice to the stipulations in sections 4.4.3.(1) y 4.4.3.(2). below.

4.4.3 Early liquidation of the Fund: Cases. Cancellation of the Fund. Actions for liquidation and cancellation of the Fund.

(1) Early liquidation: Cases.

Notwithstanding the provisions of section 4.4.2, above, the Management Company is empowered to proceed with the Early Liquidation of the Fund and, consequently, the Early Redemption of the Bonds on a Payment Date, on the terms established in this section, under the following circumstances:

- (i) When the Outstanding Balance of the Assets (excluding Nonperforming Loans) is less than ten per cent (10%) of the initial balance thereof, provided that the amount of the sale of the Assets pending amortization, together with the balance existing at that time in the Cash Account allows for total cancellation of all outstanding obligations with the Bondholders, and respecting the prior payments thereto, whose order of priority takes preference as provided by section 3.4.6.(d) of the Additional Building Block;
- (ii) When, due to an event or circumstance of any foreign nature or not related to the development of the Fund, a substantial alteration or permanent impairment of the financial balance of the Fund required by article 5.6 of Law 19/1992 occurs. This includes circumstances such as the existence of a change in the regulation or additional legislative developments, the establishment of withholding obligations or other situations that might permanently affect the financial balance of the Fund. In this case, after informing the CNMV, the Management Company shall proceed to settle the Fund in an orderly manner in accordance with the rules set out in the Deed of Constitution and in this Prospectus;
- (iii) In the case contemplated in article 19 of Royal Decree 926/1998, which establishes the obligation to liquidate the Fund in the case where four (4) months have elapsed since the Management Company went into receivership, a decisive factor for the compulsory substitution of the Management Company, without a new management company having been found.
- (iv) When a non-payment takes place or is expected to take place which is indicative of a serious and permanent imbalance in relation to any of the Bonds.
- (v) On the Payment Date that precedes the Legal Maturity of the Fund by at least six (6) months.

Liquidation of the Fund shall be first reported to the CNMV and, afterwards, to the Bondholders, in the manner contemplated by sections 4.b) of the Additional Building Block, at least thirty (30) Business Days in advance of the day on which Early Redemption must take place, which must necessarily be carried out on a Payment Date.

(2) Cancellation of the Fund

The cancellation of the Fund shall take place:

- (i) as a consequence of the payment in full of the Assets;
- (ii) as a consequence of the full redemption of the Bonds;
- (iii) as a consequence of the finalization of the Early Liquidation process provided in the sub-section (1) above;
- (iv) due to the occurrence of the Legal Maturity Date; and
- (v) when the provisional ratings of the Bonds are not confirmed as being definitive prior to the start of the Subscription Period.

In the event that any of the situations described in the foregoing sections should occur, the Management Company shall inform the CNMV and shall initiate the pertinent formalities for cancellation of the Fund.

(3) Actions for the liquidation and cancellation of the Fund.

In order that the Fund, through its Management Company, may carry out the liquidation and cancellation of the Fund and, as the case may be, the Early Liquidation of the Fund and Early Redemption of the Bonds in those cases determined by section 4.4.3.(1), above, and specifically, in order that the Fund shall have sufficient Available Funds to meet its payment obligations, the Management Company, on behalf of the Fund, shall proceed to carry out any or all of the following actions:

- (i) sell the Assets for a price which may not be less than the sum of the principal plus the accrued and unpaid interest in respect of the Assets pending amortization. For this purpose, the Management Company shall request an offer from at least five (5) entities of those most active in the sale and purchase of similar assets, and may not sell them at a price less than the best offer received. The Assignor shall have a right of first refusal to acquire said Assets, in the conditions established by the Management Company at the time of the liquidation, in such a manner that it shall have preference over third parties to acquire the Assets. In order to exercise the right of first refusal, the Assignor shall have a period of five (5) Business Days from the date on which the Management Company notifies it of the conditions (price, form of payment, etc.) under which the disposal of the Assets shall proceed. The Assignor's offer must equal at least the best of the offers made by third parties.

In the event that no offer covers the value of the principal plus accrued and unpaid interest of the Assets pending amortization, the Management Company shall accept the best offer received for the Assets. In order to set the market value, the Management Company may obtain from third party entities different from the above, such valuation reports as it deems necessary. In this case, the Assignor shall also enjoy the right of first refusal described above, provided that its offer at least equals the best of those made by third parties.

This right of first refusal in no case implies an agreement or obligation to repurchase the Assets on the part of the Assignor; and/or

- (ii) sell any other assets of the Fund other than the Asset and other than the cash for a price not less than market value. In order to set the market value, the Management Company will request from at least one entity specializing in the valuation or marketing of assets similar to those whose sale is intended such valuation reports as it deems necessary, proceeding with the sale of the assets in question through the procedure which allows obtaining a higher price in the market; and/or
- (iii) canceling those contracts which are not necessary for the liquidation process of the Fund.

The Management Company shall immediately apply all amounts it has obtained on disposal of the Assets and any other assets of the Fund to the payment of the various concepts, in the manner, amount and Order of Priority of Liquidation Payments which applies, as determined under section 3.4.6.(d) of the Additional Building Block. Early Redemption of all of the Bonds in any of the cases provided under section 4.4.3.(1), above, shall be carried out for the Balance of Principal Pending Payment up to that date plus interest accrued and not paid up to the Early Redemption date, which must necessarily coincide with a Payment Date, after deducting, as the case may be, any withholding tax, and free of expenses for the holder, which amounts, for all legal purposes, shall be deemed to be due and payable on this latter date.

In the event that, once the Fund has been liquidated and all scheduled payments have been made pursuant to the Order of Priority of Liquidation Payments contemplated under section 3.4.6.(d) of the Additional Building Block, any remainder should exist or any judicial or notary proceedings brought as a consequence of the non-payment by any Obligor of the Assets should remain pending resolution (all in accordance with the provisions of section 3.4.5.b) of the Additional Building Block), both the said remainder as well as the continuation and/or proceeds of the resolution of the proceedings cited above shall inure to the Bank's favor.

In any case, the Management Company, acting for and on behalf of the Fund, shall not proceed with cancellation of the Fund until it has not proceeded with liquidation of the Assets and any other remaining assets of the Fund and the distribution of the Fund's Available Funds, in following the Order of Priority of Liquidation Payments contemplated under 3.4.6.(d) of the Additional Building Block.

Once a maximum period of six (6) months since the liquidation of the Assets and any other remaining assets of the Fund and the distribution of the available funds has transpired, the Management Company shall execute an official attestation before a notary public declaring (i) the Fund to be cancelled, as well as the causes contemplated in this Registration Document which motivated its cancellation, (ii) the procedure carried out for notifying the Bondholders and the CNMV, and (iii) the distribution of the available amounts from the Fund in following the Order of Priority of Liquidation Payments contemplated under section 3.4.6.(d) of the Additional Building Block and shall comply with such further administrative formalities as may be applicable. Said notarized attestation shall be sent by the Management Company to the CNMV.

In the event that the cause of termination stated under section 4.4.3.(2)(v), above, should occur, the constitution of the Fund as well as the Bond issue and the contracts executed by the Management Company, acting on behalf of the Fund, shall be terminated, except for the Subordinated Loan Agreement, against which the constitution and issue expenses incurred by the Fund shall be paid. Said termination shall be reported forthwith to the CNMV and, once one (1) month from the cause for termination of the constitution of the Fund has transpired, the Management Company shall execute before a notary public the attestation which it shall send to the CNMV, Iberclear, AIAF and the Rating Agencies, declaring the cancellation of the Fund and the cause thereof.

4.5 Domicile and legal form of the Issuer, legislation under which it operates.

a) Domicile of the Fund.

The Fund lacks a registered office because it lacks separate legal status. For all purposes, the Fund's registered office is deemed to be that of the Management Company, to wit:

SANTANDER DE TITULIZACION, S.G.F.T., S.A.

Ciudad Grupo Santander

Avenida de Cantabria, s/n

28660 Boadilla del Monte (Madrid)

Telephone: 91.289.32.97

b) Legal status of the Fund.

The Fund shall be comprised of a separate closed end patrimony, lacking legal status, in accordance with the provisions of article 3 of Royal Decree 926/1998. The Management Company is entrusted with the constitution, administration and legal representation of the Fund, as well as manager of third party business, the representation and defense of the interest of the bondholders and the rest of the ordinary creditors of the Fund.

c) Legislation under which it operates and country of constitution.

The incorporation of the Fund and the issue of the Bonds will be carried out according to the provisions of Spanish legislation and, in particular, according to the legal regime provided by: (i) Royal Decree 926/1998 and provisions implementing same, (ii) Law 19/1992 of July 7, Regime governing Real Estate Investment Companies and Funds, and Mortgage Securitization Funds, for all that is not contemplated under Royal Decree 926/1998 and as applicable thereto, (iii) the Spanish Securities Market Act, (iv) Additional Provision Five of Law 3/94, and (v) such other legal and regulatory provisions as are in force and applicable from time to time.

The Prospectus has been prepared pursuant to the standard forms contemplated in Regulation (EC) No. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

d) Tax scheme of the Fund.

In accordance with section 2 of article 1 of Royal Decree 926/1998: article 5.10 of Law 19/1992; article 7.1h) of the rewritten texts of the Corporate Tax Act approved by Royal Legislative Decree 4/2004, of March 5th, modified by Law 36/2006 on Personal Income Tax and partial modification of the Corporate Tax laws, on non-resident Income Tax and Wealth, of November 28th; article 59k) of the Corporate Tax Regulation approved by Royal Decree 1777/2004, of July 30th; article 20.One.18 of Law 37/1992 on Value Added Tax, of December 28th; article 45.I.B) 15 of the rewritten text of the Transfer Tax/Stamp Duty Act approved by Royal Legislative Decree 1/1993, of September 24th and the fifth additional provision of Law 3/1994, of April 14th, the characteristics of the current tax scheme of the Fund are the following:

- (i) The constitution of the Fund is exempt from the concept of “corporate transactions” of Transfer Tax/Stamp Duty.
- (ii) The Fund is subject to the general régime of Corporate Income Tax, its tax base being determined according to Title IV of the Corporate Tax Law, the general rate of which is presently thirty-two point five per cent (32.5%). For the fiscal years following January 1, 2008, the Fund will be subject to a general rate of 30%.
- (iii) The returns on the Assets which constitute the Fund’s income will not be subject to withholding or interim tax deposit.
- (iv) The management and custodial services of the Fund shall be exempt from Value Added Tax.
- (v) The issue, subscription, transfer, redemption and repayment of the Bonds are exempt from Transfer Tax/Stamp Duty and Value Added Tax.
- (vi) The assignment of the Assets to the Fund constitutes a transaction subject to but exempt from Value Added Tax.
- (vii) The Fund is subject to the obligations concerning general information and to those contemplated in Royal Decree 2281/1998, of October 23rd, as modified in Royal Decree 1778/2004, of July 30th.

4.6 Description of the amount of the Fund’s authorized and issued capital.

Not applicable.

5. BUSINESS OVERVIEW

5.1 Brief description of the Issuer’s principal activities.

The Issuer is an asset securitization fund and, as such, its principal business consists of acquiring the Assets deriving from the Loans from the Bank and issuing the Bonds. That is, through securitization, the Bank transfers the Assets to the Fund, who pays the price thereof with the proceeds from the Bond issue subscribed by the institutional investors to whom said issue is directed.

Thus, through this operation, the Bank is advanced the payment of the future flows pertaining to the Loans, i.e. the Assets become liquid to the Bank, even though they were not liquid at the time of the assignment to the Fund.

The revenues deriving from interest and payment of the loans acquired by the Fund will be assigned quarterly, at each Payment Date, to the payment of interest and redemption of the principal of the Bonds issued according to the specific conditions of each Series in which the Bonds issue is divided and according to the order of priority established for the payments of the Fund.

Additionally, the Management Company, for and on behalf of the Fund, will arrange different financial transactions and service provisions in order to consolidate the financial structure of the Fund, to increase the security or the regularity of the payment of the Bonds, to cover temporary mismatches of the schedule of flows of principal and interest of the Loans and the Bonds, or, in general, transform the financial characteristics which take place in the Fund between the financial characteristics of the Loans and the financial characteristics of each Series of Bonds.

5.2 Global overview of the parties to the securitization program.

- a) SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. intervenes as the Fund's Management Company and as legal and financial adviser to the operation's structure.

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is a Securitization Fund Management Company having its registered offices at Ciudad Grupo Santander, Avenida de Cantabria sin número, 28660 Boadilla del Monte (Madrid), holder of Tax Identification Code number A-80481419. A brief description thereof is stated under paragraph 6 of section 3.7.2. of the Additional Building Block.

SANTANDER DE TITULIZACIÓN S.G.F.T., S.A. is registered in the Mercantile Register of Madrid, in Volume 4, 789, Sheet 75, Page M-78658, entry 1. It is also registered in the Special registry of the CNMV, with number 1.

The Management Company has not been assigned a rating by any rating agency.

- b) BANCO SANTANDER, S.A. (the "Bank" or "Santander") intervenes as the Assignor of the Assets, as Underwriter, as Lead Manager of the Bond issue, as Paying Agent and as counterpart of the Fund in the Subordinated Loan Agreement, the Swap Agreement and the Guaranteed Rate Reinvestment Agreement.

In its capacity as Lead Manager, it carries out the following function, in the terms established by article 35.1 of Royal Decree 1310/2005:

- To receive the mandate of the Management Company in order to direct the operations concerning the design of the temporary and commercial financial conditions of the issue, as well as the co-ordination of relations with the supervising authorities and market operators, with potential investors and with the rest of the placement and underwriters.

BANCO SANTANDER, S.A. is a Spanish credit institution having its registered offices in Santander, at Paseo de Pereda 9-12, 39004, with its operational headquarters located at Ciudad Grupo Santander, Avenida de Cantabria sin número, 28660 Boadilla del Monte (Madrid), holder of Tax Identification Code number A-39000013 and C.N.A.E. 651. A brief description thereof is stated under section 3.2.b) of the Additional Building Block. Banco Santander Central Hispano, S.A. changed its corporate name to BANCO SANTANDER, S.A., which is registered in the Santander Company Register with entry no. 1.539 and on August 13th 2007. The deed of modification of the company by-laws was granted in Santander on August 1st 2007, before the Notary Public Mr. José María de Prada Díez, with no. 2.033 of his protocol.

The ratings of the Bank's unsubordinated and unsecured short and long-term debt, as assigned by the rating agencies, are:

- Fitch: AA (long-term) and F1+ (short term), June 18th, 2007.
- Standard & Poor's: AA (long-term) and A1+ (short-term), May 29th 2007.
- Moody's: Aa1 (long-term) and P1 (short term), July 17th, 2007.

- c) ABN AMRO Bank N.V., Spanish branch, ("ABN AMRO") intervenes exclusively as Lead Manager of the Bond issue.

In its capacity as Lead Manager, it carries out the following function, in the terms established by article 35.1 of Royal Decree 1310/2005:

- To receive the mandate of the Management Company in order to direct the operations concerning the design of the temporary and commercial financial conditions of the issue, as well as the co-ordination of the relations with the market operators, with the potential investors and with the rest of the placement and underwriters.

ABN AMRO, Spanish Branch, recorded in Madrid Company Register in volume 5438, folio 36, page 43472, of Marid, at calle José Ortega y Gasset, 29 and tax identification code A.0031021L.

The ratings of the unsubordinated debt not guarantee in the short and long term of ABN AMRO, assigned by the rating agencies are:

- Fitch: AA (long-term) of April 23rd 2007, and F1+ (short term), June 12th, 2007.
- Standard & Poor's: AA - (long-term) and A1+ (short-term), April 23rd 2007.
- Moody's: Aa2 (long-term) and P-1 (short term), May 30th, 2007

- d) Fitch Ratings España, S.A. Unipersonal ("Fitch") intervenes as credit rating agency of the Bonds.

Fitch is a Spanish stock company and subsidiary of the credit rating agency Fitch Rating Limited, having its registered offices in Barcelona, Paseo de Gracia, 85, holder of Tax number A58090655.

- e) Moody's Investors Service España, S.A. ("Moody's") intervenes as credit rating agency of the Bonds.

Moody's is a Spanish stock company and subsidiary of the credit rating agency Moody's Investors Service, having its registered offices in Madrid, at Bárbara de Braganza, 2, holder of Tax number A-80448475.

- f) Standard & Poor's España, S.A. ("Standard & Poor's") intervenes as credit rating agency of the Bonds.

Standard & Poor's is a Spanish stock company and subsidiary of the credit rating agency Standard & Poor's Limited, having its registered offices in Madrid, at Marqués de Villamejor, 5, holder of Tax Identification Code number A-90310824.

- g) Deloitte, S.L. intervenes as auditor of the Management Company and the Bank. Furthermore, it will prepare an Auditors' Report on the portfolio of the Loans that will comprise the Fund and such company has been appointed Auditors of the Fund.

Deloitte, S.L. has its registered offices in Madrid, at Torre Picasso, Plaza Pablo Ruiz Picasso, s/n, holder of Tax Identification Code number B-79104469, registered with the Official Registry of Certified Public Accountants (*Registro Oficial de Auditores de Cuentas; R.O.A.C.*) under number S0692, as registered with the Mercantile Registry of Madrid, under Volume 3190, Section 8, Folio 1, Page M-54.414, 1st registration entry.

- h) CUATRECASAS ABOGADOS, S.R.L. intervenes as legal adviser with respect to the structure of the operation.

CUATRECASAS ABOGADOS, S.R.L. is a limited liability company incorporated in Spain, with tax code B-59942110, and head offices at Paseo de Gracia, 111, 08008 Barcelona and recorded in the Company Register of Barcelona in Volume 37,673, Folio 30, Section 8, Page 23850.

For the purpose of article 4 of the Spanish Securities Market Act, BANCO SANTANDER, S.A. and SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. form part of the SANTANDER GROUP, of which BANCO SANTANDER, S.A. is the dominant entity.

There is no knowledge of the existence of any other relationship involving direct or indirect ownership or control between the aforesaid legal entities participating in the securitization program.

6. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES OF THE MANAGEMENT COMPANY

6.1 Corporate bodies of the Management Company

In accordance with Royal Decree 926/1998, Asset Securitization Funds lack separate legal status. The Securitization Fund Management Companies are entrusted with the constitution, administration and legal representation thereof, as well as the representation and defense of the interest of the holders of the securities issued against the funds they administer and of the remaining ordinary creditors thereof.

By virtue of the foregoing, this section details the information relating to SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A., in its capacity as the Management Company that is incorporating, administering and representing the securitization fund FONDO DE TITULIZACIÓN DE ACTIVOS, SANTANDER HIPOTECARIO 4.

a) Name and business address.

Corporate name: SANTANDER DE TITULIZACION, SOCIEDAD GESTORA DE FONDOS DE TITULIZACION, S.A.

Business address: Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte (Madrid).

Tax Identification Code number A-80481419

C.N.A.E.: 8199

b) Incorporation and registration with Mercantile Registry, as well as information relating to administrative authorizations and registration with the Comisión Nacional del Mercado de Valores (*Spanish Securities Market Commission*).

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. was incorporated by public deed executed on December 21, 1992 before Madrid Notary Public Francisco Mata Pallarés, under number 1310 of his official record, with the prior authorization of the Ministry of Economy and Finance awarded on December 1, 1992. It is registered with the Mercantile Registry of Madrid, under Volume 4789, Folio 75, Page M-78658, 1st registration entry. Furthermore, it is registered with the special registry of the CNMV, under number 1.

In addition, the Management Company amended its Bylaws by resolution of its Board of Directors adopted on June 15, 1998, as formalized in a public deed authorized by Madrid Notary Public Roberto Parejo Gamir on July 20, 1998, under number 3070 of his official record, in order to adapt to the requisites established for Asset Securitization Fund Management Companies by Royal Decree 926/1998. Such amendment was authorized by the Ministry of Economy and Finance on July 16, 1998, in accordance with the provisions of the Sole Transitional Provision of the aforesaid Royal Decree 926/1998.

The duration of the Management Company is indefinite, except for the occurrence of any of the causes where the legal and statutory provisions, as the case may be, may call for dissolution.

6.2. Principal activities.

As required by law, article two of the Management Company's Corporate Bylaws establishes that: "the company shall have as its exclusive purpose the constitution, administration and legal representation of Mortgage Securitization Funds in the terms of article six of Law 19/1992, of July 7, on the Scheme of Real Estate Investment Companies and Funds and on Mortgage Securitization Funds and Asset Securitization Funds, in accordance with the provisions of article 12, point 1, of Royal Decree 926/1998, of May 14, regulating Asset Securitization Funds and Securitization Fund Management Companies. As a manager of third party businesses, it is responsible for the representation and defense of the interest of the holders of the securities issued against the Funds it administers and of the remaining ordinary creditors thereof, as well as the implementation of the further duties attributed to Securitization Fund management companies by current law in force."

The total asset managed by the Management Company is the following on July 31, 2007:

MORTGAGE SECURITISATION FUNDS						
FUNDS	SERIES	OUTSTANDING BALANCE	INTEREST RATE PER CLASS	RATING AGENCIES	DATE OF INCORPORATION	INITIAL BALANCE
FTH HIPOTEBANSA VI	Series A	29,200,641,87 €	Libor 3M + 0.12%	S&P España / Moody´s España	27/10/1997	262,942,795,67 €
	Series B	2,920,641,87 €	Libor 3M + 0.50%			
	Total	32,121,283,74 €				
FTH HIPOTEBANSA VII	Series A	54,257,301,90 €	Libor 3M + 0.15%	S&P España / Moody´s España	5/5/1998	317,334,391,12 €
	Series B	5,425,730,25 €	Libor 3M + 0.525%			
	Total	59,683,032,15 €				
FTH UCI 4	Series A	24,797,145,82 €	Libor 3M + 0.16%	S&P España	25/6/1998	180,303,631,32 €
	Series B	2,479,714,54 €	Libor 3M + 0.575%			
	Total	27,276,860,36 €				
FTH HIPOTEBANSA VIII	Series A	64,304,037,74 €	Libor 3M + 0.27%	Fitch IBCA / Moody´s España	17/12/1998	328,302,862,02 €
	Series B	6,430,402,92 €	Libor 3M + 0.800%			
	Total	70,734,440,66 €				
FTH UCI 5	Series A	49,897,925,00 €	Euribor 3M + 0.23%	Moody´s España	3/6/1999	265,000,000,00 €
	Series B	3,991,833,60 €	Euribor 3M + 0.625%			
	Total	59,075,689,60 €				
FTH BANESTO 1	Series A	119,144,927,76 €	Euribor 3M + 0.23%	Moody´s España	29/7/1999	759,000,000,00 €
	Series B	9,531,596,62 €	Euribor 3M + 0.625%			
	Total	146,459,288,20 €				
FTH HIPOTEBANSA IX	Series A	128,061,177,72 €	Euribor 3M + 0.27%	Fitch IBCA / Moody´s España	10/11/1999	519,200,000,00 €
	Series B	12,806,115,00 €	Euribor 3M + 0.75%			
	Total	140,867,292,72 €				
FTH BANESTO 2	Series A	174,354,582,00 €	Euribor 3M + 0.27%	Moody´s España	8/5/2000	715,000,000,00 €
	Series B	12,204,822,50 €	Euribor 3M + 0.625%			
	Total	207,140,104,00 €				
FTH BANESTO 3	Series A	175,309,216,34 €	Euribor 3M + 0.23%	Moody´s España	16/7/2001	545,000,000,00 €
	Series B	17,530,920,75 €	Euribor 3M + 0.60%			
	Total	192,840,137,09 €				
FTH BANESTO 4	Series A	792,627,546,00 €	Euribor 3M + 0.20%	S&P España	15/11/2003	1,500,001,867,69 €
	Series B	45,000,000,00 €	Euribor 3M + 0.65%			
	Total	837,627,546,00 €				
FTH UCI 10	Series A	319,443,833,80 €	Euribor 3M + 0.16%	S&P España	14/5/2004	700,000,000,00 €
	Series B	20,390,034,00 €	Euribor 3M + 0.50%			
	Total	383,268,974,90 €				
FTH UCI 12	Series A	578,146,630,40 €	Euribor 3M + 0.15%	S&P España	30/5/2005	900,000,000,00 €
	Series B	9,000,000,00 €	Euribor 3M + 0.27%			
	Series C	23,800,000,00 €	Euribor 3M + 0.60%			
	Total	610,946,630,40 €				
TOTAL FTH		2,768,041,279,82 €				6,992,085,547,82 €

ASSETS SECURITISATION FUNDS						
FUNDS	SERIES	OUTSTANDING BALANCE	INTEREST RATE PER CLASS	RATING AGENCIES	DATE OF INCORPORATION	INITIAL BALANCE
FTA SANTANDER 1	Pag. Intern	4,353,992,495,00		S&P España / Moody´s España	26/11/1998	1,202,024,208,77 €
	Pag. Nac.	466,500,000,00				
	Total	4,820,492,495,00 €				
FTA UCI 6	Series A	97,661,432,34	Euribor 3M + 0.295%	Moody´s España	19/6/2000	457,000,000,00 €
	Series B	8,594,204,64	Euribor 3M + 0.775%			
	Total	106,255,636,98 €				
FTA UCI 7	Series A	121,754,131,92	Euribor 3M + 0.250%	S&P España / Moody´s España	25/10/2001	455,000,000,00 €
	Series B	8,522,788,08	Euribor 3M + 0.700%			
	Total	130,276,920,00 €				
FTA HIPOTEBANSA X	Series A	339,455,975,43	Euribor 3M + 0.21%	S&P España / Moody´s España	4/3/2002	917,000,000,00 €
	Series B	18,300,000,00	Euribor 3M + 0.55%			
	Total	383,268,974,90 €				
FTA FTPYME BANESTO 1	SERIES A1(G)	0,00	€ Euribor 3M + 0.01%	Fitch IBCA / Moody´s España	11/6/2002	500,000,000,00 €
	SERIES A1	0,00	€ Euribor 3M + 0.35%			
	SERIES A2(G)	0,00	€ Euribor 3M + 0.04%			
	SERIES A2	0,00	€ Euribor 3M + 0.38%			
	SERIES A3(G)	166,700,000,00	Euribor 3M + 0.07%			
	SERIES A3	41,700,000,00	Euribor 3M + 0.48%			
	SERIES B(G)	1,468,663,50	Euribor 3M + 0.20%			
	SERIES B	1,468,663,50	Euribor 3M + 0.90%			
	SERIES C	1,958,218,00	Euribor 3M + 1.80%			
Total	213,295,545,00 €					
FTA UCI 8	Series A	158,552,356,38	Euribor 3M + 0.220%	S&P España / Moody´s España	24/6/2002	600,000,000,00 €
	Series B	10,464,456,42	Euribor 3M + 0.600%			
	Total	169,016,812,80 €				
FTA HIPOTEBANSA 11	Series A	483,942,649,44	Euribor 3M + 0.24%	S&P España / Moody´s España	26/11/2002	1,062,000,000,00 €
	Series B	21,200,000,00	Euribor 3M + 0.45%			
	Total	550,497,695,12 €				
SANTANDER CONSUMER FINANCE SPAIN 02-1 FTA	Series A	228,760,493,20	Euribor 3M + 0.30%	Fitch / Moody´s España / S&P	9/12/2002	850,000,000,00 €
	Series B	14,790,257,55	Euribor 3M + 0.60%			
	Total	243,550,750,75 €				
FTA CONSUMO SANTANDER	Series A	114,133,406,40	Euribor 3M + 0.25%	S&P España / Moody´s España	4/3/2003	1,080,000,000,00 €
	Series B	37,800,000,00	Euribor 3M + 0.43%			
	Series C	35,100,000,00	Euribor 3M + 0.73%			
	Series D	35,100,000,00	Euribor 3M + 1.40%			
	Total	222,133,406,40 €				
FTA UCI 9	Series A	422,304,730,47	Euribor 3M + 0.265%	S&P España / Moody´s España	16/6/2003	1,250,000,000,00 €
	Series B	31,315,942,25	Euribor 3M + 0.65 %			
	Series C	6,907,928,40	Euribor 3M + 1.20 %			
	Total	460,528,601,12 €				
FTA FTPYME SANTANDER 1	Series A	443,099,287,89	Euribor 3M + 0.25%	Fitch / Moody´s España	24/9/2003	1,800,000,000,00 €
	Series B1(G)	537,100,000,00	Euribor 3M + 0.00%			
	Series B2	134,300,000,00	Euribor 3M + 0.40%			
	Series C	27,000,000,00	Euribor 3M + 0.90%			
	Series D	87,300,000,00	Euribor 3M + 1.80%			
	Total	1,228,799,287,89 €				
FTA SANTANDER HIPOTECARIO 1	Series A	1,036,136,774,40	Euribor 3M + 0.18%	S&P España / Moody´s España	11/6/2004	1,875,000,000,00 €
	Series B	53,400,000,00	Euribor 3M + 0.30%			
	Series C	46,900,000,00	Euribor 3M + 0.50%			
	Series D	56,300,000,00	Euribor 3M + 0.95%			
	Total	1,192,736,774,40 €				
FTA FTPYME SANTANDER 2	Series A	650,133,502,20	Euribor 3M + 0.20%	S&P España	21/10/2004	1,850,000,000,00 €
	Series B	197,659,636,20	Euribor 3M + 0.00%			
	Series C	81,000,000,00	Euribor 3M + 0.30%			
	Series D	58,500,000,00	Euribor 3M + 0.70%			
	Series E	58,500,000,00	Euribor 3M + 1.50%			
	Total	1,045,793,138,40 €				
FTA UCI 11	Series A	441,377,378,40	Euribor 3M + 0.14%	S&P España	17/11/2004	850,000,000,00 €
	Series B	6,000,000,00	Euribor 3M + 0.33%			
	Series C	22,900,000,00	Euribor 3M + 0.75%			
	Total	470,277,378,40 €				

ASSETS SECURITISATION FUNDS						
FUNDS	SERIES	OUTSTANDING BALANCE	INTEREST RATE PER CLASS	RATING AGENCIES	DATE OF INCORPORATION	INITIAL BALANCE
FTA SANTANDER PUBLICO 1	Series A	1,204,220,344,60	Euribor 3M+ 0.039%	Fitch / Moody´s España	17/12/2004	1,850,000,000,00 €
	Series B	37,000,000,00	Euribor 3M+ 0.30%			
	Total	1,241,220,344,60 €				
FTA SANTANDER AUTO 1	Sole Series	913,907,226,20	Euribor 3M + 0.059%	S&P España	7/4/2005	1,598,000,000,00 €
	Total	913,907,226,20 €				
FTA SANTANDER EMPRESAS 1	Series A1	595,357,901,60	Euribor 3M + 0.02%	S&P España / Fitch España	27/10/2005	3,100,000,000,00 €
	Series A2	1,240,000,000,00	Euribor 3M + 0.12%			
	Series B	80,600,000,00	Euribor 3M + 0.21%			
	Series C	96,100,000,00	Euribor 3M + 0.29%			
	Series D	170,500,000,00	Euribor 3M + 0.59%			
	Total	2,182,557,901,60 €				
FTA UCI 14	Series A	1,113,933,282,50	Euribor 3M + 0.15%	S&P España / Fitch España	30/11/2005	1,350,000,000,00 €
	Series B	34,100,000,00	Euribor 3M + 0.29%			
	Series C	38,400,000,00	Euribor 3M + 0.58%			
	Total	1,186,433,282,50 €				
FTA UCI 15	Series A	1,168,746,609,16	Euribor 3M + 0.14%	S&P España / Fitch España	28/4/2006	1,430,000,010,22 €
	Series B	32,900,000,00	Euribor 3M + 0.27%			
	Series C	56,500,000,00	Euribor 3M + 0.53%			
	Series D	21,600,000,00	Euribor 3M + 0.58%			
	Total	1,279,746,609,16 €				
FTA SANTANDER HIPOTECARIO 2	Series A	1,670,052,651,75	Euribor 3M + 0.15%	S&P España / Moody´s España	30/6/2006	1,823,552,651,75 €
	Series B	51,800,000,00	Euribor 3M + 0.20%			
	Series C	32,300,000,00	Euribor 3M + 0.30%			
	Series D	49,800,000,00	Euribor 3M + 0.55%			
	Series E	19,600,000,00	Euribor 3M + 2.10%			
	Series F	17,600,000,00	Euribor 3M + 1.00%			
	Total	1,841,152,651,75 €				
FTA SANTANDER CONSUMER SPAIN AUTO 06	Series A	1,282,500,000,00	Euribor 3M + 0.15%	S&P España / Fitch España	10/10/2006	1,350,000,000,00 €
	Series B	22,300,000,00	Euribor 3M + 0.20%			
	Series C	22,300,000,00	Euribor 3M + 0.30%			
	Series D	22,900,000,00	Euribor 3M + 0.55%			
	Series E	10,200,000,00	Euribor 3M + 2.10%			
	Total	1,360,200,000,00 €				
FTA UCI 16	Series A1	430,000,000,00	Euribor 3M + 0.15%	S&P España / Fitch España	18/10/2006	1,800,000,000,00 €
	Series A2	1,247,600,000,00	Euribor 3M + 0.20%			
	Series B	72,000,000,00	Euribor 3M + 0.30%			
	Series C	41,400,000,00	Euribor 3M + 0.55%			
	Series D	9,000,000,00	Euribor 3M + 2.10%			
	Total	1,800,000,000,00 €				
FTPME BANESTO 2	Series A1	400,000,000,00 €	Euribor 3M +	S&P España / Moody´s España Fitch España		1,000,000,000,00 €
	Series A2	541,700,000,00 €	Euribor 3M +			
	Series B	24,300,000,00 €	Euribor 3M +			
	Series C	34,000,000,00 €	Euribor 3M +			
	Total	2,800,000,000,00 €				
FTA FINANCIACION 1	Series A	1,738,500,000,00	Euribor 3M + 0.15%	S&P España / Moody´s España	14/12/2006	1,900,000,000,00 €
	Series B	25,700,000,00	Euribor 3M + 0.20%			
	Series C	61,700,000,00	Euribor 3M + 0.30%			
	Series D	47,500,000,00	Euribor 3M + 0.55%			
	Series E	26,600,000,00	Euribor 3M + 2.10%			
	Series F	14,300,000,00	Euribor 3M + 1.00%			
	Total	1,914,300,000,00 €				
FTA SANTANDER EMPRESAS 2	Series A1	1,300,100,000,00	Euribor 3M + 0.05%	Fitch España/ Moody´s España	14/12/2006	2,900,000,000,00 €
	Series A2	1,365,000,000,00	Euribor 3M + 0.16%			
	Series B	84,100,000,00	Euribor 3M + 0.22%			
	Series C	62,300,000,00	Euribor 3M + 0.32%			
	Series D	59,500,000,00	Euribor 3M + 0.55%			
	Series E	29,000,000,00	Euribor 3M + 2.10%			
	Series F	53,700,000,00	Euribor 3M + 0.50%			
	Total	2,953,700,000,00 €				
TOTAL FTA		30,710,141,432,97 €				34,849,576,870,74 €
TOTAL (FTH+FTA)		33,478,182,712,79 €				41,841,662,418,56 €

6.3 Share Capital

a) Par value subscribed and paid-in:

The Management Company's share capital is nine hundred one thousand, six hundred fifty (901,650) euros, represented by fifteen thousand (15,000) registered shares each having a par value of sixty euros and eleven cents (60.11), consecutively numbered from one (1) through fifteen thousand (15,000), both inclusive, all of which are fully subscribed and paid-in.

b) Classes of Shares:

All of the shares are of the same class and vest identical political and economic rights.

6.4 Corporate bodies.

The governance and administration of the Management Company are entrusted by the bylaws to the General Shareholders' Meeting and to the Board of Directors. Their competencies and authorities are those vested in said bodies in accordance with the provisions of the Spanish Corporations Law (*Ley de Sociedades Anónimas*), Law 19/1992 and Royal Decree 926/1998, in relation to the corporate purpose.

a) Directors

The Board of Directors is formed by the following persons:

Chairman: José Antonio Alvarez Alvarez

Directors: Ana Bolado Valle

Emilio Osuna Heredia

Santos González Sánchez

Ignacio Ortega Gavara

Marcelo Alejandro Castro

Eduardo García Arroyo

Francisco Pérez Mansilla

Fermín Colomé Graell and

José Antonio Soler Ramos

Secretary/Non-Director: María José Olmedilla González

b) General Management

The Manager's General Management Company is Mr. Ignacio Ortega Gavara.

6.5 The most relevant external activities of the persons mentioned in section 6.4 above if these are important to the Fund.

The most relevant external activities carried out by the persons mentioned in this section are described below:

Name	Post in the Bank	Company which the activity is provided in	Post or functions which are held or carried out in the company mentioned
Emilio Osuna Heredia	Manager of Coordination SGC (Santander Global Connect)	AIAF, Mercado de Renta Fija	Director
Fermín Colomé Graell	Manager of Coordination SGC (Santander Global Connect)	Open Bank Santander Consumer, S.A.	Director
		Geoban S.A.	President
		Sercoban S.A.	President
Ana Bolado Valle	Manager of Executive Resource Management BS	-----	-----
Santos González Sánchez	Manager of Mortgage Business BS	Hipotecansa , EFC	Director and General Manager.
Francisco Pérez Mansilla	Manager of Companies and SME's BS	Santander Central Hispano Lease, SA, EFC	Director
		Santander Central Hispano Multileasing, S.A., EFC	Director
		Santander Central Hispano, Factoring y Confirming, S.A., EFC	Director
Eduardo García Arroyo	Manager of Transactions Technology Santander Consumer Finance	Ingeniería de Software bancario, S.L.	Director
Marcelo Alejandro Castro	Treasurer for Europe BS	MEFF, Mercados Españoles Futuros Financieros	Director
		Holding Mercados S.A.	Director
José Antonio Álvarez Álvarez	General Financial Manager BS	Santander Consumer Finance	Director
José Antonio Soler Ramos	Manager of Financial Management BS	Santander Comercial Paper SAU	President
		Santander Perpetual SAU	President
		Santander US Debt SAU	President
		Santander Finance Preferred SAU	Director and President
		Santander Issuances SAU	Director and President
		Santander International Debt SAU	Director and President
		Santander Finance Capital SAU	Director and President

The persons mentioned in this section 6.1.e) are not holders, directly or indirectly, of any share, convertible bond or other securities which confer upon their titleholder a right to acquire shares of the Management Company.

The business address for all persons mentioned in this section 6.1.e) is as follows:

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

Ciudad Grupo Santander

Avenida de Cantabria s/n
28660 Boadilla del Monte (Madrid)

6.6 Lenders of the Management Company (more than ten per cent (10%).

The Management Company has not received any loan or credit facility from any person or entity. The long and short-term debts that appear in the balance sheet attached hereto, are tax debts owed to the Bank in view of the tax consolidation system between the Management Company and the Bank.

6.7 Significant litigation and disputes.

As at the verification date of this Prospectus, the Management Company is not subject to any insolvency-related situation and no significant litigation or disputes exist which may affect its economic-financial position or, in the future, its capacity to carry out the duties of management and administration of the Fund as contemplated in this Prospectus.

6.8 Financial information concerning the Management Company.

The annual accounts of the Management Company corresponding to the 2004, 2005 and 2006 fiscal years were audited by Deloitte, S.L. and deposited in the Mercantile Register of Madrid. The auditor's report corresponding to each one of these annual accounts contained no provisions.

The Management Company will carry out the accounting of the Fund according to the General Accounting Plan approved by Royal Decree 1643/1990, December 20.

The balance sheet and statement of income for fiscal years 2005, 2006 and the first quarter of 2007 are detailed below:

Balance sheet at December 31, 2005 and 2006 and the first half of 2007 (000 euros)

ASSETS			1 st half 2007
FIXED ASSETS::			
Intangible assets			
Material assets	6	7	5
Fixed Assets Total	107	165	116
	113	172	121
ASSETS CURRENT:			
Obligors			
Loans to employees	178	209	131
Other obligors	89	130	102
Temporary financial investments	89	79	29
Cash	-	-	-
Adjustments for periodization	10,307	11,623	15,188
Assets Current Total	821	967	888
ASSETS TOTAL	11,306	12,590	16,076

LIABILITIES			1 st half 2007
SHAREHOLDER'S FUNDS:	902	902	902
Subscribed capital	1,160	182	182
Reserves	3,298	3,768	2,225
Trading results	-	-	3,768
Active interim dividend	5,360	4,852	7,076
Shareholder's Funds total			
LONG-TERM CREDITORS	4,068	5,858	5,877
Debts with Group companies	4,068	5,858	5,877
SHORT-TERM CREDITORS	41	40	33
Public finance (Hacienda Pública)	14	27	11
Other debts	1,782	2,035	3,235
Debts with Group Companies	154	158	96
Adjustments for periodization	1,991	2,261	3,375
Short term creditors Total	11,419	12,971	16,328
LIABILITIES TOTAL	902	902	902

Profit and Loss Accounts of the years 2005, 2006 and first half of 2007 ended December 31 (000 euros).

DEBTOR			1st half 2007
EXPENSES:			
Personnel Costs			
Wages, salaries and similar	880	867	421
Social expenses	137	137	63
Other personnel expenses	21	27	12
	1,038	1,031	496
Allocation for fixed assets amortization	145	82	50
Other exploitation expenses			
External Services	84	119	14
Taxes	2	9	-
Other ordinary management expenses	147	149	63
	233	277	77
Exploitation profits	5,002	5,597	3,213
Financial and similar expenses	-	-	-
Positive trading profits	83	215	211
Ordinary activities profits	5,085	5,812	3,424
Extraordinary expenses	10	-	-
Positive extraordinary outcomes	-	-	-
Profits prior Taxes	5,080	5,803	3,424
Corporate Tax	1,782	2,035	1,199
Outcome of business year (profit)	3,298	3,768	2,225

CREDITOR			1st half 2007
REVENUES:			
Revenues Net amount			
Rendering of services	6,418	6,986	3,836
Other interests and similar revenue	44	83	215
Extraordinary revenue	-	5	-
Negative extraordinary results	1	5	

7. MAJOR SHAREHOLDERS OF THE MANAGEMENT COMPANY

- a) The title to the Management Company's shares is distributed between the companies listed below, indicating the stake in the Management Company's share capital owned by each one of them:

SHAREHOLDERS	% SHARE CAPITAL
Santander Investment , S.A.	19%
Banco Santander, S.A.	81%

- b) **Description of nature of such control and measures in place to ensure that such control is not abused.**

For the purpose of article 4 of the Spanish Securities Market Act, SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. forms part of the SANTANDER GROUP.

In order to ensure the absence of abuses of control on the part of the Bank on the Management Company, the Management Company approved Internal Rules of Conduct in application of the provisions of Chapter II of Royal Decree 629/1993, of May 3, on rules of conduct in the securities markets and obligatory records, which were reported to the CNMV.

8. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFITS AND LOSSES

8.1 Declaration concerning the commencement of operations and the financial statements of the Issuer prior to the Registration Document Date.

The Management Company declares that, as at the registry date of this Registration Document, the Fund has not yet been incorporated and, therefore, its operations have not begun and no financial statement in respect thereof has been prepared.

8.2 Historical Financial Information.

Not applicable.

8.2 bis This paragraph may be used only for issues of asset backed securities having a denomination per unit of at least EUR 50,000.

Not applicable.

8.3 Legal and arbitration proceedings

Not applicable.

8.4 Material adverse change in the Issuer's financial position

Not applicable

9. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

9.1 Statement or report attributed to a person as an expert.

No declaration or report of any person as an expert is included.

9.2 Information sourced from a third party.

No information from third parties is included.

10. DOCUMENTS ON DISPLAY

The following documents (or copies thereof) will be available to the public during the term of this Registration Document:

- (a) **The Corporate Bylaws and deed of incorporation of the Management Company.**
- (b) **This Prospectus.**
- (c) **The Deed of Constitution of the Fund.**
- (d) **The Subordinated Loan Agreement, Swap Agreement, Guaranteed Rate Reinvestment Agreement and Management, Insurance and Placement Agreement.**
- (e) **Auditors' Report on the portfolio of Loans** granted by the Bank, from which the Assets which are the object of assignment to the Fund shall be taken, as prepared by the firm Deloitte, S.L.
- (f) **Certification of the resolution of the Bank's Executive Committee** meeting of August 6th, 2007, at which it was resolved to carry out the assignment of the Assets to the Fund, and **the certification of the resolution of the Management Company's Board of Directors** meeting of July 23rd, 2007, at which the following matters, *inter alia*, were resolved: the constitution of the Fund, the acquisition by the Fund of the Assets assigned by the Bank, and the issue of the Bonds against the Fund;
- (g) **The letters disclosing the provisional ratings and the letters disclosing the definitive ratings** on the part of Fitch, Standard & Poor's España, S.A. and Moody's.
- (h) **The Annual Financial Statements and auditors' report of the Management Company.**

A copy of all of the above documents may be inspected at the registered offices of the Management Company.

In addition, a copy of all documents mentioned in the above sections except for those contained in section a), d) and h) may be inspected at the CNMV, at Paseo de la Castellana 19, Madrid.

A copy of the Prospectus will be available to the public on the CNMV's webpage (www.cnmv.es), AIAF's webpage (www.aiaf.es).

The Deed of Constitution will be available to the public in Iberclear.

SECURITIES NOTE

This Securities Note was prepared in accordance with Annex XIII of Regulation (EC) No. 809/2004 and was approved by the Comisión Nacional del Mercado de Valores (*Spanish Securities Market Commission*) on September 27th, 2007.

1. PERSONS RESPONSIBLE

1.1 Persons responsible for the information appearing in the Securities Note and in the Additional Building Block.

MR. IGNACIO ORTEGA GAVARA, acting in his capacity as General Manager, of SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A., having its registered offices at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660, Boadilla del Monte (Madrid), assumes responsibility for the information contained in this Securities Note and in the Additional Building Block.

MR. IGNACIO ORTEGA GAVARA, acts in the exercise of the powers conferred upon him by the Board of Directors of the Management Company during its meeting held on July 23rd, 2007.

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is the promoter of the securitization fund FONDO DE TITULIZACIÓN DE ACTIVOS, SANTANDER HIPOTECARIO 4 and shall be responsible for the administration and legal representation thereof.

1.2 Declaration by those responsible for the Securities Note and for the Additional Building Block.

MR. IGNACIO ORTEGA GAVARA, having taken all reasonable care to ensure that such is the case, the information given in the Securities Note and in the Additional Building Block is, to the best of his knowledge, in accordance with the facts and does not omit anything likely to affect its contents.

2. RISK FACTORS

The risk factors specific to the Assets backing the issue and to the securities are those respectively described under sections II and III of the document included at the beginning of this Prospectus entitled “RISK FACTORS”.

3. KEY INFORMATION

3.1 Interest of natural and legal persons involved in the issue.

The natural and legal persons involved in the issue are:

- a) SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. intervenes as the Fund’s Management Company and as legal and financial adviser to the operation’s structure.
- b) BANCO SANTANDER, S.A. intervenes as the Assignor of the Assets, as Underwriter, as Lead Manager of the Bond issue, as Paying Agent and as counterpart of the Fund in the Subordinated Loan Agreement, the Swap Agreement and the Guaranteed Rate Reinvestment Agreement.
- c) ABN AMRO intervenes as Lead Manager of the Bond issue.
- d) Fitch intervenes as Rating Agency of the Bonds.
- e) Moody’s intervenes as Rating Agency of the Bonds.
- f) Standard & Poor’s intervenes as Rating Agency of the Bonds.

- g) Deloitte S.L. intervenes as auditor of the Management Company and the Bank. Furthermore, it has prepared an audit report on the portfolio of the Loans and it has been appointed as auditor of the Fund.
- h) CUATRECASAS ABOGADOS, S.R.L. intervenes as legal adviser with respect to the structure of the operation.

Said persons have no interest, including conflicting ones, that is material to the issue, except as specifically described in the Registration Document.

3.2 Purpose of the operation.

The Bond issue is fully intended for the acquisition of the Mortgage Transfer Certificates pooled in the Fund and for the provision of the Initial Reserve Fund in the case of Series F Bonds.

4. INFORMATION CONCERNING THE SECURITIES TO BE OFFERED AND ADMITTED TO TRADING

4.1 Total amount of the securities

a) Total issue amount.

The total amount of the Bonds being issued is ONE BILLION, TWO HUNDRED AND FORTY-FOUR THOUSAND, EIGHT HUNDRED EUROS (€1,244,800,000), which represents 100% of the par value of the Bonds, fully underwritten and represented by twelve thousand, four hundred and forty-eight (12,448) Bonds of a par value of ONE HUNDRED THOUSAND EUROS (€100,000) each, distributed in eight (8) Series of Bonds (A1, A2, A3, B, C, D, E and F), each having the following total par value:

Series A1: a total par value of one hundred and eighty-four million, three hundred thousand euros (€184,300,000), represented by one thousand, eight hundred forty-three (1,843) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000);

Series A2 a total par value of six hundred and sixty-one million, nine hundred thousand euros (€661,900,000), represented by six thousand, six hundred and nineteen (6,619) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000);

Series A3: a total par value of two hundred and seventy-eight thousand euros (€278,000,000), represented by two thousand, seven hundred and eighty (2,780) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000);

Series B: a total par value of twenty million, nine hundred thousand euros (€20,900,000), represented by two hundred and nine (209) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000);

Series C: a total par value of thirty million, seven hundred thousand euros (€30,700,000), represented by three hundred and seven (307) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000);

Series D a total par value of twenty-seven million, one hundred thousand euros (€27,100,000), represented by two hundred and seventy-one (271) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000);

Series E: a total par value of twenty-seven million, one hundred thousand euros (€27,100,000), represented by two hundred and seventy-one (271) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000); and

Series F: a total par value of fourteen million, eight hundred thousand euros (€14,800,000), represented by one hundred and forty-eight (148) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000).

b) Underwriting and Placement.

The Bank, initially the only Underwriters, shall place all the Bonds among institutional investors. Additionally, the Bank, and the new underwriters as follows, will assume the obligations contained in the Management and Subscription Agreement.

As payment for the commitment assumed by the Underwriter, it will receive an underwritten and placement commission, which is included within the initial expenses of the Fund. This commission will be received as the Bonds are effectively placed among the investors. If the Bonds were not placed among investors, the Underwriters will receive no commission. The underwriting commissions are estimated at eight hundred and sixty-nine thousand, six hundred and ten EUROS (€869,610).

The sole cause for termination established in the Management and Subscription Agreement is the failure to confirm the provisional ratings of the Bonds as being definitive prior to the commencement of the Subscription Period.

The commitment of the Bank, as the Underwriter with regard to its participation in underwriting the placement of the Bonds, which will be stated in the Management and Subscription Agreement, is as follows:

	<u>Underwriter</u>	<u>TOTAL</u>
	<u>Banco Santander</u> <u>S.A.</u>	
Series A1 Bonds	184,300,000.00	184,300,000.00
Series A2 Bonds	661,900,000.00	661,900,000.00
Series A3 Bonds	278,000,000.00	278,000,000.00
Series B Bonds	20,900,000.00	20,900,000.00
Series C Bonds	30,700,000.00	30,700,000.00
Series D Bonds	27,100,000.00	27,100,000.00
Series E Bonds	27,100,000.00	27,100,000.00
Series F Bonds	14,800,000.00	14,800,000.00

The Bank, and ABN AMRO, in their capacity as Lead Managers of the issue, act in that capacity according to the terms detailed in section 5.2 of the Registration Document, and will not charge any commission for this concept.

Following the Constitution Date of the Fund del and prior to the end of the Subscription Period, the Bank may grant part of its insurance commitment to new insurance entities, which in any case will mean that 100% of the issue is insured, in which case this must be reported to the Management Company, which will proceed to modify the amounts of the commitments previously acquired by the Bank indicated in the above table, in accordance with the procedure established in the Management and Subscription Agreement of the issue.

The new insurance entities will enjoy the same rights and obligations as the Bank by means of the express, full, reserve and condition-free adhesion to all the terms and conditions of the Management and Subscription Agreement. In any case, the new insurance entities will be obliged to underwrite all of the Bonds corresponding to their assurance, and therefore, the Bank is released of the obligation to subscribe to these Bonds.

The inclusion of new insurance entities may not increase the cost for the Fund in any way, or modify the rights and obligations derived for the Fund from the Deed of Constitution thereof and the rest of the agreements that affect it, in particular of the Management and Agreement. In any case, the inclusion of new insurance entities and the distribution of the amounts of the restive insurance agreements will be reported to the CNMV to be made available to the public, the amounts being modified of the respective insurance commitments reflected in the above table.

If the Bank should decide to grant part of its insurance commitment, before the end of the Subscription Period, it will send the Management Company the letters of adhesions of the new insurance entities.

The disbursement of the Bonds in any case will be at the issue price of one hundred percent (100%) of the unit nominal.

4.2 Description of type and class of securities.

The Bonds will have the legal nature of fixed income negotiable securities with explicit return, and are subject to the scheme stipulated in the Law on the Stock Market and its implementation rules and are issued under Royal Decree 926/1998.

4.3 Legislation of the securities.

The Bonds are issued in accordance with the Spanish legislation applicable to the Fund and to the Bonds. The Bonds are specifically issued in accordance with (i) the Deed of Constitution, (ii) Royal Decree 926/1998 and regulations for its implementation, (iii) Royal Decree 1310/2005, (iv) Law 19/1992, for all not provided in Royal Decree 926/1998 and if applicable, (v) the Securities' Market Law, (vi) Order

EHA/3537/2005, and (vii) the other legal and regulatory provisions applicable at each moment..

This Securities Note was drafted following the model stipulated in Regulation (EC) no. 809/2004.

4.4 Representation of the securities.

The Bonds will be represented by book entries in accordance with the stipulations of Royal Decree 926/1998, will be constituted as such by virtue of their corresponding accounts registry. The Deed of Constitution will give rise to the effects stipulated in article 6 of the Law on the Stock Market, according to section 9 article 5th of Law 19/1992.

The Bondholders will be identified as such (in their own names or by third parties) as recorded in the accounting register kept by the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) (*Manager of the Securities Registration, Compensation and Settlement Systems*), whose address is in Madrid, at Plaza de la Lealtad, 1, which will be designated as the entity in charge of the accounting registry of the Bonds in the Deed of Constitution of the Fund so that the compensation and settlement of the Bonds will be made in accordance with the rulings regarding securities admitted to trading in the AIAF Fixed Income Market, and represented by the book entries established or which might be approved in the future by Iberclear.

4.5 Currency of the issue.

The Bonds shall be denominated in EUROS.

4.6 Order of Priority of Payments.

The Management Company, on behalf of the Fund, shall proceed to apply at each Payment Date the amount of the Available Funds towards the relevant payments and withholding, as per the Order of Priority of Payments described under section 3.4.6.(b) of the Additional Building Block which, as regards the payment of interest and principal on the Bonds may be summarized as follows, without prejudice to the Order of Priority of Liquidation Payments described under section 3.4.6. d) of the Addition Building Block.

4.6.1 Simple mention to the place held by the interest in the order of priority of payments of the Fund:

The payment of interest accrued on the Series A1, A2 and A3 Bonds holds (i) third (3rd) place in the Order of Priority of Payments, described in section 3.4.6(b) of the Additional Building Block and (ii) third (3rd) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of the Additional Building Block.

The payment of interest accrued on the Series B Bonds holds (i) fourth (4th) place in the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block, unless the situation set forth in section 3.4.6.(c) of the Additional Building Block occurs, in which case the payment of interest accrued will hold ninth (9th) place in the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block, and (ii) fifth (5th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of the Additional Building Block.

The payment of interest accrued on the Series C Bonds holds (i) fifth (5th) place in the Order of Priority of Payments, unless the situation set forth in section 3.4.6.(c) of the Additional Building Block occurs, in which case the payment of interest accrued will hold tenth (10th) place in the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block, and (ii) seventh (7th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of the Additional Building Block.

The payment of interest accrued on the Series D Bonds holds (i) sixth (6th) place in the Order of Priority of Payments, unless the situation set forth in section 3.4.6.(c) of the Additional Building Block occurs, in which case the payment of interest accrued will hold eleventh (11th) place in the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block, and (ii) ninth (9th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of the Additional Building Block.

The payment of interest accrued on the Series E Bonds holds (i) seventh (7th) place in the Order of Priority of Payments, unless the situation set forth in section 3.4.6.(c) of the Additional Building Block occurs, in which case the payment of interest accrued will hold twelfth (12th) place in the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block, and (ii) eleventh (11th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of the Additional Building Block.

The payment of the Ordinary Part of the interest accrued on the Series F Bonds holds (i) fourteenth (14th) place in the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block and (ii) thirteenth (13th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of the Additional Building Block. The payment of the Extraordinary Part of the interest accrued by the Series F Bonds holds (i) the nineteenth (19th) place in the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block and (ii) eighteenth (18th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of the Additional Building Block.

4.6.2 Simple mention to the place held by the payment of the principal of the Bonds in the order of priority of payments of the Fund.

The Withholding of the Accrued Redemption Amount of the Series A1, A2, A3, B, C, D and E Bonds holds eighth (8th) place in the Order of Priority of Payments contemplated under section 3.4.6.(b) of the Additional Building Block.

The Withholding of the Accrued Redemption Amount of Series F Bonds holds the fifteenth (15th) place in the Order of Priority of Payment established in section 3.4.6.(b) of the Additional Building Block.

The redemption of the principal of Series A1, A2 and A3 Bonds holds fourth (4th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of the Additional Building Block. The redemption of the principal of Series B Bonds holds sixth (6th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of the Additional Building Block. The redemption of the principal of Series C Bonds holds eighth (8th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of the Additional Building Block. The redemption of the principal of Series D Bonds holds tenth (10th) place in the Order of

Priority of Liquidation Payments described in section 3.4.6.(d) of the Additional Building Block. The redemption of the principal of Series E Bonds holds twelfth (12th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of the Additional Building Block. The redemption of the principal of Series F Bonds holds fourteenth (14th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of the Additional Building Block.

4.7 Description of the rights attached to the securities and procedure for exercise of said rights.

In accordance with current law in force, the Bonds detailed in this Securities Note shall not counter upon the investor that acquires them any present and/or future political right in respect of the Fund.

The economic and financial rights for the investor associated with the acquisition and holding of the Bonds, shall be those derived from the interest rate conditions, returns and form of redemption pursuant to which they are issued and which are reflected under sections 4.8 and 4.9, below.

The financial servicing of the Bonds shall be handled by the Bank, as Paying Agent, who on each one of the Payment Dates of the Bonds, shall proceed to make the interest payment and principal repayment on the Bonds in accordance with the instructions received from the Management Company.

Payments to be made by the Paying Agent shall be made through the relevant entities participating in Iberclear, in whose records the Bonds are registered, as per the procedures being followed at the said service.

Bondholders may not claim against the Management Company except in the event that it breaches its obligations described in this Prospectus or those provided by law. The Management Company is the only authorized representative of the Fund as regards third parties and in any legal proceedings, in accordance with applicable legislation.

Any question, discrepancy or dispute concerning the Fund or the Bonds which might arise during the period of operation or on its settlement, whether this involves the bondholders or the Management Company, will be submitted to the Spanish Courts, waiving any other jurisdiction which might correspond to the parties.

4.8 The Nominal Interest Rate and provisions relating to interest payable.

Subject to letter k) below regarding the Extraordinary Part of the interest of the Series F Bonds, the return on the Bonds shall be determined for each Series (including the ordinary Part of the interest accrued by Series F Bonds), through a variable interest rate, pursuant to the following provisions:

- a) All Bond Series shall accrue an annual variable nominal interest payable quarterly on each Payment Date provided that the Fund has sufficient Available Funds in the Cash Account, in accordance with the Order of Priority of Payments contemplated for each Series under section 3.4.6.(b) of the Additional Building Block.

Any withholding, contributions and taxes established or to be established in the future on principal, interest or returns on the Bonds shall be for the exclusive account and expense of the Bondholders and their amount shall be deducted, as the case may be, by the Management Company, acting for and on

behalf of the Fund, through the Paying Agent, in the manner legally established.

- b) For the accrual of interest of all Bond Series, the duration of the issue shall be divided into successive Interest Accrual Periods comprising the days actually transpired between each Payment Date, including in each Interest Accrual Period the initial Payment Date and excluding the final Payment Date. The first Interest Accrual Period shall have a duration equivalent to the days actually elapsed between the Disbursement Date and the first Payment Date. The last Interest Accrual Period will terminate on the Legal Maturity Date of the Fund.
- c) The Nominal Interest Rate applicable to the Bonds for each Interest Accrual Period shall be determined by the Management Company, acting for and on behalf of the Fund, at the Rate Setting Time, which shall be the second Business Day as per the calendar of TARGET (*Trans-European Automated Real-time Gross Settlement Express Transfer System*) preceding each Payment Date, at 11:00 a.m. (Madrid time) on such day, and shall be applicable to the following Interest Accrual Period.

The Nominal Interest Rate on the Bonds for the first Interest Accrual Period shall be determined in the manner contemplated under section d) below, on the basis of the Reference Interest Rate existing at 11:00 a.m. (Madrid time) on the Constitution Date.

The nominal interest rates determined for all Bond Series for successive Interest Accrual Periods shall be notified to the Bondholders within the deadline and manner contemplated under section 4 b) of the Additional Building Block.

The Management Company will notify the CNMV, as additional information, the Nominal Interest Rate of the Bonds for the first Interest Accrual Period.

- d) The Nominal Interest Rate determined for each Interest Accrual Period shall be that which results from adding together: (i) the Reference Interest Rate of EURIBOR at three (3) months or, as the case may be, its substitute (as described under section e), below and (ii) the margins for each Series described below:

Up to a maximum of 0.13% for Series A1 Bonds;

Up to a maximum of 0.26% for Series A2 Bonds;

Up to a maximum of 0.34% for Series A3 Bonds;

Up to a maximum of 0.36%% for Series B Bonds;

Up to a maximum of 0.52% for Series C Bonds;

Up to a maximum of 1.20% for Series D Bonds;

Up to a maximum of 3.50%% for Series E Bonds;

Of 4.00 % for Ordinary Part of Series F Bonds interest,

All of which rounded up to the closest one thousandth of one per cent.

The definitive margins applicable to Series A1, A2, A3, B, C, D and E respectively, shall be set and reported to the Management Company, on the

Constitution Date of October 1st, 2007 by the Lead Managers, prior to 9:00 a.m. (Madrid time). In the absence of the notice which must be given by the Lead Managers, the Management Company shall set the margin for Series A1 at 0.13%, the margin for Series A2 at 0.26%, the margin for Series A3 at 0.34%, the margin for Series B at 0.36%, the margin for Series C at 0.52%, the margin for Series D at 1.20%, the margin for Series E at 3.50%.

e) The Reference Interest Rate shall be the following:

(i) The EURIBOR rate (*Euro Interbank Offered Rate*) is the money market reference rate for deposits in euros at three (3) months maturity. The EURIBOR rate at three (3) months shall be that which results from the REUTERS screen, page “EURIBOR01” (or such other page as may come to replace it in this service) at the Rate Setting Time.

Exceptionally, the Reference Interest Rate for the first Interest Accrual Period will be that resulting from the lineal interpolation between the EURIBOR rate at three (3) months and the EURIBOR rate at four (4) months, established at 11:00 a.m (Madrid time) on the Constitution Date, taking into account the number of days of the first Interest Accrual Period.

(ii) In the absence of rates as provided in section (i) above, a substitute Interest Rate of Reference will be applied, which will be the interest rate resulting from taking the simple average of the interbank interest rate offered for deposits in euros (EURIBOR) over three (3) months, as soon as possible following the Rate Setting Time, by the following entities:

- Banco Santander, S.A. London Branch
- Bank of America N.T.&S.A., London Branch
- J.P. Morgan Securities Ltd.

All of which rounded out to the nearest one-thousandth of one per cent.

Should it be impossible to apply the substitute Reference Interest Rate mentioned above, owing to the fact that one of the aforesaid entities has not provided quotations continuously, the interest rate resulting from the calculation of the simple average of the interest rates quoted by the remaining two (2) entities will apply.

And if one of the remaining two (2) institutions mentioned above should cease to furnish a declaration of quotations, the last Nominal Interest Rate applicable to the last Interest Accrual Period shall apply, and so on for successive Interest Accrual Periods, as long as the said situation persists.

If at least two (2) of the institutions mentioned above should once again provide quotations, the subsidiary substitute Reference Interest Rate will again apply, as provided above.

The Management Company shall keep lists of the content of the REUTERS screen or, as the case may be, the declarations of quotations of the institutions mentioned above, as documents evidencing the relevant rate.

At each of the Rate Setting Times, the Paying Agent shall notify the Management Company of the Reference Interest Rate which will serve as a basis for calculating the Nominal Interest Rate applicable to each Bond Series.

- f) The Nominal Interest Rate will accrue on the days that have effectively elapsed in each Interest Accrual Period for which it was been determined, which will be calculated on the basis of one year/ three hundred and sixty (360) days.
- g) The interest accrued on the Bonds belonging to all Series shall be payable quarterly, on each Payment Date, i.e. on January 15, April 15, July 15 and October 15 of each year, until redeemed in full, provided that the Fund has Available Funds in the Cash Account in accordance with the Order of Priority of Payments contemplated for each Series in section 3.4.6.(b) of the Additional Building Block.

In the event that any of the dates established in the above paragraph is not a Business Day, the interest payment shall be made on the immediately following Business Day, with interest pertaining to the Interest Accrual Period in progress accruing up to the above-mentioned first Business Day, non-inclusive.

- h) The first interest payment on the Bonds belonging to all Series shall take place on January 15, 2008, with interest accruing at the relevant Nominal Interest Rate from the Disbursement Date (inclusive) up to January 15, 2008 (non-inclusive).
- i) The calculation of the interest for each Series to be paid on each Payment Date for each Interest Accrual Period shall be performed in accordance with the following formula:

$$I = \frac{P \times R \times d}{36.000}$$

Where:

I = Interest to be paid on a given Payment Date.

P = Balance of Principal Pending Payment on the Bonds of each Series on the Determination Date pertaining to the said Payment Date.

R = Annual Nominal Interest Rate expressed as a percentage.

d = Number of actual days which pertain to each Interest Accrual Period.

Both the interest resulting in favor of the Bondholders, calculated as provided above, as well as the amount of interest accrued and not paid, shall be notified to the Bondholders in the manner described under section 4 of the Additional Building Block at least one (1) calendar day in advance of each Payment Date.

- j) The payment of accrued interest shall take place on each Payment Date, provided that the Fund has Available Funds in the Cash Account, in

accordance with the Order of Priority of Payments contemplated under section 3.4.6.(b) of the Additional Building Block or, as the case may be, on the Legal Maturity Date or when the Early Liquidation of the Fund occurs as provided in section 4.4.3 of the Registration Document, according to the Order of Priority of Liquidation Payments established in section 3.4.6(d) of the Additional Building Block.

- k) On each Payment Date on which the Fund has sufficient Available Funds, the Management Company will pay the Bondholders a floating amount as extraordinary interest (the “**Extraordinary Part**”) of an amount equal to the excess of liquidity existing once the concepts that hold a prominent position in the Order of Priority of Payments have been paid.

4.8.1 Valid deadline in which interest may be claimed.

Interest on the Bonds shall be paid until the respective redemption thereof on each Payment Date and provided that the Fund has Available Funds for doing so in accordance with the Order of Priority of Payments stated in section 3.4.6.(b) of the Additional Building Block.

In the event that on a Payment Date the Fund cannot meet full or partial payment of the interest accrued on the Bonds of any of the Series, in accordance with the Order of Priority of Payments reflected under section 3.4.6.(b) of the Additional Building Block, the amounts which the Bondholders have failed to receive shall be accumulated on the next Payment Date to the interest of the Series itself which, as the case may be, is applicable to pay on that same Payment Date, and shall be paid in accordance with the aforesaid Order of Priority of Payments and applied by order of maturity in the event it is not possible for them to be paid in full due to insufficient Available Funds, without implying a capitalization of the debt.

The Fund, through its Management Company, may not defer the payment of interest on the Bonds beyond the Legal Maturity Date or, if such date is not a Business Day, the next Business Day.

4.8.2 Description of any episode of market distortion of underlying rate.

Not applicable.

4.8.3 Rules for adjustment of underlying rate.

Not applicable.

4.8.4 Calculation Agent.

Not applicable.

4.9 Redemption and maturity date.

4.9.1 Reimbursement price of the Bonds.

The Bonds will be redeemed at par, that is, the reimbursement price of each of the Bonds Series will be of one hundred thousand euros (100.000) per Bond, equal to their face value, free of expense and tax for the Bondholder, and payable progressively on each Payment Date, as established in the following sections.

Each and all of the Bonds of the same Series will be redeemed in an equal amount by means of the reduction of their face value.

4.9.2 Maturity of the Bonds.

The maturity of all Series of Bonds will occur on the Payment Date when the Bonds are redeemed in full or on the Legal Maturity Date of the Fund.

4.9.3 Date of redemption of the Bonds.

The Bonds shall be redeemed on each Payment Date that is, January 15, April 15, July 15 and October 15 of each year or the next Business Day.

4.9.4 Available Redemption Funds.

The following are Available Redemption Funds: the amount to be applied towards redemption of the Series A1, A2, A3, B, C, D, and E Bonds on each Payment Date and which shall be the lowest of the following amounts:

- (i) the Accrued Redemption Amount of the Series A1, A2, A3, B, C, D and E Bonds, and
- (ii) on the basis of the Available Funds existing on each Payment Date, the remainder of Available Funds (as defined under section 3.4.6.(a) 1, above), after deducting the amounts applied to the concepts in points 1 through 7 of the Order of Priority of Payments contemplated under section 3.4.6.(b) of the Additional Building Block.

Accrued Redemption Amount shall be understood to mean, without making a distinction between the Series A1, A2, A3, B, C, D and E, the difference (if positive) between:

- a) The sum of the Balance of Principal Pending Payment on the Series A1, A2, A3, B, C, D and E Bonds on the Determination Date prior to each Payment Date; and
- b) The Outstanding Balance of the Assets not charged off on the Determination Date preceding the Payment Date.

4.9.5 Ordinary and extraordinary rules of redemption.

Series A1, A2, A3, B, C, D and E

as in the following sections.

1. The Funds Available for Redemption will be applied sequentially in first place to the repayment of Class A (Series A1, A2, A3) until complete Redemption, in second place to the redemption of the Series B until complete redemption, in third place to the redemption of Series C until complete redemption, in fourth place to the redemption of Series D until complete redemption and in fifth place to the redemption of Series E until complete redemption, without prejudice to what is established in the following section 3.
2. For the redemption of Series A (Series A1, A2 and A3) the Available Funds for Redemption will apply, both by virtue of section 1 above and section 3 described in the following, in the following manner:

Ordinary application for Series A (Series A1, A2 and A3):

- Firstly by sequentially redeeming the principal of the Series A1 Bonds until they are fully redeemed.
- Secondly by redeeming the principal of the Series A2 Bonds until they are fully redeemed, having totally redeemed the Series A1 Bonds and
- Thirdly by redeeming the principal of the Series A3 Bonds until they are fully redeemed, having totally redeemed the Series A1 and A2 Bonds.

Extraordinary application for Series A (A1, A2 and A3):

- If the Series A1 and/or Series A2 have not been totally redeemed, the order of priority established in the above section 2 referring to the ordinary application for Series A (A1, A2 and A3) will be interrupted if on the Determination Date preceding the corresponding Payment Date it should occur that the proportion between the Outstanding Balance of the Unpaid Loans were higher than 1.50% of the Outstanding Balance of the Loans not Charged off.

In this case, on the corresponding Payment Date, the amount of the Funds Available for Redemption applied to Series A (A1, A2 and A3) will be applied prorate in direct proportion to the Balance of the Pending Principal of Series A1, to the Balance of the Pending Principal of Series A2 and to the Balance of the Pending Principal of Series A3 (“**Prorate Redemption of Series A (A1, A2 and A3)**”) on the Determination Date preceding the corresponding Payment Date until it is fully redeemed.

If on a Payment Date, having applied the “**Prorate Redemption of Series A (A1, A2 and A3)**”, there should still be Funds Available for Redemption, we will proceed as in sections 3b), 3c), 3d) and 3e)

3. Although the Series A (A1, A2 and A3) should not be entirely redeemed, the Funds Available for Redemption will also be applied to the redemption of Series B and, as the case may be, of Series C and, as the case may be, of Series D and, as the case may be, of Series E on the Payment Dates on which all of the circumstances are met for each of the Series B, C, D, and E that follow (“**Conditions for Prorate Redemption**”).
 - a) To proceed with the Redemption of Series B, C, D and E on the Determination Date preceding the Payment Date preceding the corresponding Payment Date, the following must be fulfilled:
 - i) that the “**Prorate Redemption of Series A (A1, A2 and A3)**” should not be applicable, and
 - ii) the amount of the Required Reserve Fund is to be entirely provided on the corresponding Payment Date and also that
 - iii) of the Determination Date preceding the corresponding Payment Date, the amount of the Outstanding Balance of the Loans not Charged off were equal to or more than 10 percent of the initial Outstanding Balance on the constitution of the Fund.

- b) To proceed to redeem Series B, on the Determination Date preceding the Payment Date preceding the corresponding Payment Date, the following must be fulfilled:
 - i) that the balance of the Pending Principal of Series B is equal to or higher than 3.40% of the sum of the Balance of the Pending Principal of the A1, A2, A3, B, C, D and E and also
 - ii) that the Outstanding Balance of the non-paying Mortgage Loans is lower than 1.50% of all the Loans excluding the Charge Off Loans.

- c) To proceed to redeem Series C, on the Determination Date preceding the Payment Date preceding the corresponding Payment Date, the following must be fulfilled:
 - i) that the balance of the Pending Principal of Series C is equal to or higher than 5.00% of the sum of the Balance of the Pending Principal of the A1, A2, A3, B, C, D and E and also
 - ii) that the Outstanding Balance of the non-paying Mortgage Loans is lower than 1.25% of all the Loans excluding the Charge Off Loans.

- d) To proceed to redeem Series D, on the Determination Date preceding the Payment Date preceding the corresponding Payment Date, the following must be fulfilled:
 - i) that the balance of the Pending Principal of Series D is equal to or higher than 4.40% of the sum of the Balance of the Pending Principal of the A1, A2, A3, B, C, D and E and also
 - ii) that the Outstanding Balance of the non-paying Mortgage Loans is lower than 1.00% of all the Loans excluding the Charge Off Loans.

- e) To proceed to the amortization of Serie E, on the Determination Date preceding the Payment Date preceding the corresponding Payment Date, the following must be fulfilled:
 - i) that the balance of the Pending Principal of Series E is equal to or higher than 4.40% of the sum of the Balance of the Pending Principal of the A1, A2, A3, B, C, D and E and also
 - ii) that the Outstanding Balance of the non-paying Mortgage Loans is lower than 0.75% of all the Loans excluding the Charge Off Loans.

If on a Payment Date the application of the redemption of Series B, and as the case may be, Series C, and as the case may be, Series D, and as the case may be, Series E, as the “**Prorate Redemption Conditions**” are met for each Series B, C, D and E,, the Funds Available for Redemption will also be applied to the redemption of Series B and, as the case may be, of Series C and, as the case may be, of Series D and, as the case may be, of Series E, so that the Balance of the Pending Principal of Series B and, as the case may be, of Series C and, as the case may be, of Series D and, as the case may be, of Series E in relation of the Balance of the Pending Principal of the Bond

Issue are kept respectively at 3.40%, 5.00%, 4.40% and 4.40% or higher percentages as close as possible.

If on the Determination Date previous to the current Payment Date, and the “**Prorate Redemption Conditions**” being applicable, the Balance of the Pending Principal of Series B, C, D or E being higher than 3.40%, 5.00%, 4.40% and 4.40% respectively (the “**target ratio**”) of the Principal Pending Bond Issue, the Funds Available for Redemption will be applied first of all to the redemption of the Series liable to redemption, as presented in section 3 above, and which should present the largest proportion between (a) the Balance of the Pending Principal of the said Series in relation to the Balance of the Pending Principal of the Bonds on the previous Determination Date reduced by the Funds Available for Redemption on the current Payment Date and (b) for each Series liable to redemption, its “**target ratio**”.

Having calculated the proportion between (a) and (b) for each Series liable to redemption, the Funds Available for Redemption will be used to redeem the Series with the largest proportion between (a) and (b) until the said proportion/s reach the Series with the second largest proportion between (a) and (b).

If, once the proportions described in the above paragraph are equaled, there should be surplus Funds Available for Redemption, the stipulations of the said paragraph will be repeated until the Funds Available for Redemption have been completely distributed.

4.9.6 Rules for the redemption of F Series:

The partial redemption of the Bonds of Series F shall be made on each Payment Date for an amount equal to the positive difference between the Balance of the Principal Pending Payment of Series F on the Determination Date, preceding the corresponding Payment Date and the amount of the Reserve Fund required on the corresponding Payment Date, as long as the conditions stipulated in section 3.4.2.2 of the Additional Building Block are complied with.

4.9.7 Early Redemption of the Bonds issue.

Regardless of the Fund’s obligation, via its Management Company, to definitively redeem the Bonds on the Legal Maturity Date or to redeem each of the Series prior to the Legal Maturity Date, the Management Company, after notifying the CNMV, will be entitled to proceed with the Early Liquidation of the Fund and therefore with the Early Redemption of all of the Bonds Series, in accordance with the cases of Early Liquidation and the requisites detailed in section 4.4.3 of the Registration Document, and subject to the Order of Priority of Liquidation Payments described in section 3.4.6.(b) of the Additional Building Block.

4.9.8 Legal Maturity Date.

The Legal Maturity Date and consequently, the definitive redemption of the Bonds, is October 15, 2050 or, if this date is not a Business Day, the following Business Day.

4.10 Indication of investor yield and calculation method

The IRR for the Bondholders of each Series shall be calculated by means of the following formula:

$$100.000 = \sum_{i=1}^N ai(1 + I)^{-[ni/365]}$$

Where:

I = IRR expressed as an annual rate as a whole number.

Ai = Total amounts of redemption and interest to be received by the investors.

$$(A_1, A_2, \dots, A_n)$$

ni = Number of days running between the Disbursement Date and the Payment Dates, non-inclusive.

The principal characteristics of the Bonds reside in the fact that their periodical redemption and, consequently, their average life and term, depends fundamentally on the speed with which the Obligors decide to pay off their Loans.

In this regard, prepayments which the Obligors decide to make are subject to continuous changes and are estimated in this Prospectus by the use of various future CAPR's. Consequently, they will directly affect the speed of repayment of the Assets and, therefore, the average life and duration of the Bonds.

Furthermore, other variables exist, also subject to continuous changes, which affect the average life and duration of the Bonds. These variables and their hypothetical values assumed in all of the tables appearing in this section are:

- (i) Interest rate on portfolio of the Loans: 4.63% (average weighted interest rate on August 27th, 2007);
- (ii) The approximate arrears in portfolio of Mortgage Loans of the Bank: 0.30% per annum 0.025% per month (arrears as from 90 days with a recovery period of 12 months);
- (iii) Recovery rate: 75%
- (iv) That the Disbursement Date of the Bonds is October 4th, 2007;
- (v) That the CAPR holds constant at 4%, 8%, 12%, 16% and 20% respectively throughout the life of the Bonds;
- (vi) For the calculation of extraordinary interest (the “**Extraordinary Part**”) of Series F, surplus liquidity of 0.05% on the Outstanding Balance of the loans has been taken;
- (vii) That the Loans with a Grace Period of Redemption have been taken into account according to section 2.2.2 a) of the Additional Building Block.

Finally, the real adjusted duration of the Bonds will also depend on their variable interest rate, and in all of the tables that appear in this section constants are assumed for the first period of Interest Accrual the following rates of nominal interest, resulting from linear interpolation, bearing in mind the number of days of the first period of Interest Accrual between Euribor at 3 months (4.723%) and Euribor at 4 months (4.737%) at September 19th, 2007, giving an interest rate for the first interest period of 4.731%, and supposing that the margins applicable to the Bonds were the maximum established in section 4.8 d) of this securities note, being in each case 0.13% for Series

A1, 0.26% for Series A2, 0.34% for Series A3, 0.36% for Series B, at 0.52% for Series C, at 1.20% for Series D, at 3.50% for Series E and 4.00% for Series F:

The weighted average rate of the Bonds for the Interest First Accrual Period is 5.133%

	Series A1 Bonds	Series A2 Bonds	Series A3 Bonds	Series B Bonds	Series C Bonds	Series D Bonds	Series E Bonds	Series F Bonds
Nominal Interest Rate	4.861%	4.991%	5.071%	5.091%	5.251%	5.931%	8.231%	8.731%

For successive periods of Interest Accrual, the nominal interest rate of the bonds of each Series is assumed constant according to the following breakdown, resulting from Euribor at 3 months (4.723%) at September 19, 2007 and if the margins applicable to the Bonds lay within the maximum margins established in section 4.8 d) of this securities note, in each case it being 0.13% for Series A1, 0.26% for Series A2, 0.34% for Series A3, 0.36% for Series B, 0.52% for Series C, 1.20% for Series D, 3.50% for Series E and 4.00% for Series F:

	Series A1 Bonds	Series A2 Bonds	Series A3 Bonds	Series B Bonds	Series C Bonds	Series D Bonds	Series E Bonds	Series F Bonds
Nominal Interest Rate	4.853%	4.983%	5.063%	5.083%	5.243%	5.923%	8.223%	8.723%

The above variables and hypothesis and the CAPRS's described below derive from the historical information provided by the Assignor and they are appropriate for this Loan portfolio.

Assuming that the Management Company, acting on behalf of the Fund, proceeds with the Early Liquidation of the Fund, as contemplated under section 4.4.3 of the Registration Document when the Outstanding Balance of the Assets is less than ten per cent (10%) of the initial balance of the Assets, the average life, duration, maturity as per different CAPR's will be as follows:

CAPR	4%	8%	12%	16%	20%
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		Series A1 Bonds				
Average life (years)		1.60	0.99	0.74	0.60	0.52
IRR		5.011%	5.011%	5.010%	5.010%	5.010%
Duration (years)		1.45	0.91	0.69	0.56	0.48
Final Maturity (in years)		15 10 2010	15 07 2009	15 01 2009	15 10 2008	15 07 2008
		3.04	1.79	1.29	1.04	0.79
CAPR		4%	8%	12%	16%	20%

		Series A2 Bonds				
Average life		9.62	6.06	4.32	3.33	2.70

(years)					
IRR	5.149%	5.148%	5.148%	5.148%	5.148%
Duration (years)	7.03	4.85	3.63	2.88	2.37
Final Maturity	15 01 2026	15 01 2020	17 10 2016	15 10 2014	15 04 2013
(in years)	18.30	12.30	9.05	7.04	5.54

Series A3 Bonds

Average life (years)	23.76	17.28	12.85	10.03	8.11
IRR	5.233%	5.233%	5.233%	5.233%	5.233%
	13.11	10.90	8.95	7.46	6.31
Duration (years)	17 04 2034	15 10 2027	17 10 2022	15 07 2019	17 04 2017
Final Maturity	26.56	20.05	15.05	11.79	9.55

Series B Bonds

Average life (years)	19,61	13,73	10,11	7,85	6,35
IRR	5,254%	5,254%	5,254%	5,254%	5,254%
	11,59	9,18	7,36	6,05	5,09
Duration (years)	17 04 2034	15 10 2027	17 10 2022	15 07 2019	17 04 2017
Final Maturity	26,56	20,05	15,05	11,79	9,55

Series C Bonds

Average life (years)	19,62	13,74	10,11	7,86	6,35
IRR	5,423%	5,423%	5,423%	5,423%	5,422%
	11,42	9,08	7,30	6,01	5,06
Duration (years)	17 04 2034	15 10 2027	17 10 2022	15 07 2019	17 04 2017
Final Maturity	26,56	20,05	15,05	11,79	9,55

Series D Bonds

Average life (years)	19,60	13,72	10,10	7,85	6,34
IRR	6,142%	6,142%	6,142%	6,142%	6,142%
	10,73	8,64	7,01	5,81	4,91
Duration (years)	17 04 2034	15 10 2027	17 10 2022	15 07 2019	17 04 2017
Final Maturity	26,56	20,05	15,05	11,79	9,55

Series E Bonds

Average life (years)	19,60	13,72	10,10	7,85	6,34
IRR	8,601%	8,601%	8,601%	8,601%	8,601%
	8,83	7,39	6,17	5,22	4,48
Duration (years)	17 04 2034	15 10 2027	17 10 2022	15 07 2019	17 04 2017
Final Maturity	26,56	20,05	15,05	11,79	9,55

Series F Bonds (FR)

Average life (years)	17,39	12,55	9,38	7,49	6,29
IRR	12,801%	12,627%	12,427%	12,211%	11,995%
	5,73	4,99	4,42	4,03	3,73
Duration (years)	17 04 2034	15 10 2027	17 10 2022	15 07 2019	17 04 2017
Final Maturity	26,56	20,05	15,05	11,79	9,55

The said figures were calculated pursuant to the following formulas:

Average life of the Bonds

$$A = \frac{\sum(B \times d)}{C} \times \frac{1}{365}$$

Where:

- A** = Average life of each Series of Bonds issued expressed in years.
- B** = Principal to be redeemed on each Bond Series on each Payment Date.
- d** = Number of days elapsed from the Disbursement Date up to the Payment Date in question.
- C** = Total volume in euros of each Series Bonds.

Duration of Bonds: (Macaulay formula, adjusted):

$$D = \frac{\sum(P \times VA)}{PE} \times \frac{1}{1+I}$$

Where:

- D** = Duration of each Bond Series expressed in years.
- P** = Time transpiring (in years) between the Disbursement Date up to each one of the Payment Dates in question.
- VA** = Present value of each one of the amounts comprising principal and gross interest to be paid on each one of the Payment Dates discounted at a IRR.
- PE** = Price of the issue of the Bonds, 100,000 euros
- I** = IRR for each of the Series.

The charts of the financial service of each of the Series for CAPRS's of 8%, 12%, and 16% are reflected below, these CAPRS's being nearest to the early redemption or prepayment rate observed by the Assignor (12%) in the Loans portfolio comprising the assets of the Fund. The Management Company expressly states that this charts are merely theoretical and for illustrative purposes and do not represent any obligation to pay.

15-apr-20	0.00	0.00	0.00	0.00	0.00	0.00	2,916.49	1,269.77	4,186.27	1,592.97	696.28	2,289.25	1,594.80	719.03	2,313.83	1,589.86	809.76	2,399.62	1,589.86	1,124.21	2,714.07	0.00	1,374.82	1,374.82
15-jul-20	0.00	0.00	0.00	0.00	0.00	0.00	2,849.11	1,232.45	4,081.56	1,556.17	675.81	2,231.98	1,557.96	697.89	2,255.85	1,553.13	785.96	2,339.09	1,553.13	1,091.16	2,644.29	0.00	1,366.76	1,366.76
15-oct-20	0.00	0.00	0.00	0.00	0.00	0.00	2,796.62	1,209.13	4,005.75	1,527.50	663.03	2,190.53	1,529.25	684.68	2,213.94	1,524.51	771.09	2,295.60	1,524.51	1,070.51	2,595.03	0.00	1,373.79	1,373.79
15-jan-21	0.00	0.00	0.00	0.00	0.00	0.00	2,733.12	1,172.94	3,906.07	1,492.82	643.18	2,136.00	1,494.53	664.19	2,158.73	1,489.90	748.01	2,237.91	1,489.90	1,038.48	2,528.38	0.00	1,365.97	1,365.97
15-apr-21	0.00	0.00	0.00	0.00	0.00	0.00	2,624.06	1,112.85	3,736.90	1,433.24	610.23	2,043.48	1,434.89	630.16	2,065.06	1,430.44	709.69	2,140.13	1,430.44	985.27	2,415.72	0.00	1,328.94	1,328.94
15-jul-21	0.00	0.00	0.00	0.00	0.00	0.00	2,582.72	1,091.63	3,674.35	1,410.67	598.60	2,009.26	1,412.29	618.15	2,030.44	1,407.91	696.16	2,104.07	1,407.91	966.49	2,374.40	0.00	1,336.40	1,336.40
15-oct-21	0.00	0.00	0.00	0.00	0.00	0.00	2,534.22	1,070.21	3,604.43	1,384.18	586.85	1,971.03	1,385.77	606.02	1,991.79	1,381.47	682.50	2,063.97	1,381.47	947.52	2,328.99	0.00	1,343.84	1,343.84
17-jan-22	0.00	0.00	0.00	0.00	0.00	0.00	2,476.12	1,037.42	3,513.54	1,352.44	568.87	1,921.32	1,354.00	587.45	1,941.45	1,349.80	661.59	2,011.39	1,349.80	918.49	2,268.29	0.00	1,336.76	1,336.76
15-apr-22	0.00	0.00	0.00	0.00	0.00	0.00	2,373.76	983.53	3,357.28	1,296.53	539.32	1,835.85	1,298.02	556.93	1,854.96	1,294.00	627.22	1,921.22	1,294.00	870.77	2,164.77	0.00	1,301.06	1,301.06
15-jul-22	0.00	0.00	0.00	0.00	0.00	0.00	2,330.56	964.07	3,294.63	1,272.94	528.65	1,801.59	1,274.40	545.92	1,820.32	1,270.45	614.81	1,885.26	1,270.45	853.55	2,124.00	0.00	1,308.93	1,308.93
17-oct-22	0.00	0.00	0.00	0.00	0.00	0.00	2,282.47	944.51	3,226.99	1,246.67	517.93	1,764.60	1,248.11	534.84	1,782.95	1,244.24	602.34	1,846.58	1,244.24	836.23	2,080.47	0.00	1,316.78	1,316.78
16-jan-23	0.00	0.00	0.00	0.00	0.00	0.00	2,230.73	914.98	3,145.71	1,218.41	501.73	1,720.15	1,219.81	518.12	1,737.93	1,216.03	583.50	1,799.54	1,216.03	810.09	2,026.12	0.00	1,310.41	1,310.41
17-apr-23	0.00	0.00	0.00	0.00	0.00	0.00	2,143.42	866.85	3,010.27	1,170.72	475.34	1,646.06	1,172.07	490.87	1,662.93	1,168.43	552.81	1,721.25	1,168.43	767.48	1,935.91	0.00	1,275.93	1,275.93
17-jul-23	0.00	0.00	0.00	0.00	0.00	0.00	2,107.25	849.05	2,956.30	1,150.97	465.58	1,616.55	1,152.29	480.79	1,633.08	1,148.72	541.46	1,690.18	1,148.72	751.72	1,900.44	0.00	1,284.14	1,284.14
16-oct-23	0.00	0.00	0.00	0.00	0.00	0.00	2,066.43	831.12	2,897.55	1,128.67	455.75	1,584.42	1,129.97	470.63	1,600.60	1,126.47	530.02	1,656.49	1,126.47	735.84	1,862.31	0.00	1,292.35	1,292.35
15-jan-24	0.00	0.00	0.00	0.00	0.00	0.00	2,018.05	804.38	2,822.43	1,102.24	441.08	1,543.33	1,103.51	455.49	1,559.00	1,100.09	512.97	1,613.06	1,100.09	712.17	1,812.26	0.00	1,286.58	1,286.58
15-apr-24	0.00	0.00	0.00	0.00	0.00	0.00	1,950.54	769.81	2,720.35	1,065.37	422.13	1,487.50	1,066.60	435.92	1,502.51	1,063.29	490.93	1,554.22	1,063.29	681.56	1,744.85	0.00	1,267.08	1,267.08
15-jul-24	0.00	0.00	0.00	0.00	0.00	0.00	1,902.43	744.85	2,647.27	1,039.09	408.44	1,447.53	1,040.29	421.78	1,462.07	1,037.06	475.01	1,512.07	1,037.06	659.46	1,696.52	0.00	1,261.70	1,261.70
15-oct-24	0.00	0.00	0.00	0.00	0.00	0.00	1,864.85	728.42	2,593.27	1,018.57	399.43	1,418.00	1,019.74	412.48	1,432.22	1,016.58	464.53	1,481.11	1,016.58	644.91	1,661.50	0.00	1,270.23	1,270.23
15-jan-25	0.00	0.00	0.00	0.00	0.00	0.00	1,821.98	704.29	2,526.27	995.15	386.20	1,381.35	996.30	398.81	1,395.11	993.21	449.14	1,442.35	993.21	623.55	1,616.76	0.00	1,265.02	1,265.02
15-apr-25	0.00	0.00	0.00	0.00	0.00	0.00	1,750.14	665.92	2,416.05	955.91	365.16	1,321.07	957.01	377.08	1,334.10	954.05	424.67	1,378.72	954.05	589.58	1,543.62	0.00	1,232.62	1,232.62
15-jul-25	0.00	0.00	0.00	0.00	0.00	0.00	1,716.81	650.92	2,367.72	937.71	356.93	1,294.64	938.79	368.59	1,307.38	935.88	415.10	1,350.98	935.88	576.30	1,512.17	0.00	1,241.47	1,241.47
15-oct-25	0.00	0.00	0.00	0.00	0.00	0.00	1,679.89	635.86	2,315.75	917.55	348.67	1,266.22	918.60	360.06	1,278.67	915.76	405.50	1,321.26	915.76	562.96	1,478.72	0.00	1,250.31	1,250.31
15-jan-26	0.00	0.00	0.00	0.00	0.00	0.00	1,640.34	614.12	2,254.46	895.95	336.75	1,232.70	896.98	347.75	1,244.73	894.20	391.64	1,285.83	894.20	543.72	1,437.91	0.00	1,245.62	1,245.62
15-apr-26	0.00	0.00	0.00	0.00	0.00	0.00	1,572.43	580.01	2,152.44	858.85	318.05	1,176.90	859.84	328.44	1,188.28	857.17	369.88	1,227.06	857.17	513.52	1,370.69	0.00	1,214.14	1,214.14
15-jul-26	0.00	0.00	0.00	0.00	0.00	0.00	1,539.23	566.33	2,105.56	840.72	310.55	1,151.27	841.69	320.69	1,162.38	839.08	361.16	1,200.24	839.08	501.41	1,340.48	0.00	1,223.28	1,223.28
15-oct-26	0.00	0.00	0.00	0.00	0.00	0.00	1,507.55	552.64	2,060.19	823.42	303.04	1,126.46	824.36	312.94	1,137.30	821.81	352.43	1,174.24	821.81	489.28	1,311.09	0.00	1,232.41	1,232.41
15-jan-27	0.00	0.00	0.00	0.00	0.00	0.00	1,470.42	533.13	2,003.55	803.13	292.34	1,095.48	804.06	301.89	1,105.95	801.56	339.99	1,141.55	801.56	472.01	1,273.58	0.00	1,228.21	1,228.21
15-apr-27	0.00	0.00	0.00	0.00	0.00	0.00	1,404.87	502.93	1,907.79	767.33	275.78	1,043.11	768.21	284.79	1,053.00	765.83	320.73	1,086.56	765.83	445.27	1,211.10	0.00	1,197.58	1,197.58
15-jul-27	0.00	0.00	0.00	0.00	0.00	0.00	1,368.77	490.54	1,859.31	747.62	268.99	1,016.60	748.48	277.77	1,026.25	746.16	312.83	1,058.98	746.16	434.30	1,180.46	0.00	1,207.01	1,207.01
15-oct-27	0.00	0.00	0.00	0.00	0.00	0.00	36,960.04	478.22	37,438.25	20,187.36	262.23	20,449.59	20,210.57	270.80	20,481.36	20,147.92	304.97	20,452.89	20,147.92	423.40	20,571.32	50,000.00	1,114.61	51,114.61

15-oct-20	0.00	0.00	0.00	0.00	0.00	0.00	2,160.19	685.68	2,845.88	1,179.88	376.00	1,555.88	1,181.24	388.28	1,569.52	1,177.58	437.28	1,614.86	1,177.58	607.08	1,784.66	0.00	1,259.94	1,259.94
15-jan-21	0.00	0.00	0.00	0.00	0.00	0.00	2,083.37	657.73	2,741.10	1,137.92	360.67	1,498.59	1,139.23	372.45	1,511.68	1,135.70	419.45	1,555.15	1,135.70	582.33	1,718.03	0.00	1,253.99	1,253.99
15-apr-21	0.00	0.00	0.00	0.00	0.00	0.00	1,972.00	617.06	2,589.07	1,077.10	338.37	1,415.46	1,078.33	349.42	1,427.76	1,074.99	393.52	1,468.51	1,074.99	546.32	1,621.32	0.00	1,221.21	1,221.21
15-jul-21	0.00	0.00	0.00	0.00	0.00	0.00	1,917.76	598.68	2,516.44	1,047.47	328.29	1,375.76	1,048.67	339.01	1,387.68	1,045.42	381.79	1,427.21	1,045.42	530.05	1,575.47	0.00	1,229.36	1,229.36
15-oct-21	0.00	0.00	0.00	0.00	0.00	0.00	1,860.33	580.45	2,440.78	1,016.10	318.29	1,334.39	1,017.27	328.69	1,345.96	1,014.12	370.17	1,384.28	1,014.12	513.91	1,528.02	0.00	1,237.55	1,237.55
17-jan-22	0.00	0.00	0.00	0.00	0.00	0.00	1,793.59	556.38	2,349.96	979.65	305.09	1,284.74	980.77	315.06	1,295.83	977.73	354.81	1,332.55	977.73	492.60	1,470.33	0.00	1,232.42	1,232.42
15-apr-22	0.00	0.00	0.00	0.00	0.00	0.00	1,695.55	521.58	2,217.13	926.10	286.01	1,212.11	927.17	295.35	1,222.52	924.29	332.62	1,256.92	924.29	461.79	1,386.08	0.00	1,200.88	1,200.88
15-jul-22	0.00	0.00	0.00	0.00	0.00	0.00	1,645.64	505.68	2,151.31	898.84	277.29	1,176.13	899.87	286.35	1,186.22	897.08	322.48	1,219.56	897.08	447.71	1,344.79	0.00	1,209.57	1,209.57
17-oct-22	0.00	0.00	0.00	0.00	0.00	0.00	37,866.06	489.94	38,356.00	20,682.22	268.66	20,950.88	20,706.00	277.44	20,983.43	20,641.82	312.45	20,954.26	20,641.82	433.77	21,075.59	50,000.00	1,114.61	51,114.61

4.11 Representation of the holders of securities.

For the securitization Bonds, the establishment of a Bondholder Syndicate is not contemplated.

In the terms stipulated in article 12 of the Royal Decree 926/1998, it corresponds to the Management Company, in its capacity as manager of third party business, to represent and defend the interests of the titleholder of the Bonds issued and charged to the Fund and of the rest of the ordinary creditors of the Fund. Consequently, the Management Company must subject its actions to the defense of these and comply with the provisions that are duly established to this effect.

4.12 Resolutions, authorizations and approvals by virtue of which the securities are issued.

The resolutions, approvals and authorizations by virtue of which this Bond issue is being carried out, are those enumerated below:

- a) Corporate resolutions:
 - a.1 Resolution of the Bank's Board of Directors dated August 6, 2007 delegating to the Bank's Executive Committee the powers and authorities of the Board of Directors dated on March 6, 1999 which allow the Executive Committee to resolve the assignment of the Assets.
 - a.2 Resolution of the Management Company's Board of Directors dated July 23, 2007.
- b) Registration of this Prospectus with the CNMV took place on September 27, 2007.
- c) Execution of the Deed of Constitution which shall take place on October 1, 2007, a copy of which shall be sent to the CNMV and Iberclear prior to the start of the Subscription Period.

4.13 Issue Date.

The issue date of the Bonds, which will be the Constitution Date, shall be the October 1, 2007.

4.13.1 Collective of potential investors.

The placement of the issue is aimed at institutional investors for the purposes of article 39 of Royal Decree 1310/2005, that is to say, for descriptive purposes and not limited to, legal persons authorized or regulated to operate on financial markets, including, credit entities, investment services companies, insurance companies, collective investment institutions and their management companies, pension funds and their management companies, other authorized or regulated financial entities, etc.

Once the issue has been totally placed and the Bonds are admitted to negotiation in AIAF, the Bonds may be acquired freely through this market in accordance with their own contracting rules.

The subscription of the Bonds implies the acceptance of the terms of the Deed of Constitution and this Prospectus for each Bondholder.

4.13.2 Subscription Period

The Subscription Period will start at 12:00 hours (Madrid time) on October 3, 2007 and will finish at 17.00 hours (Madrid time) on the same day.

4.13.3 Disbursement Date and Form

The Disbursement Date will be October 4, 2007

The investors who have been awarded the Bonds must pay the Underwriter (and also the new underwriters, as the case may be) the price of the issue that corresponds for each Bond awarded, issue at 100% of its face value, before 11:00 hours, Madrid time on the Disbursement Date, at the value on that same day.

On the Disbursement Date, the Underwriter shall pay the amount underwritten, deducted its underwriting commission, into the account opened in the name of the Fund at the Paying Agent, at the value of that same day before fourteen 14:00 hours, Madrid time.

4.14 Restrictions on free transferability of the securities.

The Bonds may be freely transferred by any means admitted in Law and in accordance with the norms of the AIAF. The ownership of each Bond will be transferred by account entry. The registration of the transfer in favor of the acquirer in the accounts will have the same effect as the titles and, from this moment, the transfer will be considered valid vis-à-vis third parties. Thus, any third party that acquires the Bonds represented by account entries from the person who, according to the entries in the accounting register, appears as authorized to transfer them will not be subject to any action for repossession unless at the time of acquisition they acted in bad faith or gross negligence.

The creation of real limited rights or any other encumbrance over the Bonds must be registered in the corresponding account. The registration of the pledge shall be equal to the possession of title.

The creation of the encumbrance shall be valid vis-à-vis third parties from the moment it has been registered.

5. ADMISSION TO TRADING AND DEALING ARRANGEMENTS

5.1 Indication of Market where the securities will be traded.

The Management Company will request immediately on the Disbursement Date the admission of the Bond issue to negotiation on the AIAF. In addition, the Management Company will request the inclusion of the issue in Iberclear, in representation and on behalf of the Fund so that the compensation and settlement may be carried out under the operating norms that it has established or may be approved in the future by Iberclear with regard to the securities admitted to trading on AIAF and represented by account entries.

The Management Company undertakes that the trading of the issue in AIAF will be concluded within a period of thirty days from the Disbursement Date once the corresponding authorizations have been obtained.

In the event such deadline is not met, the Management Company shall disclose the causes of the breach to the CNMV and the public by inclusion of a legal notice in a national newspaper, in the Daily Bulletin of Transactions of the AIAF Fixed Income Securities Market, or in any other media generally accepted by the market which guarantees adequate dissemination of the information, in time and content, concerning the reasons for this non-compliance and the new date stipulated for admission of the issued securities to trading, notwithstanding any liabilities incurred as a consequence thereof.

The Management Company hereby states for the record that it is familiar with the requisites and conditions required for admission, maintenance and exclusion of the Bonds on AIAF as per current law in force, as well as the requirements of its Governing Bodies and hereby accepts that it will abide by them.

It is not planned to contract with any entity that will undertake to facilitate the liquidity of the Bonds during the life of the issue.

5.2 Paying Agent and Depository Institutions.

a) Paying Agent:

The Management Company, acting for and on behalf of the Fund, appoints the Bank, which accepts, as paying Agent to carry out the financial servicing of the Bonds issue. The obligations assumed by the Bank, in its capacity as Paying Agent under the Management and Subscription Agreement, are as follows:

Disbursement of issue

The Paying Agent shall proceed to pay to the Fund prior to 15:00 hours (Madrid time) on the Disbursement Date, for value that same day, the amount which, as established in the Management and Subscription Agreement, plus the sum of its own underwriting commitment, deducting its own underwritten commission, if the Bonds were the object of placement among investors, by placement into the Cash Account.

Notice of EURIBOR Reference Rate.

At each one of the Rate Setting Times, the Paying Agent shall notify the Management Company of the Reference Interest Rate which shall serve as a basis for calculation of the Nominal Interest Rate applicable to each Bond Series.

Payments against the Fund.

On each of the Payment Dates of the Bonds, the Paying Agent shall proceed to pay the interest and reimburse the principal in respect of the Bonds in accordance with the instructions received from the Management Company.

Payments to be made by the Paying Agent shall be carried out through the relevant institutions participating in Iberclear, in whose records the Bonds are registered, as per the procedures being implemented at said service.

If on a Payment Date there are no Available Funds in the Cash Account, the Paying Agent shall not be required to make any payment.

In the event that the Bank's unsubordinated and unsecured short-term debt should undergo, at any time during the life of the Bond issue, a decline in its rating below

F1, A-1 or P-1 (as per the rating scales of Fitch, Standard & Poor's and Moody's, respectively), the Management Company will have to choose one of the following procedures within a maximum deadline of thirty (30) Calendar Days as from that moment.

- (i) Obtain from an entity whose unsubordinated and unsecured short-term debt has a minimum rating of F1, A-1 and F1 (according to the rating scale of Fitch, Standard & Poor's and Fitch, respectively), similar warranties or commitments which secure the commitments assumed by the Paying Agent. The costs and expenses incurred for the execution of such similar warranties or commitments will be assumed by the substituted Paying Agent; or
- (ii) Revoke the appointment of the Bank as Paying Agent after having appointed as new Paying Agent an entity whose unsubordinated and unsecured short-term debt has a minimum rating of F1, A-1 and F1 (according to the rating scale of Fitch, Standard & Poor's and Fitch, respectively) so that this entity assumes, in the more appropriate conditions, the functions of the Paying Agent. The cost and expenses incurred in the substitution process will be assumed by the substituted Paying Agent.

Under no circumstance will the Bank's appointment as Paying Agent be revoked if a new entity has not been appointed as Paying Agent.

Should the Bank be replaced as Paying Agent, the Management Company will be entitled to establish a commission in favor of the replacement, providing that the latter is not part of the Consolidated Group of the Bank which will hold the first (1st) position in the Order of Priority of Payment described in section 3.4.6.(b) of the Additional Building Block. The Bank will not receive any commission whatsoever as Paying Agent.

If none of the above options were possible, to invest the balances in fixed income assets in short term euros issued by entities that have at least F1, A-1 and P-1 ratings according to the Fitch, S&P and Moody's short term debt scales, respectively, for periods of under sixty (60) Business Days (always maturing before the following Bond Payment Date). Investment will be allowed in times of over sixty (60) Business Days and under what is determined by the following Bond Payment Date, provided a clause is included establishing this investment. It must be cancelled within a maximum time of sixty (60) Business Days from the fall in the rating. Any replacement, guarantee or investment will be subject to confirmation of the Bond rating by Standard & Poor's, and must not have a negative effect on the Fitch rating of the Bonds. All the costs derived from any of the above defined actions will run to the ineligible party. Fitch has drawn up criteria for evaluating the quality of the Payment Agent and the Depository Entity in its report "Commingling Risk in Structured Finance Transactions".

b) Depository Institutions.

Not applicable.

6. EXPENSES OF THE OFFER AND ADMISSION TO LISTING

The expenses contemplated are as follows:

a) Constitution Expenses (Expenses related to documentation and official charges):

	Euros
CNMV Official Charges (for the offer and admission to trading):	€48,993.66
AIAF Official Charges:	€52,200.00
Iberclear Official Charges:	€4,640.00
Miscellaneous (Legal advice, Rating Agencies, notary, auditing):	€758,640.00
	<hr/>

Subtotal (-%):

b) Issue Expenses:

	Euros
Structuring fee of Management Company	€90,000.00
Underwriting and placement fee (estimated):	€869,610.00
Miscellaneous	€175,916.34
	<hr/>

Subtotal (-%):

GRAND TOTAL (-%): **€2,000,000.00**

The constitution and issue expenses stated herein shall be paid against the Subordinated Loan described under section 3.4.3.(a) of the Additional Building Block.

Any expenses incurred on the occasion of the Fund's liquidation shall be the responsibility and on account of the Fund.

7. ADDITIONAL INFORMATION

7.1 Persons and entities advising the issue.

- a) SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. intervenes as legal and financial adviser to the program structure.
- b) CUATRECASAS ABOGADOS, S.R.L. intervenes as legal adviser with respect to the structure of the operation.

7.2 Information in the Securities Note reviewed by auditors.

Not applicable.

7.3 Statement or report attributed to a person as an expert.

Deloitte, S.L., whose name, address and registration dates are contemplated in section 2.1 of the Registration Document, has prepared an audit on the principal

attributes of the Assets and which is reflected under section 2.2 of the Additional Building Block, and has performed the audit of the annual financial statements of the Management Company and of the Bank relating to the last three fiscal years and it has been appointed as auditor of the financial statements of the Fund.

7.4 Information provided by from third parties.

The Manager confirms that the information provided by the Bank in its capacity as Assignor, in connection with the Bank and the Assets, has been faithfully reproduced and that, insofar as it is aware and may take decisions based on the information provided by the Bank, no fact has been omitted which would render the information inexact or deceitful.

7.5 Ratings

On September 25, 2007, the Rating Agencies of credit risk have assigned to the Bonds included in this Securities Note the following provisional ratings:

	Fitch	Standard & Poor's	Moody's
Series A1	AAA	AAA	Aaa
Series A2	AAA	AAA	Aaa
Series A3	AAA	AAA	Aaa
Series B	AA	AA	Aa2
Series C	A	A	A1
Series D	BBB	BBB	Ba1a
Series E	BB	BB	Ba2
Series F	CCC	CCC-	Ca

The ratings assigned to each Bond Series by Fitch measure the Fund's capacity for timely payment of interest and payment of Bond principal throughout the life of the transaction and, in any event, on or before the Legal Maturity Date, according to the terms stipulated for each Bond Series in the Prospectus and in the Deed of Constitution, which permit the deferment of the payment of the interest of the Series B, C, D, and E Bonds in certain circumstances detailed in this Prospectus. This means that the interest of these Bonds may not be received over a period of time if the conditions established for the deferment of the payment of interest are fulfilled, although such circumstance will not cause an event of default in the payment of the Bonds.

The ratings assigned by Fitch are based on the documents and information provided by the issuer and its experts and representatives and they are subject to the reception of the final documents. Fitch does not audit, verify or check the veracity or accuracy of the mentioned information. The ratings do not constitute an analysis of the adaptation to the market price, the suitability of the Bonds for an investor in particular or the tax exemption or the taxable nature of the payments carried out regarding the Bonds. The ratings may be revised, withdrawn, suspended or qualified as "Rating Watch" due to changes in the information or in the accuracy of the information or as a result of the reception of additional information, insufficient information or for any other reason considered sufficient by Fitch.

The ratings assigned by Moody's to each of the Series measure the expected loss prior to the Legal Maturity Date. In Moody's opinion the structure permits the punctual payment of the interest and the payment of the principal during the life of the operation and, in any case, before the Legal Maturity Date for Series A1, A2, A3, B, C, D and E, as well as the payment of the interests and the principal of Series F before the Legal Maturity Date.

The ratings made by Standard & Poor's on the risk constitute opinions on the capacity of the Fund to duly comply with the payment of interest on each Payment Date stipulated and the repayment of the principal during the life of the operation and as regards any other before the Legal Maturity Date thereof

The ratings of the Rating Agencies take into account the structure of the Bond issue, its legal aspects and those of the Fund that issues them, the characteristics of the assets selected for their assignment to the Fund and the regularity and continuity of the flows of the operation.

The ratings of the Rating Agencies do not constitute an evaluation of the probability that the Obligors make prepayments of the capital or to what extent those prepayments differ from those established originally. The ratings do not imply in any way a qualification of the actuarial yield.

The ratings assigned, as well as revisions or suspension of these:

- (i) are drafted by the Rating Agencies on the basis of a substantial amount of information they receive, the precision of which they do not guarantee or state to be complete so that they cannot be considered responsible for these in any way;

- (ii) and they do not constitute and may not, in any way, be interpreted as an invitation, recommendation or encouragement to the investors to carry out any type of operation concerning the Bonds and, in particular, to acquire, conserve, encumber or sell these Bonds.

The final ratings assigned may be revised, suspended or withdrawn at any time by the Rating Agencies depending on any information they may receive. These situations, which do not constitute cases of Early Liquidation of the Fund, will be immediately notified to the Securities and Exchange Commission (CNMV) and to the bondholders, in compliance with section 4.b) of the Additional Building Block.

In order to carry out the rating and monitoring process, the Rating Agencies confide in the accuracy and completeness of the information they are provided with by the Management Company, the auditors, the legal advisers and other experts.

The above credit ratings are only an estimate and are not intended for potential investors to avoid the need to perform their own analysis of the securities to be acquired.

If, prior to the start of the Subscription Period, the Rating Agencies do not confirm any of the provisional ratings assigned as being final, this circumstance shall be reported immediately to the CNMV and made public in the manner provided by section 4 of the Additional Building Block. This circumstance would lead to the termination of the constitution of the Fund, of the Bond issue, of any contracts and of the assignment of the Bonds.

ADDITIONAL BUILDING BLOCK TO SECURITIES NOTE

(Annex VIII of Regulation (EC) No. 809/2004 of the Commission)

1. THE SECURITIES

1.1 Amount of issue.

On the Constitution Date, the Fund will have sufficient Loans to comply with the requirements established in section 2.2.8 of this Additional Building Block, which will be assigned by the Bank on that date, and whose total amount of principal will be equal to or slightly higher than ONE BILLION, TWO HUNDRED AND THIRTY MILLION EUROS (€1.230.000.000) and securities will be issued for a total value of ONE BILLION, TWO HUNDRED AND FORTY-FOUR MILLION, EIGHT HUNDRED THOUSAND EUROS (€1.244.800.000).

1.2 Confirmation that disclosure relating to an undertaking/obligor not involved in the issue has taken place.

Not applicable.

2. THE UNDERLYING ASSETS

2.1 Confirmation as to the Assets' capacity to produce funds to service payments on the securities.

According to the information provided by the Bank, the Management Company confirms that the flows of principal, interest and any other amounts generated by the Assets allow, as per their contractual characteristics, meeting payments due and payable on the Bonds.

Without prejudice to the foregoing, during the first Interest Accrual Period, the flow of interest received by the Fund may be less than the amounts corresponding to the payments that the Fund is obliged to make on the first Payment Date, although this imbalance will be covered by the interest received as a result of the Swap Agreement.

Notwithstanding the foregoing, in order to cover possible payment breaches by the Obligors, a series of enhancement operations have been contemplated which mitigate the risk of default, with respect to both principal and interest on the Bonds, and which are described under sections 3.4.2, 3.4.3 and 3.4.4 of this Additional Building Block. In exceptional circumstances, said enhancement operations could be insufficient.

Not all of the Bonds have the same risk of default given the different credit ratings assigned to the different Bond Series and which are detailed under section 7.5 of the Securities Note.

When due to a change in current regulations in force or the occurrence of exceptional circumstances, there occurs, in the judgment of the Management Company, a substantial alteration in the Fund's financial equilibrium or it is permanently impaired, or when a default indicative of a serious and permanent imbalance in relation to any of the Bonds takes place or is foreseen to take place, the

Management Company may proceed with the Early Liquidation of the Fund and the consequent Early Redemption of the Bond issue in the terms provided by section 4.4.3 of the Registration Document.

2.2 Assets backing up the issue.

The Loans from which the Assets subject to assignment to the Fund derive are first-rank Mortgage Loans or subsequent (only in cases where for the procedure of registry cancellation of the corresponding previous mortgage and the later granting and entry in the Property Register of a new first rank mortgage, this has not yet been registered as first rank, although the debt guaranteed by the previous mortgage has in any case been fully settled and, therefore, the resulting cancellation and new registration are in course), granted by the Bank to individuals for the purpose of financing the acquisition of property. In the case of subsequent Mortgage Loans, the debt originated by the previous mortgage is economically cancelled but the cancellation of the registration of the previous mortgage is pending.

In Mortgage Loans the fluctuations upward or downward of the interest rates mean higher or lower installments to be paid by the mortgagors, with the result that under no circumstance can the interest on the Loans be capitalized.

2.2.1 The legal jurisdiction by which the pool of Assets is governed.

The Assets are governed by Spanish law.

2.2.2 General characteristics of the Obligors.

The preliminary Loan portfolio, on August 27, 2007, was the subject of a report drafted by Deloitte, S.L., and dealt with a series of qualitative and quantitative items (attributes) of a sample of this preliminary portfolio, specifically, as regards:

- Identification of assigned Obligor ;
- Transfer of the assets;
- Loan formalization date;
- Maturity of the Loan;
- Original life of the Loan
- Current balance of the Loan;
- Reference interest rate;
- Differential of the interest rate;
- Interest rate applied;
- Delays in payment;
- Property guarantees;
- Address of the property mortgaged and/or property registration.
- Appraisal value.
- Appraisal on subsidized housing.

- Non payment Insurance.

a) **Maximum, minimum and average principals of the Loans**
The following table shows the distribution of the Loans by principal pending.

PORTFOLIO OF MORTGAGE LOANS AT 27.08.2007				
Classification by Pending Principal				
Range of Pending Principal	LOANS		Pending Principal	
	Number	%	euros	%
Between 0.00 and 49,999.99	65	0.84	2,654,898.85	0.19
Between 50,000.00 and 99,999.99	1,020	13.17	82,843,845.76	6.08
Between 100,000.00 and 149,999.99	2,070	26.73	262,967,698.83	19.29
Between 150,000.00 and 199,999.99	2,269	29.30	392,900,850.92	28.82
				1.05
Between 200,000.00 and 249,999.99	1,287	16.62	286,925,873.93	
Between 250,000.00 and 299,999.99	602	7.77	163,334,037.28	11.98
Between 300,000.00 and 349,999.99	212	2.74	67,925,462.96	4.98
Between 350,000.00 and 399,999.99	92	1.19	33,934,860.30	2.49
Between 400,000.00 and 449,999.99	39	0.50	16,415,893.42	1.20
Between 450,000.00 and 499,999.99	23	0.30	10,907,851.74	0.80
Between 500,000.00 and 549,999.99	20	0.26	10,411,108.56	0.76
Between 550,000.00 and 599,999.99	9	0.12	5,147,554.59	0.38
Between 600,000.00 and 649,999.99	11	0.14	6,829,346.25	0.50
Between 650,000.00 and 699,999.99	6	0.08	4,070,561.79	0.30
Between 700,000.00 and 749,999.99	4	0.05	2,871,909.99	0.21
Between 750,000.00 and 799,999.99	3	0.04	2,325,698.37	0.17
Between 800,000.00 and 849,999.99	3	0.04	2,408,523.94	0.18
Between 850,000.00 and 899,999.99	3	0.04	2,630,525.36	0.19
Between 900,000.00 and 949,999.99	1	0.01	900,000.00	0.47
Between 950,000.00 and 999,999.99	1	0.01	975,000.00	0.07
Between 1,000,000.00 and 1,049,999.99	1	0.01	1,000,000.00	0.07
Between 1,250,000.00 y 1,299,999.99	1	0.01	1,251,405.30	0.09
Between 1,450,000.00 y 1,499,999.99	1	0.01	1,488,000.00	0.11
Total	7,743	100.00	1,363,120,908.14	100.00
	Minimum principal:		18,589.96	
	Maximum principal:		1,488,000.00	
	Average principal:		176,045.58	

On August 27, 2007, 21.90% of the Outstanding Balance of the Assets have a Grace Period of Redemption which ends on June 30, 2012 at the latest. The average termination date of the Grace Period of Redemption is May 14, 2011.

PORTFOLIO OF MORTGAGE LOANS AT 27.08.2007				
Classification by principal grace period				
Expiry of period of principal grace	MORTGAGE LOANS		Pending Principal	
	number	%	euros	%
No grace	6,409	82.03	1,074,364,572.38€	78.10
From 30-06-2007 to 31-12-2007	54	0.69	13,931,924.00€	1.01
From 01-01-2008 to 30-06-2008	101	1.29	26,330,913.92€	1.91
From 01-07-2008 to 31-12-2008	30	0.38	6,527,291.99€	0.47
From 01-01-2009 to 30-06-2009	35	0.45	9,773,445.98€	0.71
From 01-07-2009 to 31-12-2009	3	0.04	577,500.00€	0.04
From 01-01-2010 to 30-06-2010	8	0.10	2,599,069.09€	0.19
From 01-07-2010 to 31-12-2010	54	0.69	9,365,466.26€	0.768
From 01-01-2011 to 30-06-2011	63	0.81	14,209,310.49€	1.03
From 01-07-2011 to 31-12-2011	445	5.70	91,300,824.50€	6.64
From 01-01-2012 to 30-06-2012	611	7.82	126,638,8865.89€	9.21
Total	7,743	100.00	1,363,120,908.14	100.00

b) **Distribution of the Loans according to the concentration of Obligor.**

The following chart shows the concentration of the twenty principal obligors in respect of the portfolio of loans.

PORTFOLIO OF MORTGAGE LOANS AT 27.08.2007							
Classification by 20 largest debtors							
Debtor	Autonomous Community	Survey value	L.T.V.	FORMALISATION DATE	REDEMPTION DATE	Pending Principal	
						euros	%
1	Cantabria	1,488,000.00	100.00	12-05-05	12-11-34	1,488,000.00	0.1059
2	Valencia	1,034,667.95	121.79	05-10-04	05-10-29	1,251,405.30	0.0891
3	Basque Country	1,126,786.19	88.75	31-01-06	31-01-26	1,000,000.00	0.0712
4	Madrid	1,159,500.00	84.09	28-02-07	28-02-37	975,000.00	0.0694
5	Canary Is.	931,100.00	96.66	04-04-07	05-04-37	900,000.00	0.0640
6	Catalonia	986,938.01	91.19	17-05-07	17-05-37	899,525.36	0.0640
7	Balearic Is.	903,635.00	96.83	30-03-07	30-03-37	875,000.00	0.0623
8	Catalonia	901,421.77	94.96	26-04-07	26-04-47	856,000.00	0.0609
9	Madrid	886,430.59	91.63	29-03-07	29-03-32	808,280.15	0.0575
10	Madrid	822,800.00	97.97	02-03-07	02-03-32	800,243.79	0.0569
11	Basque Country	841,082.90	95.12	29-01-07	29-01-22	800,000.00	0.0565
12	Catalonia	810,630.56	98.88	20-12-05	20-12-25	793,658.86	0.0542
13	Aragon	863,475.00	89.65	22-02-07	22-02-37	771,039.51	0.0549
14	Andalusia	761,834.00	99.89	10-11-06	10-11-36	761,000.00	0.0542
15	Madrid	841,753.00	87.32	10-12-03	10-11-29	735,000.00	0.0523
16	Basque Country	586,453.50	122.80	29-07-05	29-07-35	717,903.87	0.0511
17	Catalonia	789,722.38	90.45	26-04-06	26-04-31	710,138.14	0.0505
18	Catalonia	600,000.00	118.74	22-05-03	22-05-33	708,867.98	0.0504
19	Madrid	788,146.00	88.74	28-12-06	28-12-31	696,743.39	0.0496
20	Catalonia	832,662.00	83.61	09-01-07	09-01-37	693,356.71	0.0493
Total						17,241,163.06	1.2269

Maximum, minimum and average of the initial amounts of the Loans

PORTFOLIO OF MORTGAGE LOANS AT 27.08.2007				
Classification by initial principal				
Range of Initial Principal	LOANS		Initial Principal	
	Number	%	euros	%
Between 0.00 and 49,999.99	46	0.59	1,866,290.06	0.13
Between 50,000.00 and 99,999.99	920	11.88	74,714,027.93	5.41
Between 100,000.00 and 149,999.99	2,012	25.98	252,730,458.98	18.27
Between 150,000.00 and 199,999.99	2,323	30.00	398,849,741.68	28.83
Between 200,000.00 and 249,999.99	1,352	17.46	299,740,413.19	21.67
Between 250,000.00 and 299,999.99	609	7.87	164,307,131.87	11.88
Between 300,000.00 and 349,999.99	242	3.13	77,105,717.56	5.75
Between 350,000.00 and 399,999.99	102	1.32	37,681,639.28	2.720
Between 400,000.00 and 449,999.99	43	0.56	18,111,179.46	1.31
Between 450,000.00 and 499,999.99	23	0.30	10,808,774.76	0.78
Between 500,000.00 and 549,999.99	19	0.25	9,915,288.03	0.72
Between 550,000.00 and 599,999.99	12	0.15	6,844,709.00	0.49
Between 600,000.00 and 649,999.99	11	0.14	6,803,018.00	0.49
Between 650,000.00 and 699,999.99	6	0.08	4,000,100.00	0.29
Between 700,000.00 and 749,999.99	6	0.08	4,313,256.00	0.31
Between 750,000.00 and 799,999.99	2	0.03	1,538,127.00	0.11
Between 800,000.00 and 849,999.99	6	0.08	4,912,552.95	0.36
Between 850,000.00 and 899,999.99	3	0.04	2,591,000.00	0.19
Between 900,000.00 and 949,999.99	2	0.03	1,800,000.00	0.13
Between 950,000.00 and 999,999.99	1	0.01	975,000.00	0.07
Between 1,000,000.00 and 1,049,999.99	1	0.01	1,000,000.00	0.07
Between 1,350,000.00 y 1,399,999.99	1	0.01	1,300,000.00	0.09
Between 1,450,000.00 y 1,499,999.99	1	0.01	1,488,000.00	0.11
Total	7,743	100.00	1,383,496,425.75	100.00
	Minimum principal:		21,400,00	
	Maximum principal:		1,488,000,00	
	Average principal:		178,677,05	

d) Effective interest rate or finance charge applicable at the present time: maximum, minimum and average rates on the Loans

The average interest rate of the Loans is four point six three percent (4.630%). The global average margin of the Loans is zero point seven six per cent (0.76%) over the EURIBOR /MIBOR at one year.

Said interest rate is substantially less than that resulting from the addition of the average margin of 0.76% to the current interest rates. This is due to the fact that the last review of the majority of the Loans was carried out with interest rates considerably lower than the current interest rates.

PORTFOLIO OF MORTGAGE LOANS AT 27.08.2007						
Classification by Interest Rate						
Rate	Mortgage loans		Pending Principal		Weighted Interest Rate	Weighted Margin
	number	%	euros	%		
VARIABLE	7,743	100.00	1,363,120,908.14	100.00	4.66	0.76
Total	7,743	100.00	1,363,120,908.14	100.00	4.66	0.76
Minimum:					2.50	0.00
Maximum:					6.50	5.50
Simple average:					4.63	0.76

(*)Interest rate and margin are averages weighted by the pending principal of the loans.

Ninety-four point six-five per cent (94.65%) are referred to the average of EURIBOR at one year plus an average margin of zero point eighty per cent (0.80%), among which one point forty-three per cent (1.43%) of the Loans have been given to employees of the Bank and they are referred to EURIBOR at one year less an average margin of zero point thirty-five per cent (0.35%) for the amount of the EURIBOR. Furthermore, five point three five per cent (5.35%) are indexed to MHTO combined of all Financial Entities of the Mortgage Market (average interest rate of the mortgage loans at more than three years, granted by the financial entities as a whole during the current month to finance the acquisition of sheltered housing and is expressed as Annual Percentage Rate) plus an average margin of zero point thirteen per cent (0.13%).

The following table shows the breakdown of the Loans by reference indices.

PORTFOLIO OF MORTGAGE LOANS AT 27.08.2007						
Classification by Reference Index						
Reference Index	MORTGAGE LOANS		Pending Principal		Weighted Average Margin	
	number	%	euros	%		
EURIBOR/MIBOR 1 YEAR	7,266	93.84	1,290,170,660.46	94.65	0.80	
MHTO	477	6.16	72,950,247.68	5.35	0.13	
Total	7,743	100.00	1,363,120,908.14	100.00	0.76	

The following table shows the breakdown of the Loans in intervals of zero point fifty per cent (0.50%) of present nominal interest rate.

PORTFOLIO OF MORTGAGE LOANS AT 27.08.2007					
Classification by applicable nominal interest rate					
Interval % Interest Rate	MORTGAGE LOANS		Pending Principal		% Interest Rate (*)
	number	%	euros	%	
Between 2.50 & 2.99	118	1.52	21,107,982.19	1.55	2.51
Between 3.00 & 3.49	4	0.05	454,365.91	0.03	3.29
Between 3.50 & 3.99	57	0.74	10,773,477.73	0.79	3.65
Between 4.00 & 4.49	1,473	19.02	273,026,288.83	20.03	4.30
Between 4.50 & 4.99	5,168	66.74	917,582,417.48	67.31	4.71
Between 5.00 & 5.49	874	11.29	133,688,606.16	9.81	5.12
Between 5.50 & 5.99	48	0.62	6,434,000.71	0.47	5.59
Between 6.50 & 6.99	1	0.01	53,769.13	0.00	6.50
Total	7,743	100.00	1,363,120,908.14	100,00	4.63
Weighted average:					4.63
Minimum:					2.50
Maximum:					6.50
Simple average:					4.64

*Average nominal interest rate weighted by pending principal.

- e) Loan formalization dates as well as earliest and latest final maturity dates.

Formalization Date

PORTFOLIO OF MORTGAGE LOANS AT 27.08.2007						
Classification by Formalization Date						
Formalization Interval	Mortgage Loans		Pending Principal		Date of Weighted Formalization	
	number	%	euros	%	Date	Months
Bet. 01/01/1993 and 30/06/1993	1	0.01	171,143.98	0.01	21-06-93	170.30
Bet. 01/01/1994 and 30/06/1994	4	0.05	502,698.88	0.04	03-04-94	160.89
Bet. 01/07/1994 and 31/12/1994	1	0.01	240,887.19	0.02	19-12-94	152.35
Bet. 01/07/1995 and 31/12/1995	1	0.01	180,803.51	0.01	27-10-95	142.09
Bet. 01/01/1996 and 30/06/1996	2	0.03	176,133.37	0.01	07-05-96	135.74
Bet. 01/07/1996 and 31/12/1996	2	0.03	3549,992.73	0.03	27-11-96	129.04
Bet. 01/01/1997 and 30/06/1997	5	0.06	476,913.46	0.03	15-03-97	125.46
Bet. 01/07/1997 and 31/12/1997	5	0.06	485,940.63	0.04	08-10-97	118.68
Bet. 01/01/1998 and 30/06/1998	13	0.17	1,340,604.99	0.10	09-05-98	111.68
Bet. 01/07/1998 and 31/12/1998	29	0.37	2,724,701.50	0.20	01-10-98	106.89
Bet. 01/01/1999 and 30/06/1999	30	0.39	2,930,753.47	0.22	18-04-99	100.35
Bet. 01/07/1999 and 31/12/1999	37	0.48	3,482,618.19	0.26	01-10-99	94.89
Bet. 01/01/2000 and 30/06/2000	43	0.56	5,583,818.83	0.41	12-04-00	88.53
Bet. 01/07/2000 and 31/12/2000	37	0.48	4,578,478.65	0.34	17-10-00	82.33
Bet. 01/01/2001 and 30/06/2001	60	0.77	7,525,064.03	0.55	13-04-01	76.48
Bet. 01/07/2001 and 31/12/2001	57	0.74	6,991,518.42	0.51	04-10-01	70.75

PORTFOLIO OF MORTGAGE LOANS AT 27.08.2007						
Classification by Formalization Date						
Formalization Interval	Mortgage Loans		Pending Principal		Date of Weighted Formalization	
	number	%	euros	%	Date	Months
Bet. 01/01/2002 and 30/06/2002	88	1.14	11,072,705.33	0.81	04-04-02	64.79
Bet. 01/07/2002 and 31/12/2002	84	1.08	10,702,975.18	0.79	10-10-02	58.56
Bet. 01/01/2003 and 30/06/2003	79	1.02	11,334,141.43	0.83	08-04-03	52.65
Bet. 01/07/2003 and 31/12/2003	271	3.50	37,529,098.74	2.75	08-10-03	46.64
Bet. 01/01/2004 and 30/06/2004	141	1.82	20,887,052.64	1.53	07-04-04	40.66
Bet. 01/07/2004 and 31/12/2004	113	1.46	19,079,477.93	1.40	06-10-04	34.67
Bet. 01/01/2005 and 30/06/2005	127	1.64	23,424,019.36	1.72	22-04-05	28.17
Bet. 01/07/2005 and 31/12/2005	209	2.70	35,995,090.58	2.64	01-11-05	21.83
Bet. 01/01/2006 and 30/06/2006	250	3.23	48,179,006.14	3.53	01-04-06	16.84
Bet. 01/07/2006 and 31/12/2006	2,069	26.72	375,872,684.94	27.57	22-11-06	9.13
Bet. 01/01/2007 and 30/06/2007	3,985	51.47	731,302,584.04	53.65	23-03-07	5.15
Total	7,743	100.00	1,363,120,908.14	100,00		
Minimum:					31-05-07	2.89
Maximum:					21-06-93	170.30
Weighted average:					24-07-06	13.22
Simple average:					16-05-06	15.38
(*) Time since formalization (in months and date) are averages weighted by pending principal of the mortgage loans.						

Final maturity date.

Amortization of the Loans takes place during the entire remaining life until paid-off in full, a period during which the Obligors must pay installments which include principal repayment and interest or finance charges.

The following table shows the breakdown of the Loans by final amortization date in annual intervals:

PORTFOLIO OF MORTGAGE LOANS AT 27.08.2007						
Classification by Final Redemption Date						
Year of Final Redemption	Mortgage Loans		Pending Principal		Average residual life balanced (*)	
	number	%	euros	%	Months	Date
2008	1	0.01	163,300.00	0.01	25-04-08	7.96
2010	1	0.01	36,884.28	0.00	22-05-10	32.84
2012	1	0.01	114,404.41	0.01	06-10-12	61.38
2013	1	0.01	105,487.92	0.01	23-03-13	66.90
2014	7	0.09	479,205.48	0.04	27-05-14	81.07
2015	5	0.06	382,081.45	0.03	13-08-15	95.61
2016	10	0.13	905,564.03	0.07	02-07-16	106.26
2017	9	0.12	747,732.54	0.10	12-06-17	117.61
2018	17	0.22	1,383,493.62	0.10	153-08-18	131.71

PORTFOLIO OF MORTGAGE LOANS AT 27.08.2007						
Classification by Final Redemption Date						
Year of Final Redemption	Mortgage Loans		Pending Principal		Average residual life balanced (*)	
	number	%	euros	%	Months	Date
2019	11	0.14	1,352,145.42	0.10	10-06-19	141.55
2020	26	0.34	3,051,750.63	0.22	30-07-20	155.22
2021	34	0.44	4,059,886.96	0.30	21-08-21	167.96
2022	55	0.71	7,870,713.62	0.58	14-05-22	176.69
2023	43	0.56	4,708,914.48	0.35	17-08-23	191.83
2024	40	0.52	4,994,588.01	0.37	10-06-24	201.63
2025	82	1.06	11,269,209.92	0.83	23-07-25	215.04
2026	121	1.56	17,252,295.37	1.27	19-08-26	227.93
2027	149	1.92	20,354,331.93	1.49	07-05-27	236.51
2028	90	1.16	12,377,091.27	0.91	18-07-28	250.88
2029	73	0.94	11,541,792.32	0.85	26-07-29	263.16
2030	106	1.37	15,337,147.20	1.13	18-07-30	274.90
2031	200	2.58	31,039,987.52	2.27	11-09-31	288.72
2032	318	4.11	50,766,354.21	3.72	28-04-32	296.28
2033	181	2.34	29,858,519.31	2.19	07-08-33	311.59
2034	204	2.63	33,782,743.78	2.48	11-07-34	322.70
2035	199	2.57	35,146,391.91	2.58	02-07-35	934.39
2036	710	9.17	126,837,051.63	9.30	17-10-36	349.95
2037	1,764	22.78	318,971,184.27	23.40	05-04-37	356.56
2038	23	0.30	4,454,859.23	0.33	27-07-38	371.25
2039	27	0.35	4,479,326.51	0.33	30-06-39	382.38
2040	42	0.54	7,276,363.75	0.53	17-07-40	394.95
2041	145	1.87	25,245,297.92	1.85	12-09-41	408.84
2042	216	2.79	39,1104,635.34	2.87	12-04-42	415.81
2043	46	0.59	8,846,463.17	0.65	16-07-43	430.94
2044	44	0.57	9,187,835.53	0.67	14-07-44	442.89
2045	141	1.82	27,302,461.25	2.00	22-08-45	456.19
2046	1,142	14.75	215,499,774.89	15.81	22-10-46	470.20
2047	1,459	18.84	276,863,727.06	20.31	11-03-47	474.78
Total	7,743	100.00	1,363,120,908.14	100,00		
Weighted average:					17-02-39	378.01
Simple average:					14-05-39	386.12
Minimum:					25-04-08	7.96
Maximum:					24-06-47	478.22

(*) Residual life at final maturity (in months and date) are averages weighted by the pending principal of the mortgage loans with final maturity in the corresponding year.

f) **Indication of Geographic Breakdown by Autonomous Communities.**

PORTFOLIO OF MORTGAGE LOANS AT 27.08.2007				
Classification by Autonomous Community of the Guarantee				
Autonomous Community	MORTGAGE LOANS		Pending Principal	
	number	%	euros	%
ANDALUSIA	1,736	22.42	274,046,629.95	20.10
ARAGÓN	196	2.53	36,257,819.72	2.66
ASTURIAS	121	1.56	16,796,194.02	1.23
BALEARIC IS.	201	2.60	40,611,375.38	2.98
CANARY IS.	862	11.13	129,226,826.76	9.48
CANTABRIA	131	1.69	23,248,079.22	1.71
CASTILLA-LA MANCHA	280	3.62	46,981,858.95	3.45
CASTILLA-LEÓN	380	4.91	56,454,817.39	4.14
CATALONIA	1,173	15.15	254,668,715.97	18.68
CEUTA	6	0.08	636,867.42	0.05
EXTREMADURA	119	1.54	13,528,435.86	0.99
GALICIA	211	2.73	31,639,913.64	2.32
LA RIOJA	29	0.37	4,6391,639.47	0.34
MADRID	854	11.03	196,0819,231.18	14.38
MELILLA	30	0.39	3,945, 977.63	0.29
MURCIA	241	3.11	37,246,522.61	2.73
NAVARRE	34	0.44	5,645,504.93	0.41
BASQUE COUNTRY	248	3.20	53,4262,0048.27	3.92
VALENCIA	891	11.51	138,038,493.77	10.13
Total	7,743	100.00	1,363,120,908.14	100.00

g) **Default on Loan portfolio assigned by the Bank.**

With respect to the Loans to be assigned to the Fund, the Bank warrants that none of them will present outstanding payments on the Constitution Date of the Fund in excess of thirty (30) days.

PORTFOLIO OF MORTGAGE LOANS AT 27.08.2007				
Classification by Delays in Payment of Payable Installations				
Interval of Days	MORTGAGE LOANS		Pending Principal	
	number	%	euros	%
Abreast of payment	7,200	92.99	1,278,914,091.91	93.82
Between 1 and 30 days	501	6.47	77,576,277.41	5.69
Between 31 and 60 days	30	0.39	4,890,589.69	0.36
Between 61 and 90 days	12	0.15	1,739,949.13	0.13
Total	7,743	100.00	1,363,120,908.14	100.00

2.2.3 Legal nature of the Assets.

The Assets object of securitization through their assignment to the Fund are credit rights deriving from Mortgage Loans granted by the Bank.

The assignment of the Assets will be made by the issue by the Bank of the MTC's, (each one representing a share of one hundred per cent (100%) of the Outstanding

Balance of the Assets deriving from Mortgage Loans to which they pertain), which will be fully subscribed by the Fund via its Management Company, by virtue of the Deed of Constitution and in the terms established therein and in this Prospectus. All in accordance with Additional Provision 5 of Law 3/1994, as per the wording given by article 18 of Law 44/2002; Law 2/1981, of March 25, on Regulation of the Mortgage Market; Royal Decree 685/1982, of March 17; and other regulations in force from time to time, applicable to the transferability and acquisition of mortgage market securities. The issue, representation, transferability and registration of the MTC's are set forth in detail under section 3.3.a) of this Additional Building Block.

2.2.4 The expiration or maturity date(s) of the Assets.

Each of the Loans selected has a maturity date, without prejudice to the partial prepayments made periodically, according to the particular conditions of each one.

The Obligors may repay all or part of the capital pending amortization in advance at any time during the term of the Loans, and the interest will cease to accrue on the part cancelled in advance as from the date on which repayment was made.

The maturity date of all of the Loans selected is June 24, 2047 or prior thereto.

The average weighted maturity date of the Loans is February 17, 2039

2.2.5 Amount of the Assets.

The assets of the Fund will be comprised of the Loans which the Bank will assign to the Fund on the Date of Constitution, whose total principal will be equal to, or slightly higher than one billion, two hundred and thirty million euros (€1,230,000,000)

The portfolio of the selected loans, from which the Loans to be assigned to the Fund on the Date of Constitution will be extracted, is comprised of 7,743 Loans, with an aggregate outstanding principal as of August 27, 2007, amounts to 1,363,120,908,14 euros. Loans that have default payments of more than thirty (30) days may not be assigned.

2.2.6 Loan to value ratio or level of collateralization.

The ratio, expressed as a percentage between the outstanding principal as at August 7, 2007 and the appraised value of the mortgaged properties related to the selected Mortgage Loans, was between 12.16% and 124.56%, the average weighted appraised value being 91.61%.

The following table shows the breakdown of the Mortgage Loans into their various intervals:

PORTFOLIO OF MORTGAGE LOANS AT 27.08.2007					
Classification by Pending Principal/Survey Value					
Relation Intervals	MORTGAGE LOANS		Pending Principal		Pend. Pin./Weighted Survey
	Number	%	euros	%	%
Between 10.00 &84.99	1,983	25.61	348,010,811.16	25.53	81.68
Between 85.00 &89.99	1,781	23.00	324,039,737.56	23.77	87.83
Between 90.00 &94.99	1,697	21.92	305,833,318.36	22.44	92.94

PORTFOLIO OF MORTGAGE LOANS AT 27.08.2007					
Classification by Pending Principal/Survey Value					
Relation Intervals	MORTGAGE LOANS		Pending Principal		Pend. Pin./Weighted Survey
	Number	%	euros	%	%
Between 95.00 &99.99	1,575	20.34	282,605,858.73	20.73	96.85
Between 100.00 &104.99	161	2.08	26,407,024.85	1.94	102.08
Between 105.00 &109.99	85	1.10	12,605,460.73	0.92	107.20
Between 110.00 &114.99	67	0.87	9,110,700.47	0.67	112.37
Between 115.00 &119.99	227	2.93	31,429,014.99	2.31	117.63
Between 120.00 &124.99	167	2.15	23,078,981.29	1.69	121.98
Total	7,743	100.00	1,363,120,908.14	100.00	91.61

There is no collateralization in the Fund, since the principal of the Loans that the Bank will assign to the Fund upon its constitution will be lower than the total value of the Bonds issue.

2.2.7 Description of the procedures established by the Bank for the formalization of loans and credit facilities to individuals ("Internal Memorandum") .

The risk policy followed by the Bank in order to formalize the Mortgage Loans granted to individuals to finance the acquisition of a home is described below.

All the commercial offices of the Bank have available certain documentation which details the characteristics and terms of the mortgage loan and includes the application form.

The following documentation shall be attached to the application form:

1. About the residential property to be acquired.
 - (1) Purchase agreement, if already executed, or offer by the seller (including the amount of the transaction).
 - (2) Verification of the registration of the property with the Land Registry.
 - (3) Last invoice of payment of the Real Estate Tax ("IBI").
2. Concerning the income of the applicant.
 - (1) Salaried workers: the last two/three payrolls or certificate issued by the company and Income Tax Returns of the previous year.
 - (2) Professionals and autonomous workers: Income Tax Return of the previous year and the last quarterly payments plus the last two annual VAT Returns and the last quarterly payments.
 - (3) In all cases, photocopy of documentation evidencing other income.
 - (4) In the event of pending debts, the applicant shall file 2/3 of the last payment invoices.
3. Net Worth.

Evidence of ownership of the declared real estate, and the Net Wealth Tax Return (in case that it is filed with the Tax Authorities).

Faculties.

The commercial offices process the application and, in the event that the decision system issues a favorable resolution, they submit the file to the Execution Units (“Centros de Formalización”), to process the application.

In the event that the preliminary decision is negative, in case that the commercial office finds it appropriate, it may submit the application to the Transactions Decision Unit (“Unidad de Decisión de Operaciones” or “UDO”) for a more detailed study. The UDO decide on residential mortgage loans up to the amount of their faculties. The transactions which exceed the amount of their faculties are submitted to the Territorial Loan Commission (“Comisión de Préstamos de la Territorial”).

The transactions which exceed the amount of Euro 350,000, or those which do not meet the basic criteria established below, are submitted to the UDO, so that, in the exercise of its faculties, evaluates the loan and issues a first preliminary authorization, subject to the firm appraisal and to verification of the registration data of the property to be mortgaged.

Once the transaction is approved, the file is submitted to the Execution Units (“Centros de Formalización”) to process the application.

Evaluation.

For decision-taking, the following basic criteria will be followed:

- a). Destination: acquisition of first or second residential property.
- b). Age of the applicant: the applicant shall be aged at least 18 years and the sum of both the age of the applicant and the term of the loan shall not exceed 80 years.
- c). Amount: Up to 80% of the lower amount of (i) the appraisal value, or (ii) the purchase value, unless additional guarantees are provided. In this latter case, the 80% threshold may be exceeded. In this latter case, the Bank’s general policy is basically the following:

Transactions with LTV exceeding 80%:

The applicants of operations that exceed 80% of LTV must comply with the following requirements.

- a) Transactions with LTV between 80% and 90%:

Capacity of payment and for stress rate (“*Tasa de esfuerzo*”) higher than 40% and less than 50%, other real guarantees, solvent guarantor or Mortgage Credit Insurance will be required.

- b) Transactions with LTV exceeding 90% up to 97%:

Capacity of payment and other real guarantees, solvent guarantor or Mortgage Credit Insurance regardless of the stress rate.

c) Transactions with LTV exceeding 97%:

Capacity of payment and other real guarantees, solvent guarantor.

- d) Title owners: Individual persons of legal age, Spanish residents that become residential property owners, and which comply with the following conditions:
- (1) The minimum seniority at work shall be 6 months and the applicants shall have passed the probationary period. In the event of foreign applicants, they shall evidence that their employment is stable.
 - (2) In the event of self-employment, the applicants shall evidence a seniority of two years as self-employees.
 - (3) The stress rate (“*tasa de esfuerzo*”) (the amount of the installment of the loan requested plus other financial charges/total net income) shall not exceed 40%.

Disbursement of the loan.

Once the final procedures of evaluation and authorization have been completed, the deed granting the loan is executed before a Notary Public. Once the deed is executed, for the purposes of the recording in the Daybook of the Land Registry of the relevant submission entry of the deed (registration of the mortgage), the Notary notifies to the Land Registry by fax the execution of the deed of granting of the loan.

Simultaneously, the Bank will disburse the funds and will credit them to the account opened by the Obligor at the Bank.

The submission entry has a validity of ten (10) Business Days. During this period, the original copy of the deed which caused the submission entry shall be filed. Once the original copy of the deed has been filed with the Land Registry within this period, it shall be verified that the mortgaged property is free of any conditions, restrictions upon transfer, terms, substitutions, reservations, liens, encumbrances or any other limitations, unless they do not affect the mortgage, they are subordinated to it or they are previously cancelled.

Damages Insurance.

In those Loans where it may be required that a Fire Insurance policy be taken out by the borrower to cover the mortgaged property and the appointment of the Bank as beneficiary, such requirement will be reflected in the following clause in the deeds:

“Insurance, taxes and maintenance of the mortgaged property.- The borrower shall enter into an insurance policy to cover the damages, including those resulting from fire, in connection with the mortgaged property, during the life of this transaction, for a minimum amount equal to the Insurance Value, included in the Appraisal Report, the certificate of which is attached to this deed. Such insurance policy shall irrevocably appoint the BANK as beneficiary, during the life of the transaction, of any compensations arising from a claim.”

2.2.8 Representations and other warranties given to the Issuer in relation to the Assets.

The Bank, as title owner of the Loans and until its concession to the Fund and as the issuing entity, represents and warrants to the Management Company, in the name and on behalf of the Fund on the Date of Constitution and the Lead Managers Entities, the following:

(a) In relation to the Bank:

- (1) That the Bank is a credit institution duly incorporated under current Spanish law, and is registered with the Mercantile Registry of Santander.
- (2) That the Bank's corporate bodies have validly adopted all necessary corporate resolutions for the assignment to the Fund of the Assets and in order to execute the Deed of Constitution thereof and the Contracts.
- (3) That the Bank is empowered to deal in the Mortgage Market and, especially, to grant all of the Loans which are assigned by virtue of the Deed of Constitution.
- (4) That neither as at the date of the Prospectus, or at any time after constitution, has the Bank been subject to a situation of insolvency, creditors' proceedings, temporary receivership or bankruptcy.
- (5) That it has the annual financial statements relating to the last three fiscal years (2004, 2005 and 2006), duly audited. The audited annual financial statements pertaining to 2004, 2005 and 2006 fiscal years are filed with the Mercantile Registry and the CNMV.

(b) In relation to the Assets:

- (1) That the Mortgage Loans, are valid and enforceable in accordance with applicable law, all current legal provisions having been observed in the establishment thereof.
- (2) That the data included in the Prospectus and in the Deed of Constitution in relation to the Assets accurately reflect their situation as at the portfolio selection and assignment dates, respectively.
- (3) That as from the time of their granting or subrogation, as the case may be, the Assets have been and are being serviced by the Bank in accordance with the customary procedures it has established.
- (4) That the Bank has faithfully followed the risk granting policy described under section 2.2.7 of this Additional Building Block, in the granting of each and every one of the Loans.
- (5) That the Assets derive from bilateral Loans granted by the Bank to individuals domiciled in Spain, for the purpose of financing the acquisition of property, all of the Obligors being individuals.

- (6) That the Assets are denominated and payable in euros and they are guaranteed by a real estate mortgage.
- (7) That the Assets accrue interest at a variable rate referenced to a market index, without in any case, a maximum or minimum limit being provided as to the applicable interest.
- (8) That all of the Assets have a maturity date on or before June 24, 2047.
- (9) That the Assets have their origin in the ordinary course of the Bank's business.
- (10) The Bank is the holder, without any limitation, of all of the Mortgage Loans, without there being any restriction on the issue of Mortgage Transfer Certificates.
- (11) The documentation by means of which the Mortgage Loans were formalized does not include any impediment to their free transfer to the Fund nor does it include any impediment to the assignment of the rights of the Bank as beneficiary of the Damage Insurance policies, as the case may be, and of the Mortgage Credit Insurance and should the consent of the Obligor be required, such consent has been obtained.
- (12) That the payments of the Obligor deriving from the Loans are not subject to any tax deduction or withholding.
- (13) That it constitutes a valid payment obligation binding upon the Obligor and is enforceable in accordance with its own terms.
- (14) That 99.48% of the Assets have quota payments of the principal and the interest monthly and the remaining 0.52% quarterly, half-yearly or annually, and there is no clause that permits the deferral of interest payment upon maturity.
- (15) That payment on the Assets takes place through direct bank debit generated automatically and authorized by the relevant Obligor at the time of formalizing the transaction.
- (16) That the Assets are governed by Spanish law.
- (17) That the Loans are fully disposed of.
- (18) That no person holds any preferred right over the Fund with respect to the Assets.
- (19) The Bank represents that, on the Constitution Date, all of the Obligors will have paid at least one (1) monthly installment and, on the Constitution Date, none of the Mortgage Loans shall have payments pending for a period of more than thirty (30) days.
- (20) That according to its internal records, none of the Loans pertains to financing granted to real estate developers for the construction or

rehabilitation of residential housing and/or commercial or industrial properties to be put up for sale.

- (21) That it has no knowledge of any of the Obligors being the holder of any credit right vis-à-vis the Bank which grants it the right to set-off there against and which may adversely affect the Assets.
- (22) That, as at the Constitution Date, it has not received any notice of pre-payment of the Loans, in whole or in part.
- (23) That each of the Loans is secured by a first-rank, or subsequent, real property mortgage (although subsequent ranks refer to previous mortgages that have been financially cancelled but the cancellation of the registration is pending) without the mortgaged properties being subject to any prohibitions against disposal, conditions subsequent or any other restriction on title.
- (24) That the LTV of the Loans on the Constitution Date is lower than 125% of the appraisal value of properties mortgaged as security for the relevant Mortgage.
- (25) Some of the Loans present an additional guarantee since they are transactions insured by Mortgage Credit Insurance formalized with GE Mortgage Insurance Limited ("GEMI") and AIG Europe ("AIG") the description and function of which are given in section 2.2.10 of this Additional Building Block.
- (26) That all of the Mortgage Loans are formalized by public deed and all of the mortgages are duly established and recorded with the pertinent Property Registries. The recording of the mortgaged properties is current and effective and without contradiction.
- (27) That the Mortgage Loans are not represented in neither registered, to order or bearer securities.
- (28) That the Mortgage Loans are not subject to any mortgage bonds or mortgage participation issue.
- (29) That the properties mortgaged by virtue of the Mortgage Loans are not subject to a situation of excluded assets for acceptance as security (owing to their exclusion from town planning) in accordance with article 31.1.d) of Royal Decree 685/1982, of March 17, implementing certain aspects of Law 2/1981, of March 25, on Regulation of the Mortgage Market.
- (30) That the Mortgage Loans are not among the excluded credits of article 32 of Royal Decree 685/1982.
- (31) That copies of all of the mortgage deeds referring to the Mortgage Loans are duly placed in the Bank's files, adequate for such purpose, at the disposal of the Management Company, acting for and on behalf of the Fund, and all of the Mortgage Loans are clearly

identified, both by means of machine-readable media as well as their deeds.

- (32) That it has no knowledge of the existence of litigation of any type in relation to the Mortgage Loans which may impair the validity thereof or which may lead to the application of article 1535 of the Spanish Civil Code, or of the existence of circumstances which may lead to the ineffectiveness of the contract for the acquisition of the property mortgaged as security for the Mortgage Loans.
- (33) That it has no knowledge of the existence of any circumstance which prevents foreclosure or enforcement of the mortgage guarantee.
- (34) That all mortgaged properties have been previously appraised by qualified entities to these effects and they have been approved by the Bank, whose appraisal has been certified. The appraisals carried out comply with all the requirements established in the legislation governing mortgages.
- (35) That the Bank is unaware of any reduction of more than 20% in the appraisal value of any mortgaged property.
- (36) That all mortgaged properties have been constructed, completed and are fully owned by the respective mortgagor. The Bank is unaware of any litigation existing in relation to the ownership of such properties which may impair the mortgages.
- (37) That all mortgaged properties that guarantee the Mortgage Loans have at least one effective Damage Insurance, in which the capital is not lower than the evaluation of the mortgaged property or properties or the current balance of the Loan, not including those elements that cannot be insured due to their nature.
- (38) The address and/or the property registration number of each mortgaged property securing each Mortgage Loan recorded at the data base of the Bank coincides with that established in the Public Deed.
- (39) That in the case of Mortgage Loans granted on subsidised housing, the appraisal value considered to grant the loan has been the maximum legal purchase value.

(c) In relation to the Mortgage Transfer Certificates:

- (1) That the MTC's are issued in accordance with the provisions of (i) Law 2/1981, (ii) Royal Decree 685/1982, (iii) Additional Provision Five of Law 3/1994, of April 14, as per the wording given by article 18 of Law 44/2002, of November 22, by virtue of which the current law in force applicable to mortgage units or participations is applied to the MTC's, as regards everything applicable thereto, and (iv) other applicable regulations.

- (2) That the MTC's are issued for the same term which remains until the maturity of and for the same interest rate as each one of the Mortgage Loans to which they pertain.
- (3) That, on the Constitution Date, the Outstanding Balance of the Assets is equivalent to the capital figure of the MTC to which it pertains.
- (4) The respective corporate body of the Assignor has validly adopted all the agreements required for the issue of the Mortgage Transfer Certificates.

The Management Company has obtained the statements and guarantees regarding the characteristics from the Assignor, both as regards the Loans and the MTC and from the assignor itself, which are described in this section and will be ratified in the Deed of Constitution.

2.2.9 Substitution of the Assets.

In the case of prepayment of the Assets due to the early repayment of the corresponding Mortgage Loans, these Mortgage Loans will not be replaced.

In the event that any of the Assets is affected by a hidden defect owing to non compliance on the assignment date to the Fund with the requirements that such Assets must meet in order to be assigned to the Fund or the representations made to that effect by the Assignor to the Management Company reproduced in section 2.2.8 of this Additional Building Block, or has failed to acquire the characteristics notified by the Bank to the Management Company, the party that has become aware of such circumstance, whether it be the Assignor or the Management Company, shall notify the other party of such circumstance in writing. The Assignor shall have a period of fifteen (15) Business Days from the receipt of the notification in which to rectify that hidden defect or, if that hidden defect cannot be rectified, to replace the Asset affected by another or others with an outstanding balance equal to or slightly higher than the outstanding balance of the replaced Asset and which will have to comply with the representations of the Assignor to the Management Company reproduced in section 2.2.8 above and have similar residual period, interest rate, value of principal pending repayment, rank of mortgages, relationship between the principal pending repayment and the evaluation of the mortgaged property or properties and the quality of the guarantee, so that the financial balance of the Fund and the rating of the Bonds are not affected by the replacement. The Assignor must notify the Management Company of the characteristics of the mortgage loans intended to be assigned in replacement.

The replacement will be carried out by means of the cancellation of the affected MTC and the issue and acquisition by the Fund of the MTC that will replace it (the Assignor will issue a new multiple title which includes the number of MTC that may exist on that date and which will be issued in exchange for the one given on the Constitution Date or on the date prior to the assignment and/or replacement prior dated of substitution). That issue of the MTC by the Bank and replacement by the Management Company, on behalf of the Fund, will be made through the corresponding Notary certificate, which will include the data concerning the

Mortgage Transfer Certificate to be substituted, the Mortgage Loan, the new Mortgage Transfer Certificate issued, together with the data concerning the new Mortgage Loan, as well as the reason for the substitution and the variables which determine the homogeneous character of Mortgage Transfer Certificates, as described above. A copy of this Notary certificate will be given to the CNMV, to the entity in charge of the Registry and to AIAF, and the Rating Agencies will be subsequently notified. The Bank shall reimburse to the Fund any unpaid amounts regarding the replaced Asset by depositing such amounts in the Cash Accounts. Furthermore, should the Outstanding Balance of the Asset be slightly lower than that of the replaced Asset, the Bank shall reimburse the difference to the Fund, taking into account the nominal value, the interest that has accrued but not matured and any other unpaid amounts concerning such Asset, by means of their payment into the Cash Account on the relevant date.

In particular, the modification by the Assignor, in its capacity as Administrator, of the terms and conditions of the Loans during the term thereof, irrespective of the limits established in the special laws applicable and the terms agreed between the Fund and the Assignor in the Deed of Constitution of the Fund and section 3.7.1 of this Additional Building Block in this Prospectus, and, therefore, absolutely exceptional, would constitute a breach by the Assignor of its obligations which should not be assumed by the Fund. In the event of any breach, the Fund may, through the Management Company: (i) demand indemnity for damages and (ii) request the replacement or repurchase of the affected Assets, as set forth in this section, which will not imply the guarantee by the Assignor of the successful completion of the transaction, but the necessary redress of the effects of the breach of its obligations, in accordance with article 1124 of the Civil Code. The Management Company will immediately notify the CNMV of the replacement or redemption of the Assets resulting from the breach by the Assignor. The costs incurred by the action taken to rectify the Assignor's breach will be borne by the Assignor, but will not be able to be charged to the Fund.

Should it not be possible to carry out the replacement mentioned or it is not made within a period of ten (10) days, the Management Company will redeem the affected MTC in advance. In which case the Bank will repurchase it and will reimburse the Fund the Outstanding Balance thereof together with the interest accrued and unpaid, in addition to any other unpaid amounts with regard to such Asset, by means of their deposit in the Cash Account.

Furthermore, in the event that, during the entire life of the Fund, any of the Mortgage Loans fails to comply with the representation set forth in section 2.2.8(15) regarding the payments by a Banker's standing order, , the Management Company will redeem the affected MTC and the Bank will repurchase it in the terms set forth in the paragraph above.

2.2.10 Relevant Insurance Policies relating to the Loans.

The assets on which the mortgages have been established as security for the Mortgage Loans have been insured, as the case may be, in accordance with the

provisions of Order ECO /805/2003, of March 27, on valuation rules for real estate assets and certain rights for certain financial purposes.

Data on concentration of the insurance companies are not included because the present status of the insurance policies contracted by the Obligors and their data are not supported or updated in the Bank's automated databases. Notwithstanding the foregoing, given the number of Mortgage Loans and the geographic distribution thereof as detailed under section 2.2.2 of this Additional Building Block, any possible concentration of the insurance companies has not been deemed to be relevant to the program.

Thirty-nine point fifty-nine per cent (39.59%) of the Loans that provide finance between 80% and 97% of the appraisal value are guaranteed by means of a Mortgage Credit Insurance formalized with GEMI (0.58%) and AIG (39.01%). The Obligors are not able to choose an insurance company other than GEMI or AIG.

Loans that have a percentage of financing higher than ninety-seven per cent (97%) of the initial appraisal value may be guaranteed by other tangible securities or other solvent guarantors, as detailed in the procedures established by the Bank for the formalization of loans and credits to individuals reflected in section 2.2.7 of this Additional Building Block.

GEMI is a company incorporated in England and Wales, whose registered office is in London and carries out its activity in Spain through its affiliate in Madrid. GEMI has a (i) AA credit rating by Standard & Poor's confirmed in November 2003, after which there has been no further confirmation (ii) AA by Fitch, confirmed in June 2006, and (iii) Aa2 by Moody's, confirmed in November 2004, after which there has been no further confirmation.

AIG Europe, Sucursal en España is a French insurance and reinsurance company with fifty years' experience in Spain. AIG has an AA+ credit rating by Standard & Poor's, confirmed in November 2006. It is integrated in the American International Group, Inc. and it has offices in more than one hundred and thirty countries. AIG provides life and similar insurance, retirement and investment schemes, mortgage credit insurance.

For both companies, this Mortgage Credit Insurance is intended to cover the risk of loss which might occur after the execution process of a Loan due to failure of the borrower to pay during the life of the operation and for a constant amount. The operations insurable are those with a percentage of financing at the time of the formalization of the operation situated between eighty per cent (80%) and ninety-seven per cent (97%) of initial appraisal value.

The amount of the loss is defined as the difference between:

- the amount of the debt of the client (balance pending of the return of the Loan plus the ordinary interest due and unpaid up to a total of thirty-six (36) unpaid monthly installment).
- the value of judicial adjudication of the property which is the subject of the guarantee of the Mortgage Loan or the assignment of the Loan to a third party.

Example:	
Initial amount of the Loan	€92,000
Evaluation:	€100,000 (LTV operation = 92%)
Maximum amount of the cover (GEMI):	€17,000 = 92,000-(100,000*75%)
(percentage established in the GEMI's policy)	
Maximum amount of the cover (AIG):	€11,040=(92.000*92%)-(92.000*80%)
(percentage established in the AIG's policy)	
Debt claimed from the client:	€87,000
Value of the judicial adjudication:	€85,000
Theoretical loss:	€87,000 - €85,000 = 2,000

As the amount of the loss (€2,000) is less than the maximum amount of the cover (€17,000 for GEMI and 11,040 for AIG), the real loss for the Bank in this operation would be zero as the loss would be covered by the Mortgage Credit Insurance.

There is a single premium and that is paid by the Obligors to GEMI and AIG at the time of the formalization of the operation. The maximum amount of cover insures the operation during the entire life of the operation.

2.2.11 Information relating to Obligors in cases in which the Assets comprise obligations of five (5) or fewer Obligors that are legal persons, or where an Obligor accounts for twenty per cent (20%) or more of the Assets, or where an Obligor accounts for a material portion of the Assets.

Not applicable.

2.2.12 Details of the relationship between the issuer, the guarantor and the Obligor if it is material to the issue.

Material relations do not exist for purpose of the Bond issue between the Fund, the Assignor, the Management Company and other parties involved in the program other than as reflected under sections 5.2 of the Registration Document and 3.2 of this Additional Building Block.

2.2.13 Where the Assets comprise fixed income securities, description of the principal conditions.

Not applicable.

2.2.14 Where the Assets comprise equity securities, description of the principal conditions.

Not applicable.

2.2.15 Where more than ten per cent (10%) of the Assets comprise equity securities not traded on a regulated or equivalent market, description of the principal conditions.

Not applicable.

2.2.16 Where a material portion of the Assets are secured on or backed by real property, a valuation report relating to the property setting out both the valuation of the property and cash flow /income streams.

The appraisal reports on the properties securing the Mortgage Loans relate to appraisals performed by appraisal entities for the purpose of the granting and formalization of the Mortgage Loans.

2.3 Assets actively managed backing the issue.

Not applicable.

2.4 Where an issuer proposes to issue further securities backed by the same Assets, a prominent statement to that effect and description of how the holders of that class will be informed.

Not applicable.

3. STRUCTURE AND CASH FLOW

3.1 Description of the structure of the transaction.

Through this securitization program, the Bank shall transfer the Assets to the Fund. The Fund will acquire the Assets and issue the Bonds. This transaction shall be formalized through the Deed of Constitution which shall be executed by the Management Company, for and on behalf of the Fund, and by the Bank. Thus, through the Deed of Constitution of the Fund, the following shall take place:

- a) the assignment to the Fund of the Assets deriving from Mortgage Loans by means of the issue of the MTC by the Bank and later underwritten by the Fund.
- b) the issue of twelve thousand, four hundred and forty-eight (12,448) Bonds distributed in eight (8) Series of Bonds A1, A2, A3, B, C, D, E and F.

A copy of the Deed of Constitution shall be submitted to Iberclear and the CNMV prior to the opening of the Bond Subscription Period.

On another subject, and in order to consolidate its financial structure and procure the greatest coverage possible for the risks inherent to the issue, the Management Company, acting on behalf of the Fund, shall proceed to formalize, *inter alia*, the contracts established below, with the power, in order to comply with the Fund's operating structure in the terms contemplated in the Deed of Constitution and regulations in force from time to time, to extend or modify such contracts, substitute each one of the providers of services to the Fund thereunder and, even, if necessary, enter into new contracts, subject to notice to the CNMV and, as the case may be, obtaining the pertinent authorization and to the Rating Agencies, provided that the rights of the Bondholders are not thereby hampered and, in particular, provided that a decline in their rating does not take place.

The Management Company shall formalize with the Bank, *inter alia*, the following contracts:

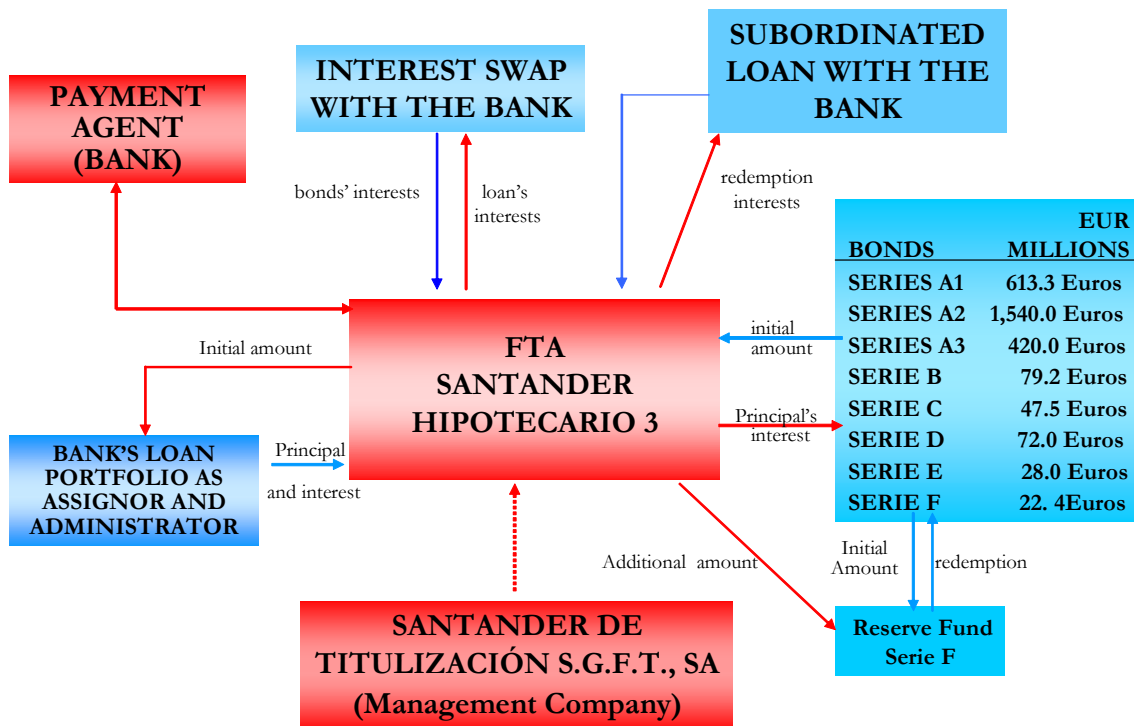
- (i) Subordinated Loan Agreement, to be applied to financing the Fund's constitution expenses and Bond issue and towards partially financing the acquisition of the Assets;
- (ii) Swap Agreement, as per the ISDA 1992 standard form contract;

- (iii) Guaranteed Rate Reinvestment Agreement, by virtue of which the Bank shall guarantee a variable yield on the amounts deposited by the Fund through the Management Company into the Cash Account.

Furthermore, the Reserve Fund will be allocated a charge to the Funds obtained from the subscription and paying up of the F Series Bonds, as explained in section 3.4.2.2 of the Additional Building Block.

In addition, the Management Company, acting for and on behalf of the Fund, shall enter into the Management and Subscription Agreement with the Lead Managers. The description of the contracts included under this section and under sections 4.1.b), and 5.2 of the Securities Note, and 3.4.3.a), 3.4.4 and 3.4.7 of this Additional Building Block, accurately reflects the most relevant information contained in those contracts. No data or information which may turn out to be material to the investor has been omitted.

The following includes a diagram explaining the transaction:



Initial Balance Sheet of the Fund

The Fund's Balance Sheet as at the close of the Disbursement Date shall be as follows:

ASSETS		LIABILITIES	
FIXED ASSETS	1,232,000,000.00	BOND ISSUE	1,244,800,000.00
CTH's	1,230,000,000.00	A1 Series Bonds	184,300,000.00
Constitution and Issue expenses	2,000,000.00	A2 Series Bonds	661,900,000.00
		A3 Series Bonds	278,000,000.00
CURRENT ASSETS	14,800,000.00	B Series Bonds	20,900,000.00
Cash Account / Reserve Fund	14,800,000.00	C Series Bonds	30,700,000.00
		D Series Bonds	27,100,000.00
		E Series Bonds	27,100,000.00
		F Series Bonds	14,800,000.00
		OTHER DEBTS A L/P	2,000,000.00
		Subordinated loan	2,000,000.00
Total Assets	1,246,800,000.00	Total Liabilities	1,246,800,000.00

3.2 Description of the entities participating in the issue and description of the functions to be performed by them.

The entities that intervene in the issue and their activities are reflected under section 5.2 of the Registration Document and 3.1 of the Securities Note.

3.3 Description of the method and of the date of sale, transfer, novation or assignment of the Assets.

On the Constitution Date, the Bank will assign to the Fund the Assets whose principal will be equal to, or slightly higher one billion, two hundred and thirty million euros (€1,230,000,000).

3.3.1. Assignment of the Assets.

The assignment of the Assets, carried out by the Bank at the time of the Fund's constitution, will be instrumented through the Deed of Constitution and shall be carried out as determined below.

(1) Assignment of the Assets deriving from Mortgage Loans:

The assignment of the Assets deriving from Mortgage Loans shall be carried out by virtue of the Deed of Constitution, which shall contain the necessary terms for the issuance by the Bank of Mortgage Transfer Certificates, in accordance with the provisions of Additional Provision Five of Law 3/1994, of April 14, on Banking Coordination, as per the wording given by article 18 of Law 44/2002, of November 22, on Measures for Reform of the Financial System, by virtue of which current law in force applicable to mortgage units or participations is applied to the issuance of MTC's, as regards everything applicable thereto, for subscription by the Management Company, on behalf of the Fund; Law 2/1981, of March 25, on Regulation of the Mortgage Market; Royal Decree 685/1982, of March 17; and other regulations in force from time to time, applicable to the transferability and acquisition of mortgage market securities.

Said assignment shall be full and unconditional and shall be carried out through the total maturity of the Assets deriving from Mortgage Loans which are subject to assignment.

(2) Issuance, representation, transferability and registration of the Mortgage Transfer Certificates.

- (i) The Assignor shall issue the MTC's in the act of execution of the Deed of Constitution, each one representing a share of one hundred per cent (100%) of the Outstanding Balance of the Assets deriving from Mortgage Loans to which they pertain.
- (ii) The MTC's shall be represented in one multiple registered certificate, which shall contain the minimum mentions reflected under article 64 of Royal Decree 685/1982, as amended by Royal Decree 1289/1991, of August 2.

Both in the cases of having to carry out the substitution of any MTC, or, if the case may be, for the repurchase thereof by the Bank, as well as in the event that the Management Company, acting for and on behalf of the Fund or the Bank, must proceed with the foreclosure of a Mortgage Loan on which a given MTC has been issued, as well as if, the Early Liquidation of the Fund being applicable, in the cases and under the conditions provided by section 4.4.3 of the Registration Document, the sale of the said MTC's must take place, the Assignor agrees to fraction, as the case may be, any multiple certificate into as many individual or global certificates as may be necessary, to substitute it or to exchange it in order to achieve the aforementioned purposes.

- (iii) As established by Royal Decree 685/1982, the MTC's shall be transferable through a written declaration on the certificate itself and, in general, by any of the means permitted by Law. The transfer of the MTC and the address of the new holder shall be notify by the transferee to the Assignor.

The transferor shall not be liable for the solvency of the Assignor or of the Obligor of the Mortgage Loan, nor for the sufficiency of the mortgage it secures.

- (iv) The Assignor, as issuer of the MTC's, shall maintain a special book to record the MTC's issued in respect of each Mortgage Loan, as well as transfers thereof which are notified thereto, the provisions of article 53 of Royal Decree 685/1982 as regards registered certificates being applicable to the MTC's. The book itself shall reflect any changes of address notified by the holders of the MTC's to the Assignor.

The said book shall also reflect the following data:

Opening and maturity date of the Mortgage Loan, initial amount thereof and form of settlement; and

Registration details of the mortgage.

- (v) Given the nature of institutional investor of the Fund and the subscription by the latter of the MTC's, for the purpose of paragraph two, article 64.1 of Royal Decree 685/1982, the issuance of the MTC's shall not be subject to a marginal notation in each recording of the mortgage pertaining to each one of the Mortgage Loans at the Property Registry.

3.3.2. Sale price or assignment of the Assets.

The sale or assignment price of the Assets will be at par, that is to say, for the unpaid Outstanding Balance of the Assets and will be paid on the Disbursement Date from the Cash Account.

The Assignor will not receive interest for the deferral of the payment of the sale price from the Constitution Date until the Disbursement Date.

In the event that the constitution of the Fund is terminated and, consequently, the assignment of the Assets (i) the obligation of the Fund to pay the price for the acquisition of the Assets will be extinguished, (ii) the Management Company will be obliged to reimburse the Bank as regards any rights which might have accrued to the Fund due to the assignment of the Assets and (iii) it will cancel the Mortgage Transfer Certificates.

3.3.3 Description of the rights which, in favor of their holder, are conferred by the Assets on the Loans backing them.

The Fund, as holder of the Assets, shall hold the rights recognized to the assignee in article 1528 of the Spanish Civil Code.

Specifically, the Assets confer the following rights:

- a) All of the amounts accrued on the amortization of capital or principal of the Assets;
- b) All of the amounts accruing for ordinary interest on the Assets;
- c) All of the amounts accruing for default interest on the Assets;
- d) Any amounts or assets received through judicial or notary public foreclosure of the guarantees or for the disposal or exploitation of the real properties adjudicated to the Fund in foreclosure of the mortgage guarantees, or in administration and interim possession of the property (in a foreclosure process) up to the amount of the sums owed by the respective Obligor, acquisition at the price of the winning bid or amount determined by judicial resolution; and
- e) All possible rights or indemnities which may result in favor of the Bank, including not only those deriving from the Mortgage Credit Insurance and Damage Insurance contracts assigned by the Bank to the Fund, but also those deriving from any accessory right to the Assets.

The assignment of the Assets will be made for the entire Outstanding Balance of the Assets and the interest (ordinary and delay interest) pending reimbursement on the Constitution Date, that is to say, the assignment of the entire Outstanding Balance of the Assets.

Fees deriving from the assigned Assets are not subject to assignment to the Fund.

All of the rights mentioned above shall accrue in favor of the Fund as from the Constitution Date.

The rights of the Fund resulting from the Assets are tied to the payments made by the Obligors against the Loans and, therefore, are directly affected by the evolution, lateness, advance payment or any other incident in relation thereto.

3.4 An explanation of the flow of funds, including:

3.4.1 How the cash flow from the Assets will meet the issuer's obligations to holders of the securities.

The amounts received by the Fund deriving from the Assets, shall be deposited by the Administrator into the Cash Account immediately or, in any event, before the twenty-four (24) hours following the day on which they were received by the Administrator. Therefore, the Fund shall practically be receiving daily revenues into the Cash Account.

The average weighted interest rate on the selected loans as at August 27, 2007, as detailed under section 2.2.2.d), above, is four point sixty-two per cent (4.62%), being less than four point sixty-three per cent (4.63%), under five point one hundred and thirty-three percent (5.133%), which is the average weighted interest rate of the Bonds, hypothetically assumed in section 4.10 of the Securities Note. Notwithstanding the foregoing, the Swap mitigates the interest rate risk suffered by the Fund for the fact of having fixed and variable interest Loans with different reference indices and different adjustment periods, and settlement at the interest rates on the Bonds referenced to three-month EURIBOR, and with quarterly settlement and accrual periods, as well as the risk deriving from possible re-negotiations of the interest rates on the Loans which may even result in the novation thereof at a fixed interest rate.

3.4.2 Information on any credit enhancements.

3.4.2.1 Credit enhancements

In order to consolidate the financial structure of the Fund, to increase the security or the regularity of the payment of the Bonds, to cover temporary mismatches of the schedule of flows of principal and interest of the Loans and the Bonds, or, in general, transform the financial characteristics of the Loans, and complement the administration of the Fund, the Management Company, in representation of the Fund, will formalize the agreements and operations which are described below in the act authorizing the Deed of Constitution, in accordance with applicable legislation.

The operations for the improvement of credit which are incorporated into the structure of the Fund are as follows:

a) *Reserve Fund.*

This mitigates the risk of credit due to default or non-payment of the Loans. The Reserve Fund is equivalent to one point twenty per cent (1.20%) of the initial amount of the Bonds of Series A1, A2, A3, B, C, D y E, and its constitution is made by charging the funds obtained from the subscription and payment of the Bonds of Series F, as explained in 3.4.2.2. below.

b) *Interest Exchange (Swap).*

This mitigates the risk of the interest rate that takes place due to the existence of different interest rates for the Assets and the Bonds, in addition

to guaranteeing a surplus margin of 0.65% on the Notional Swap for Part B, as explained in section 3.4.7. if this Additional Block to Securities Note..

c) *Guaranteed Interest Rate Reinvestment Agreement.*

The Cash Account is remunerated at rates agreed to in such a way that a minimum return of the balance in the Cash Account.

d) *Subordination and deferral of payment of principal and interests between the different Series of Bonds.*

The redemption of all the Series shall be carried out according to section 4.9 of the Value Note.

3.4.2.2 Reserve Fund

The Management Company, in representation and on behalf of the Fund, will endow a Reserve Fund charged to the funds obtained from the subscription and payment of the Series F Bonds, with the following characteristics:

(i) Required Level of the Reserve Fund:

The Reserve Fund will have an initial amount equal to fourteen million, eight hundred thousand euros (€14,800,000), equivalent to one point twenty per cent (1.20%) of the initial amount of the Series A1, A2, A3, B, C, D, y E of the Bonds.

The Required Level of the Reserve Fund at each moment is detailed below: the Reserve Fund may not decrease during the first three (3) years, so its initial amount will remain unchanged When the Reserve Fund reaches two point forty per cent (2.40%) of the Outstanding Balance of the Series A1, A2, A3, B, C, D y E of the Bonds, it may decrease quarterly at each Payment Date, maintaining this percentage until the Reserve Fund reaches a minimum level equal to zero point sixty per cent (0.60%) of the initial amount of the Series A1, A2, A3, B, C, D and E Bonds, that is to say, a minimum level of the Reserve Fund equal to seven million, four hundred thousand euros (€7,400,000).

From this moment, the Reserve Fund will be maintained at this level until the Bonds have been redeemed in full.

The Required Level of the Reserve Fund may not be reduced if any of the following circumstances should occur:

if at any time the Reserve Fund has been used on the current Payment Date and, as a result, is at a different Required Level;

if the percentage of unpaid Loans on the Outstanding Balance of the Assets not charged off is higher than one per cent (1.0%).

(ii) Use:

The Reserve Fund shall be applied, on each Payment Date, towards performance of the payment obligations contained in the Order of Priority of Payments contained under section 3.4.6.(b), below and in the Order of Priority of Liquidation Payments contained in under section 3.4.6.(d) below.

(iii) Return:

The amount of this Reserve Fund will be paid into the Cash Account on the Disbursement Date, and will be the subject of the Guaranteed Interest Rate Reinvestment Agreement of the Cash Account to be made with the Bank according to the terms described in section 3.4.4. of the Additional Building Block.

3.4.3 Details of any subordinated debt finance.

a) Subordinated Loan Agreement.

The Management Company, acting for and on behalf of the Fund, shall enter into the Subordinated Loan Agreement with the Bank, of a commercial nature for a total amount of two million euros (€2,000,000), which shall be applied to financing the Fund's constitution and the expenses of the Bond's issue, and) to partially financing the acquisition of the Assets (for the difference between the total nominal value of the capital obtained from the acquisition of the Loans and the subscription of the MTC's, and the nominal amount of the Series A1, A2, A3, B, C, D, and E Bonds).

The amount of the Subordinated Loan shall be disbursed into the Cash Account on the Disbursement Date.

The Subordinated Loan shall accrue an annual nominal interest rate, determined quarterly for each Interest Accrual Period, which shall be that which results from adding together: (i) the Reference Interest Rate determined for the Bonds, and (ii) a margin between 0% and 0.50%, which shall be paid only if the Fund has sufficient Available Funds in accordance with the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block or in the Order of Priority of Liquidation Payments contemplated under section 3.4.6.(d) of this Additional Building Block. The interest accrued, which shall be paid on a specified Payment Date, shall be calculated by taking as a basis: (i) the actual days existing in each Interest Accrual Period, and (ii) a year comprised of three hundred and sixty (360) days.

Interest accrued and not paid on a Payment Date shall accumulate, accruing interest at the same rate as the nominal interest on the Subordinated Loan, and shall be paid, provided that the Fund has sufficient Available Funds and in accordance with the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block, on the Payment Date immediately thereafter or, on the date when the Order of Priority of Liquidation Payments contemplated under section 3.4.6.(d) of the Additional Building Block is applied.

The Subordinated Loan shall be repaid lineal and quarterly during the first three (3) years after the constitution of the Fund and the Bond issue, except the excess funds assigned to finance the cost of constituting and issuing the Bonds issue, which will be repaid on the first Payment Date, and provided always that the Fund has sufficient Available Funds and in accordance with the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block.

This loan, due its subordinated nature, shall be postponed in ranking with respect to several of the other creditors of the Fund in the terms provided by section 3.4.6.(b) of this Additional Building Block, including, but not only, the Bondholders.

If, prior to the start of the Subscription Period, the Rating Agencies do not confirm as definitive any of the provisional ratings assigned, this circumstance will lead to the termination of the Subordinated Loan Agreement, except as regards the initial expenses for constitution of the Fund and the Bond issue.

b) Rules of subordination among the Bonds.

(i) Payment of interest:

The payment of interest accrued on the Series A1, A2 and A3 Bonds holds (i) third (3rd) place in the Order of Priority of Payments described in section 3.4.6.(b) of this Additional Building Block and (ii) third (3rd) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of this Additional Building Block.

The payment of interest accrued on the Series B Bonds holds (i) fourth (4th) place in the Order of Priority of Payments described in section 3.4.6.(b) of this Additional Building Block, unless the situation described in section 3.4.6.(c) of this Additional Building Block occurs, in which case the payment of interest accrued will hold ninth (9th) place in the Order of Priority of Payments described in section 3.4.6.(b) of this Additional Building Block and (ii) fifth (5th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of this Additional Building Block..

The payment of interest accruing on the Series C Bonds holds (i) fifth (5th) place in the Order of Priority of Payments described in section 3.4.6.(b) of this Additional Building Block unless the situation described in section 3.4.6.(c) of this Additional Building Block occurs, in which case the payment of interest accrued will hold tenth (10th) place in the Order of Priority of Payments and (ii) seventh (7th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of this Additional Building Block.

The payment of interest accrued on the Series D Bonds holds (i) sixth (6th) place in the Order of Priority of Payments described in section 3.4.6.(b) of this Additional Building Block, unless the situation described in section 3.4.6.(c) of this Additional Building Block occurs, in which case the payment of interest accrued will hold eleventh (11th) place in the Order of Priority of Payments described in section 3.4.6.(b) of this Additional Building Block, and (ii) ninth (9th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of this Additional Building Block.

The payment of interest accrued on the Series E Bonds holds (i) seventh (7th) place in the Order of Priority of Payments described in section 3.4.6.(b) of this Additional Building Block unless the situation described in section 3.4.6.(c) of this Additional Building Block occurs, in which case the payment of interest accrued will hold twelfth (12th) place in the Order of Priority of Payments described in section 3.4.6.(b) of this Additional Building Block, and (ii) eleventh (11th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of this Additional Building Block.

The payment of the Ordinary Part of the interest accrued on the Series F Bonds holds (i) fourteenth (14th) place in the Order of Priority of Payments described in

section 3.4.6.(b) of this Additional Building Block and (ii) thirteenth (13th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of this Additional Building Block. The payment of the Extraordinary Part of the interest accrued by the Series F Bonds holds (i) the nineteenth (19th) place in the Order of Priority of Payments described in section 3.4.6.(b) of this Additional Building Block and (ii) eighteenth (18th) place in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of this Additional Building Block.

(ii) Redemption of principal:

The withholding of the Accrued Redemption Amount of Series A1, A2, A3, B, C, D and E Bonds holds eighth (8th) place in the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block. The withholding of the Accrued Redemption Amount of the Series F Bonds holds the fifteenth (15th) place in the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block.

The redemption of principal of Series A1, A2, A3 Bonds holds fourth (4th) place in the Order of Priority of Liquidation Payments established in section 3.4.6.(d) of this Additional Building Block. The redemption of the principal of Series B Bonds holds sixth (6th) place in the Order of Priority of Liquidation Payments established in section 3.4.6.(d) of this Additional Building Block. The redemption of principal of Series C Bonds holds eighth (8th) place in the Order of Priority of Liquidation Payments established in section 3.4.6.(d) of this Additional Building Block. The redemption of principal of Series D Bonds holds tenth (10th) place in the Order of Priority of Liquidation Payments established in section 3.4.6.(d) of this Additional Building Block. The redemption of principal of Series E Bonds holds twelfth (12th) place in the Order of Priority of Liquidation Payments established in section 3.4.6.(d) of this Additional Building Block. The redemption of the principal of Series F Bonds holds fourteenth (14th) place in the Order of Priority of Liquidation Payments established in section 3.4.6.(d) of this Additional Building Block.

The foregoing is construed without prejudice to the extraordinary rules of redemption pro rata reflected in section 4.9.6. of the Securities Note.

3.4.4 An indication of any investment parameters for the investment of temporary liquidity surpluses and description of the parties responsible for such investment.

The Management Company, acting for and on behalf of the Fund, and the Bank, shall enter into the Guaranteed Rate Reinvestment Agreement by virtue of which the Bank shall guarantee a yield on the amounts deposited by the Fund, through its Management Company, into the Cash Account. Specifically, the Guaranteed Rate Reinvestment Agreement shall determine that the amounts received by the Fund, for:

- (i) principal and interest on the Assets;
- (ii) any other amounts deriving from the Assets, and for the disposal or exploitation of the real properties adjudicated to the Fund or in administration and interim possession of the property (in a foreclosure process), as well as all possible rights or indemnities which may result in

favor of the Bank, including not only those deriving from the Mortgage Credit Insurance and Damage Insurance contracts assigned by the Bank to the Fund, but also those deriving from the Mortgage Credit Insurance;

- (iii) amounts which constitute the Reserve Fund from time to time;
- (iv) the amounts which, as the case may be, are paid to the Fund and derive from the Swap,
- (v) the amounts of the returns obtained on the reinvestments made with the amounts of the Cash Account, and

shall be deposited into the Cash Account.

All the collections and payments during the entire term of the Fund will be centralized in the Cash Account.

On the Disbursement Date, the Cash Account will receive the effective amount of the payment of the subscription to the issue of Bonds, net of commissions, and the initial amount of the Subordinated Loan Agreement, and will pay the price of acquisition of the Assets assigned by the Bank at the initial amount and the expenses of constituting the Fund.

The Bank guarantees to the Fund, through its Management Company, a variable annual yield each quarter, paid monthly and daily calculation of interest for the amounts deposited into the Cash Account, equal to the Reference Interest Rate of the Bonds EURIBOR interest rate at three (3) months taken on Rate Setting Time for the Interest Accrual Period immediately preceding each Payment Date.

The calculation of the yield obtained on the investments made shall be carried out by taking the actual days and by using as a base a year composed of three hundred sixty-five (365) days. Interest shall be settled monthly, five (5) Business Days preceding the 8th day of each month or the immediately following Business Day, if this is not a Business Day.

The Bank will not carry out any withholding upon the payment of interest of the Cash Account as established in article 59, section k of the Royal Decree 1777/2004. Should the Bank carry out withholdings unduly, the Bank undertakes to immediately deposit in the Fund the same amounts that would have corresponded to the Fund had such withholdings not been made.

Merely by way of illustration, the lineal interpolation between the EURIBOR rate at three (3) months and the EURIBOR rate at four (4) months established at 11:00 a.m (Madrid time) on the Constitution Date, settled on October 8, November 8 and December 10 of 2007 and January 8 of 2008 will be taken for the first Interest Accrual Period (which is the period comprised between the Disbursement Date (included) and January 15, 2008 (excluded)). The EURIBOR interest rate at three (3) months on the relevant Rate Setting Time, that is January 12, 2008, settled on February 8, March 10 and April 8, 2008 will be taken for the second Interest Accrual Period (which is the period comprised between July 18, 2006 (included) and April 15, 2008 (excluded)).

In order to obtain the maximum return for the balance of the Cash Account, the Management Company may invest the balances in fixed income assets in euros in the

short-term issued by entities which have been rated at least F1 and P-1, as long as the period of the investment made is less than thirty (30) days and the return obtained net of fees and expenses is equal to that generated by these items in the Cash Account, up to a maximum of twenty per cent (20%) of the balance of the Principal Pending Payment of the Bonds in accordance with the ratings of Fitch and Moody's, respectively, or F1+ and P-1 for longer periods, of the short-term debt which is not subordinated and is not guaranteed, according to the rating scales of Fitch and Moody's respectively. In any case, the maturity of these Assets must be previous to the following Payment Date. Should the assets that are the object of the temporary investment be "repos" (a transaction consisting of the sale of an asset with the undertaking to repurchase it for an agreed price on a certain date, formalized under one sole contract), the counter party to the "repo" transaction will have to have obtained a minimum rating of F1+ and P-1 (according to the rating scales of Fitch and Moody's, respectively) for short-term risk.

In the event that unsubordinated and unsecured short-term debt of the bank or the supplier of the cash account should undergo, at any time during the life of the Bond issue, a decline in its rating below F1, A-1 or P-1 (as per the rating scales of Fitch, Standard & Poor's and Moody's, respectively), the Management Company shall have a maximum deadline of thirty (30) Calendar Days from when such situation takes place, to choose from the following options:

- (i) to transfer, acting for and on behalf of the Fund, the Fund's Cash Account to a bank whose unsubordinated and unsecured short-term debt possesses a minimum rating of F1, A-1 and P-1 (as per the rating scales of Fitch, Standard & Poor's and Moody's, respectively), and the Management Company shall contract the highest yield possible for the balance thereof, which may be different from the one contracted with the Bank. It shall be possible to transfer it back to the Bank at a later time, when its unsubordinated and unsecured short-term debt once again achieves the rating F1, A-1 and P-1 (according to the aforesaid rating scales).
- (ii) to obtain a first demand warranty with an entity whose unsubordinated and unsecured short-term debt possesses a minimum rating of F1, A-1 and P1 (as per the rating scales of Fitch, Standard & Poor's and Moody's, respectively), always subject to prior notification to Fitch and Standard & Poor's. Such warranty will secure the prompt payment by the Bank of its obligation to reimburse the amounts deposited in the Principal Account, during the period in which the loss in ratings F1, A-1 and P1 continues.

The above options (i) and (ii) are included in the criteria established by Fitch to evaluate the quality of the Depository Entity established in the report "Commingling Risk in Structured Finance Transactions: Servicer and Account Bank Criteria, June 9, 2004" which may be updated, modified and replaced, and is available at www.fitchratings.com.

If the above options were not possible, invest the balances in fixed income short term assets in euros issued by entities with at least an F1, A-1 and P-1 short term debt rating (according to the Fitch, S&P and Moody's scales, respectively), for periods of under sixty (60) Business Days (always expiring before the following

payment day of the bonds). It will be allowed to invest at times of over sixty (60) Business Days and under what is determined by the following payment day of the Bonds, provided a clause is included that establishes that the said investment must be cancelled within a maximum time of sixty (60) Business Days from the fall in the rating. Any replacement, guarantee or investment will be subject to confirmation of the rating of the Bonds by Standard & Poor's and must have a negative effect on the rating of the bonds according to the Fitch criteria. All costs derived from any of the above-defined actions will run to the ineligible counterparty.

Through the Guaranteed Rate Reinvestment Agreement, the risk of temporary shortfall between the Fund's income from principal and interest having a varied frequency and the redemption and payment of interest on the Bonds, having a quarterly frequency, is partially mitigated.

3.4.5 How payments are collected in respect of the Assets.

The Bank, as collection Management Company, shall receive on account of the Fund such sums of money as are paid by the Obligors as deriving from the Assets, both for principal or interest, as well as any other concept and the insurance contracts assigned to the Fund, and shall proceed to deposit into the Cash Account the amounts which pertain to the Fund, immediately and, in any case, within a period not exceeding twenty- four (24) hours.

Powers and authorities of the title owner of the Assets in case of breach by the Obligor of its obligations.

The Bank, as Administrator of the Assets, shall apply the same diligence and procedure for making a claim for amounts due and not paid on the Assets as in the remaining loans in its portfolio. In particular, it shall take appropriate action if, once the internal limitation periods for a judicial action aimed at obtaining satisfaction of the interest of the Fund have elapsed, it has not achieved the desired effect. In any event, the Bank will take the mentioned action if, after analysis of the specific circumstances, the Management Company, with the approval of the Bank, deems it appropriate.

Additionally, the Bank undertakes to inform the Management Company, on behalf of the Fund, on a daily basis, about non-performing loans, early repayments or revisions of interest rates, and to punctually provide information regarding payment requirements, certified notifications provided to the Obligor, judicial actions, or any other circumstances affecting the Mortgage Loans. Likewise, the Bank shall provide the Management Company with all documentation that it may require in connection with such Mortgage Loans and, in particular, with all documentation required for the filing of judicial actions by the Management Company, as the case may be.

a) Action against the Administrator.

The Management Company, acting for and on behalf of the Fund, shall be entitled to an executory attachment action against the Administrator for enforcing the maturities of the Assets for principal and interest, when the breach of the payment obligation for such concepts is not a consequence of the non-payment by the Obligors of the Assets.

Furthermore, in the event that the Bank does not perform the obligations described in the above section, the Fund, through the Management Company, shall be entitled to a declaratory action against the Bank for breach of the aforesaid obligations In relation to the Mortgage Loans, all of which in accordance with the formalities contemplated for such proceeding by the Civil Procedure Act.

The Assets having been cancelled, the Fund, through its Management Company, shall preserve suit against the Administrator until the performance of its obligations.

b) Actions in case of non-payment of the Mortgage Loans.

In case of breach in the payment of principal or interest on a MTC as a consequence of the non-payment of the Obligor of the Mortgage Loan, the Management Company, acting for and on behalf of the Fund, shall have the following powers and authorities as provided by article 66 of Royal Decree 1289/1991, amending certain articles of the Royal Decree 685/1982, March 17:

- (i) Compel the Assignor as Administrator to bring mortgage foreclosure;
- (ii) Appear with equal rights, with the Assignor, as the issuing entity of the MTC's, in the foreclosure brought by the latter against the Obligor, appearing for such purpose at any foreclosure proceeding brought by the former;
- (iii) If the Assignor does not bring the proceeding within sixty (60) calendar days from the formal demand for payment of the debt dispatched through the service of a notary public, the Management Company, acting for and on behalf of the Fund, shall have subsidiary standing to bring the mortgage action in respect of the Mortgage Loan, for both principal and interest, and the Assignor shall be obliged to issue a certification of the existing balance on the Mortgage Loan;
- (iv) In case of a stay in the proceeding brought by the Assignor, the Fund, duly represented by the Management Company, as holder of the relevant MTC, may subrogate in the position of the former and following through with the foreclosure proceeding, with no need for the above-mentioned time period to transpire.

In the cases provided by paragraphs (iii) and (iv), the Management Company, on behalf of the Fund, may request the competent Judge to bring or continue with the pertinent mortgage foreclosure proceeding, including with the lawsuit the original certificate of the MTC with its breakdown, the formal demand served by a notary public contemplated under section (iii), above, and a recorder's certificate showing recording and survival of the mortgage, for the case of the MTC's, and the document attesting to the balance being claimed.

If legally necessary, and for the purpose of the provisions of articles 581.2 and 686.2 of the Civil Procedure Act, the Administrator, in the Deed of

Constitution itself, shall grant an irrevocable Power of attorney, as ample and sufficient as is required by Law, in order that the Management Company, acting for and on behalf of the Administrator, may make a formal demand to the Mortgage Obligor of any of the Mortgage Loans, served through a notary public, for payment of its debt.

The Fund, as holder of the MTC's, may also, through the Management Company, appear with equal rights, with the Administrator, in the foreclosure proceeding and, in this regard may, in the terms provided by articles 691 et seq. of the Civil Procedure Act, request adjudication of the mortgaged property in payment of its debt. The Management Company shall proceed with the sale of the properties so awarded within the shortest timeframe possible, at arm's length market conditions.

The relevant costs and provisions of funds, as the case may be, in relation to the foreclosure proceedings indicated in this section, shall be on account of the Fund.

3.4.6 Origin and Application of Funds.

- (a) **Origin:** Available Funds into the Cash Account on each specific Payment Date shall be as follows (the “**Available Funds**”):
- (i) Amounts received for principal on the Assets in each Determination Period prior to Payment Date.
 - (ii) Interest collected on the Assets during each preceding Determination Period prior to Payment Date (including, as the case may be, default interest).
 - (iii) The return obtained during each Determination Period prior to the Payment Date on the reinvestment of the Reserve Fund as well as on the amounts deposited into the Cash Account, the payment of which will occur on the 8th day of each month or on the following Business Day if this is not one.
 - (iv) The Reserve Fund, in the terms of section 3.4.2.2 of this Additional Building Block.
 - (v) The net amount received by virtue of the terms of the Swap Agreement, as described under section 3.4.7 of this Additional Building Block.
 - (vi) Any other amounts which the Fund may receive, including those which may result from the enforcement of the guarantees on the Loans, if any, and including the amounts received from Damage Insurance and, as the case may be, from Mortgage Credit Insurance during the Determination Period.
- (b) **Application:** The Management Company, on behalf of the Fund, shall proceed to apply on each Payment Date the amount of the Available Funds to the following payments and withholdings, in accordance with the Order of Priority of Payments described below:
1. Payment to the Management Company for Ordinary and Extraordinary Expenses of the Fund and of the periodical management fee, and payment in the event of the Bank's replacement as Administrator by a new entity which is not integrated in the Bank's Group, of a management fee, and in the case

of substitution of the Bank as Paying Agent by a new entity that does not form part of the Bank's Group of the paying agent fee.

2. Payment to the Bank of the net amount of the Swap, in accordance with the stipulations in section 3.4.7 of the Additional Building Block, and only in the event of the termination of the Swap Agreement due to non compliance by the Fund or if the Fund is the sole party which incurs a cause for early termination, will the Fund, as the case may be, have to pay the amounts that correspond to the liquidation payment of the Swap.
3. Payment of interest accruing on the Series A1, A2 and A3.
4. Payment of the interest accruing on the Series B Bonds, except if the payment of these is set back, to 9^o position in the order of priority according to the exceptional rules described in section 3.4.6.c) below.
5. Payment of the interest accruing on the Series C Bonds, except if the payment of these is set back, to 10^o position in the order of priority according to the exceptional rules described in section 3.4.6.c) below.
6. Payment of the interest accruing on the Series D Bonds, except if the payment of these is set back, to 11^o position in the order of priority according to the exceptional rules described in section 3.4.6.c) below.
7. Payment of the interest accruing on the Series E Bonds, except if the payment of these is set back, to 12^o position in the order of priority according to the exceptional rules described in section 3.4.6.c) below.
8. Withholding of the Accrued Redemption Amount of the Series A1, A2, A3, B, C, D, and E Bonds according to section 4.9.4 and 4.9.5 of the Securities Note.
9. Payment of the interest on the Series B Bonds when the payment is set back from the fourth (4th) place in the Order of Priority of Payment as established in the relevant section.
10. Payment of interest on the Series C Bonds when the payment is set back from the fifth (5th) place in the Order of Priority of Payment, as established in the relevant section. .
11. Payment of interest on the Series D Bonds when the payment is set back from the sixth (6th) place in the Order of Priority of Payment, as established in the relevant section.
12. Payment of interest on the Series E Bonds when the payment is set back from the seventh (7th) place in the Order of Priority of Payment, as established in the relevant section.
13. Withholding of a sufficient amount to duly maintain the Required Level of the Reserve Fund, in accordance with the stipulations in section 3.4.2.2. of this Additional Building Block.
14. Payment of Ordinary Part of the interest on the Series F Bonds.
15. Retention of a sum equal to the Accrued Redemption Amount of Series F Bonds which will be equal to the positive difference between the Principal

Pending Payment of the Series F Bonds at the Determination Date preceding the corresponding Payment Date and the Required Level of the Reserve Fund at the relevant Payment Date.

16. Payment in the event of termination of the Swap Agreement due to failure of the Bank to comply with the Liquidating Payment of the Swap.
17. Payment of interest due and capital redemption on the Subordinated Loan Agreement.
18. Payment to the Bank, of the management fee of the Loans.
19. Payment of the Extraordinary Part of the interest of the Series F Bonds (being a variable amount equal to the excess liquidity after paying the concepts that hold a precedent place in the Order of Priority of Payments).

The expenses reflected in first place in the above order of priority are broken down into the following:

Ordinary Expenses:

- Expenses deriving from the annual audits of the Fund's financial statements.
- Expenses deriving from maintenance of the ratings of the eight (8) Bond Series.
- Expenses which arise and derive from the redemption of the Bonds.
- Expenses related to any notices which, in accordance with the provisions of this Prospectus, must be given to the holders of Bonds in circulation.
- In general, any other expenses borne by the Management Company, and arising out of its work involving representation and management of the Fund.

Extraordinary Expenses:

- As that case may be, all expenses derived from preparation and formalization by the modification of the Deed of Constitution and the agreements, and by the holding of all additional agreements.
- Expenses necessary to cause the execution of the Mortgage Loans and those derived from the recovery actions that might be required.
- In general all other extraordinary expenses borne by the Fund or by the Management Company in representation or on account thereof.

In the event that on a Payment Date prior to the Payment Date in progress any amount should remain unpaid, the Order of Priority of Payments established in this section will be strictly followed, commencing with the payment longest overdue.

(c) Exceptional rules of priority of payments on account of the Fund:

If the substitution of the Bank as Loan Administrator should take place, in favor of another entity not forming part of the Bank's consolidated group, a fee shall accrue in favor of the third party, i.e. the new administrator, which shall go from holding

18th place to 1st place in the Order of Priority of Payments established under section 3.4.6.(b), above.

The payment of interest on the Series B Bonds shall be postponed with respect to the Accrued Redemption Amount, occupying the ninth (9^o) position in the Order of Priority of Payments, when on the Determination Date preceding the relevant Payment Date, the cumulative outstanding balance of Nonperforming Loans in default without bearing in mind any amounts recovered since the constitution of the Fund is greater than fifteen point seventy per cent (15.70%) of the initial amount of the Assets, and provided that the full redemption of the Series A1, A2 and A3 Bonds has not occurred and is not going to occur on the relevant Payment Date.

The payment of interest on the Series C Bonds shall be postponed with respect to the Accrued Redemption Amount, holding the tenth (10^o) position in the Order of Priority of Payments, when on the Determination Date preceding the relevant Payment Date, the cumulative outstanding balance of Loans in default without bearing in mind any amounts recovered since the constitution of the Fund is greater than twelve per cent (12.00%) of the initial amount of the Assets, and provided that the full redemption of the Series A1, A2, A3 and B bonds has not occurred and is not going to occur on the relevant Payment Date.

The payment of interest on the Series D Bonds shall be postponed with respect to the Accrued Redemption Amount, holding the eleventh (11^o) position in the Order of Priority of Payments, when on the Determination Date preceding the relevant Payment Date, the cumulative outstanding balance of Nonperforming Loans in default without bearing in mind any amounts recovered since the constitution of the Fund is greater than eight per cent (8.00%) of the initial amount of the Assets, and provided that the full redemption of the Series A1, A2, A3, B and C Bonds has not occurred and is not going to occur on the relevant Payment Date.

The payment of interest on the Series E Bonds shall be postponed with respect to the Accrued Redemption Amount, holding the twelfth (12^o) position in the Order of Priority of Payments, when on the Determination Date preceding the relevant Payment Date, the cumulative outstanding balance of Nonperforming Loans in default without bearing in mind any amounts recovered since the constitution of the Fund is greater than seven point seventy per cent (7.70%) of the initial amount of the Assets, and provided that the full redemption of the Series A1, A2, A3, B, C and D Bonds has not occurred and is not going to occur on the relevant Payment Date.

In the event that on a Payment Date, the Fund is not able to make the total or partial payment of the interest accrued by the Bonds of any Series, according to the Order of Priority of Payments contained in section 3.4.6. (b) above, the amounts that the bondholders would have ceased to receive will accrue on the following Payment Date to the interest of its Series that should be paid on that Payment Date. Such interest will be paid on the following Payment Date on which, according to the mentioned Order of Priority of Payments, the Fund has sufficient Available Funds and applied according to the maturity date order if it is not possible to pay such interest in full owing to a lack of Available Funds. The unpaid amounts of overdue interest will not accrue additional interest or default interest and they will not be added to the Balance of Principal Pending Payment of the Bonds.

d) Order of Priority of Liquidation

The Management Company will liquidate the Fund when its liquidation takes place on the Legal Date of Maturity or the Date of Payment on which the Early Liquidation takes place according to sections 4.4.3 of the Registry Document, by applying the funds available for the following concepts (hereinafter, the “**Funds Available for Liquidation**”): (i) of the Available Funds, and (ii) of the amounts that are obtained by the Fund through the selling-off of the Assets remaining and of any other assets, in the following order of payment priority (the “**Order of Priority of Liquidation Payments**”):

- 1 Payment to the Management Company of the ordinary and extraordinary expenses of the Fund and of the periodical administration fee, and payment of a management fee in the event of the Bank’s replacement as administrator by a new entity which is not integrated in the Bank’s Group and, in the event of the Bank’s replacement as Paying Agent, of the fee that is established by the Management Company in favor of the substitute entity.,
- 2 Payment to the Bank of the net amount of the Swap, according to the provisions of section 3.4.7 of the Additional Building Block, and, only in the case of the rescission of the said Agreements due to non compliance by the Fund, or if the Fund is the only party that has provoked a cause for early termination, will the Fund have to pay the amounts that correspond to the settlement payment.
- 3 Payment of the interest accrued of the Series A1, A2 and A3 Bonds prorate.
- 4 Redemption of the Series A1, A2 and A3 Bonds prorate.
- 5 Payment of the interest accrued of the Series B Bonds.
- 6 Redemption of the Series B.
- 7 Payment of the interest accrued of the Series C Bonds.
- 8 Redemption of the Series C.
- 9 Payment of the interest accrued of Series D Bonds.
- 10 Redemption of the Series D.
- 11 Payment of the interest accrued of Series E Bonds.
- 12 Redemption of the Series E.
- 13 Payment of the Ordinary Part of the interest accrued of Series F Bonds.
- 14 Payment of the Accrued Redemption Amount for the Series F.
- 15 Payment in the event of termination of the Swap Agreement due to failure of the Bank to comply with the Contract.
- 16 Payment of interest due and redemption of the principal of the Subordinated Loan Agreement.
- 17 Payment to the Bank of the management fee.

- 18 Extraordinary Part of the interest of Series F Bonds (being a variable amount equal to the excess liquidity after paying the concepts that hold a precedent place in the Order of Priority of Payments).

3.4.7 Details of other agreements on which interest and principal payments to the Bondholders depend.

The Management Company shall enter into, acting for and on behalf of the Fund, with the Bank, a Swap agreement, as per ISDA 1992 standard form, the most relevant terms of which are described below.

The entering into of the Interest Swap responds to the need to mitigate the interest rate risk which takes place at the Fund due to the fact of having the Assets subject to variable interest rates with different reference indices and different adjustment periods and settlement periods for variable interest established for each one of the Bond Series issued against the Fund.

By means of the Interest Swap, the Fund will make payments to the Bank, calculated on the interest rate of the Assets and, as counterpart, the Bank shall make payments to the Fund, calculated on the average weighted Nominal Interest Rate of the Bond Series plus a differential, all of which as described above:

Party A: The Fund, as represented by the Management Company.

Party B: The Bank.

Settlement Dates.

The Settlement Dates shall coincide with the Bond Payment Dates, i.e. January 15, April 15, July 15 and October 15 of each year or, if any of these dates is not a Business Day, the immediately following Business Day. The first Settlement Date shall be January 15, 2008.

Calculation Period for Party A.

The days that effectively elapse between two consecutive Settlement Dates, the first excluded and the last included. Exceptionally, the Calculation Period for Party A will have a term equal to the days that have effectively elapsed between October 4, 2007 (included) and January 8 2007, excluded, corresponding to the Determination Date immediately preceding the first Payment Date, which will be January 15, 2008.

Notional Swap for Party A.

This will be the Notional Balance of the Assets, defined as the daily average during the Calculation Period for Party A when the Outstanding Balance falls due of the Assets not in default of payment of the amounts due by more than ninety (90) days.

Amounts to be paid by Party A.

This will be the result, on the Settlement Date, of applying the Party A Interest Rate to the Notional of the Swap for Party A, adjusted to the number of days of the Calculation Period of Party A (i.e. the same or equivalent to number of days of the Calculation Period of Party A / 360).

Party A Interest Rate.

This will be, at each Settlement Date, the annual interest rate which results from dividing (i) the sum of the ordinary interest received on the Loans and deposited to the Fund during the current Calculation Period of Party A immediately before the Settlement Date, by (ii) the Notional of the Swap for Party A, all of which multiplied by the result of dividing 360 between the number of days of the Settlement Period.

Calculation Period for Party B.

The days that effectively elapse between two consecutive Settlement Dates, the first included and the last excluded. Exceptionally, the Calculation Period for Party B will have a term equal to the days that have effectively elapsed between October 4, 2007 (included) and January 8 2007, excluded, corresponding to the Determination Date immediately preceding the first Payment Date, which will be January 15, 2008.

Amounts to be paid by Party B.

This will be the result of adding (i) the amount resulting from applying the Party B Interest Rate to the Notional of the Swap for Party B, adjusted to the number of days of the Calculation Period of Party B (i.e. the same or equivalent to: number of days of the Calculation Period of Party B / 360) and (ii) the amount accrued by the administration contract at the corresponding liquidation date only in the case of substitution of the Bank as Administrator of the Loans.

Party B Interest Rate.

This will be, for each Settlement Date, the annual interest rate resulted from adding: (i) the Reference Rate determined for the current Interest Accrual Period, plus (ii) the average margin of Series A1, A2, A3, B, C, D and E weighted by the Balance of the Pending Capital of each Series on the Determination Date immediately before the Payment Date in course, plus (iii) zero point sixty five per cent (0.65%).

Notional Amount for Party B.

This will be the greater amount of: (i) the Notional of Swap for Party A, and (ii) the Notional Adjusted to the Return on the Assets.

The Notional Adjusted to the Return on the Assets for each settlement period shall be the lesser amount of:

- (i) the sum of the ordinary interest received on the Loans and deposited to the Fund during the maturing Period of Calculation of Party A, divided by the Party B Interest Rate, multiplied by the result of dividing 360 between the number of days of the Period of Calculation of Party B.
- (ii) The Outstanding Balance of the Assets on the immediately preceding Settlement Date or, as the case may be, the Outstanding Balance of the Assets on the Fund's Constitution Date.

The possible notionals of Party B mentioned in the above paragraph are:

- a) Notional of Swap for Party A. This notional is equal to the Notional Balance of the Assets defined as the daily average, during the maturing Calculation Period of Party A, of the Outstanding Balance

of the Assets which are not subject to lateness in payment of the amounts due by more than ninety (90) days.

- b) The ordinary interest received on the CTH's and deposited to the Fund during the maturing Period of Calculation of Party A, divided by the Party B Interest Rate, all of which multiplied by the result of dividing 360 between the number of days of the Settlement Period.
- c) The Outstanding Balance of the Assets on the immediately preceding Settlement Date or, as the case may be, for the first settlement of the Swap, the Outstanding Balance of the Assets on the Fund's Constitution Date.

Possible scenarios

By definition, the notional described under paragraph c), above, is always greater than the notional described under paragraph a).

Scenario 1: In the event that the notional described under paragraph b) is greater than the notional described under paragraph c), this would mean that the interest rate risk would not have materialized and, in turn, that the portfolio default rate is such that this would not affect the financial equilibrium of the Fund. In this case, the Bank would pay to the fund the Party B Interest Rate on the notional described under paragraph c). The net of the Swap in this circumstance is positive for the Party B.

Scenario 2: In the event that the value of the notional described under paragraph b) is greater than the notional described under paragraph a) and is less than the notional described under paragraph c), this would mean that the portfolio default rate is such that it affects the financial equilibrium of the Fund. In this case, the Party B would pay to the Party A the Party B Interest Rate on the Notional described under b). The net of the Swap in this case would be equal to zero.

Scenario 3: In the event that the notional described under paragraph b) is less than the notional described under paragraph a), this would mean that the interest rate risk has materialized. In this case, the Party B would pay to the Party A the Party B Interest Rate on the notional described under paragraph a). The net of the Swap in this case would be positive for the Party A.

The net of the Swap in this case would be positive for the Party A, because the notional of the Swap is equal for Party A and Party B and the interest rate collected by the Fund is less than the Party B interest rate. The Party B would pay the Party B.

In the event that on a Payment Date the Party A does not have sufficient Available Funds to make payment of the entire net amount (in the event that the amount to be paid by the Party A to the Party B is greater than the amount to be paid by the Party B and to be received by the Party A) to be paid to the Party B, the portion of the net amount not paid shall accumulate, accruing default interest at the same interest rate applicable for the calculation of the amount to be paid by the Fund, and shall be settled on the next Payment Date on which the Fund has sufficient Available Funds

in accordance with the Order of Priority of Payments, in such a manner that the Swap is not terminated.

If on a Payment Date, the Party B does not meet its payment obligations for the total net amount it is responsible for paying to the Party A, the Management Company will be able to terminate the Swap. In this case, the Party B shall assume the payment obligation of the net amount contemplated in the Swap. Furthermore, in this case, if the net amount of the Swap inures to the Party A, the payment thereof shall be postponed In accordance with the Order of Priority of Payments contemplated under section 3.4.6.(b), above.

The net amount shall be calculated by the Management Company, as calculation agent of the Swap, in function of the market value of the Swap.

Actions in the event of change in the rating of Party B.

(i) Fitch Criteria.

The alternatives described in this section and the times to which they refer and the qualifications of Party B are gathered in the criterion of counterparties (“Swap Criteria”) of Fitch “Counterparty Risk in Structured Finance Transactions: Hedge Criteria” published on August 1, 2007, which may be updated, modified, replaced and available at www.fitchratings.com:

(i) Initial case

If, at any time during the life of the operation, a decline in the rating of the Bank’s unsubordinated and unsecured long and short-term debt below A and F1, respectively (as per the long and short-term rating scales of Fitch, respectively), and that as a consequence, the current rating of the Bonds should be reduced or revised for a possible reduction by Fitch (“**Initial Event in the Fitch Rating**”), the Party B shall, with reasonable diligence within a time of 30 days from the time of the Initial Event in the Fitch Rating, and at its own cost choose between one of the following alternatives:

- (A) create a cash deposit or a deposit of securities for the benefit of the Fund, in a third party with a minimum unsubordinated and unsecured short-term rating of F1 by Fitch as guarantee of the fulfillment of its contractual obligations equal to an amount calculated, among other criteria, according to the market value of the Swap in order to maintain the Bonds’ rating all above subject to the terms and conditions considered appropriate by the Fund, represented by the Management Company, and the “Swap Criteria” of the Rating Agencies in force at that moment which define the guidelines where the rule for the calculation of the amount of such deposit in order to maintain the Bonds’ rating;

The market value will be calculated according to Fitch’s criteria reflected in its report “Counterparty Risk in Structured Finance: Swap Criteria” dated October 1, 2007 or any document or report produced by Fitch that may replace the former in the future. Party B will put forward a

formula to provide an estimate of the market value of the Swap, within fifteen (15) days following Party B's loss of the rating. If that formula is not validated by Fitch, the calculation of the market value will include an amount equal to that resulting from multiplying (a) 1.00% of the Outstanding Balance of the Mortgage Loans at the time of the fall in the rating of the Bank as in point (i) above by (ii) the average life of the Mortgage Loans assuming a CARP of 0%;

- (B) that a third party bank having an unsubordinated and unsecured long and short-term rating of at least A and F1 (as per the long and short-term rating scales of Fitch, respectively) shall guarantee the performance of its contractual obligations;
- C) that a third party bank having an unsubordinated and unsecured long and short-term debt rating of at least A and F1 (as per the rating scales for long and short-term of Fitch, respectively) shall assume its contractual position, all rights and obligations under the Swap Agreement being transmitted to Party B. The new bank would remain subrogated in substitution of the Bank, prior to terminating this Agreement, and all of which subject to the terms and conditions deemed pertinent by the Fund, as represented by the Management Company. In any case, the costs of the said subrogation will run to the new entity.

(ii) Fitch Criteria (continued):

Notwithstanding the above, option (A) of section (v) above will be equally viable as long as the calculations of the market value and the correct and punctual creation of the deposit are verified each week by an independent third party (the cost of such verification will be to the account of Party B):

If, at any time a decline in the rating of the Bank's unsubordinated and unsecured long and short-term debt of Party B below BBB+ and F2, respectively (as per the long and short-term rating scales of Fitch, respectively), "**First Later Event in the Fitch Rating**". The options (B) and (C) provided in the Initial Case covered in section (i) above, would be these only viable for avoid the fall in the rating awarded to the Bonds by the Rating Agencies, with the cash or securities deposit provided in option (A) of the mentioned section within the ten (10) natural days following the occurrence of the First Event Following the Fitch Rating until any of the mentioned option (B) or (C) occur.

Notwithstanding the above, option (A) of section (v) above will be equally viable as long as the calculations of the market value and the correct and punctual creation of the deposit are verified each week by an independent third party (the cost of such verification will be to the account of Party B):

In the event that the Party B breaches the obligations established under paragraphs (i) and (ii) above, the Management Company, on behalf of

the Fund, shall be empowered to substitute the Party B with another bank of the characteristics established under section (i) (B), above.

(iii) Fitch Criteria (continued):

If there is a fall in the non-guaranteed and unsubordinated short term debt rating of party B below BBB- and F3, respectively) (“**Second Later Event in the Fitch Rating**”), Party B, with reasonable diligence within a time of ten natural days from the occurrence of the said **Second Later Event in the Fitch Rating** Fitch, and at its own cost, will try to carry out, between :

(A) a third entity with a long and short term unsubordinated and non-guaranteed rating of at least A and F1 (according to the long and short term ratings of Fitch, respectively) should guarantee compliance with its contractual obligations;

(B) a third entity with a long and short term unsubordinated and non-guaranteed rating of at least A and F1 (according to the long and short term ratings of Fitch, respectively) should assume their contractual position, and Party B should transfer all of its rights and obligation under the Financial Swap Agreement to the new subrogated entity. The new entity would be subrogated in the place of the Bank and everything subject to the terms and conditions that the Fund might deem pertinent, represented by the Management Company. In any case, the costs generated by the said subrogation will run to the new entity.

(iv) Any infringement by Party B of the obligations established in sections (i), (ii) and (iii) above will suppose an **Additional Event of Early Termination**, will be deemed to occur within a maximum time of ten (10) business days following the previously established time of thirty (30) natural days (for section (i) and ten (10) natural days for sections (ii) and (iii)) following the reduction in the rating, with respect to Party B with Party B as the only Affected Party and the Swap Agreement between the Parties will be the Affected Operation. Without prejudice to the above, Party A will only determine the early termination date under this Additional Event of Early Termination if Party A should demonstrate that it has managed to find a new counterparty interested in participating in a transaction, with economic and legal terms as close as possible (as Party A will determine at its own discretion) to the transaction terminated with Party B.

(ii) Standard & Poors’s Criteria

If the unsubordinated and non-guaranteed short term debt of the Swap counterparty should, at any time of the life of the Bonds, experience a fall in its rating to A-2 (below A-1), according to S&P, it will be the ineligible counterparty of the transaction and shall agree, within a maximum time of 10 days, to collateralise 125% of the market value of

the financial swap agreement calculated in accordance with the Standard & Poor's criteria, and, in a maximum time of 60 business days, shall:

(i) Substitute the ineligible counterparty for another credit entity with an unsubordinated, non-guaranteed short term debt with a minimum rating of A-1 according to S&P.

(ii) Obtain a bank warranty on first requirement from a credit entity suitable to Standard & Poor's, with an unsubordinated, non-guaranteed short term debt with a minimum rating of A-1 according to S&P, which complies with the current S&P criterion at any time, in guarantee of the obligations of the ineligible counterparty under the financial swap agreement.

Any guarantee will be subject to confirmation of the rating of the bonds by Standard & Poor's.

All costs derived from any of the above actions will run to the ineligible counterparty.

The alternatives described in this section and the times to which they refer and the ratings of Party B are gathered in the criterion of counterparties of Standard & Poor's "Revised Framework For Applying Counterparty And Supporting Party Criteria" published on May 8, 2007, available at www.standardandpoors.com and which may be updated, modified or relinked.

(ii) Moody's Criteria:

In the event that:

(1) (a) the unsecured and unsubordinated long-term debt of Party B ceases to obtain a minimum rating of A2 by Moody; or

(b) the unsecured and unsubordinated short-term debt of Party B ceases to obtain a minimum rating of P-1 by Moody's,

(2) (a) the unsecured and unsubordinated short-term debt of Party B is not rated by Moody's; and

(b) the unsecured and unsubordinated long-term debt of Party B ceases to obtain a minimum rating of A1 by Moody's,

(either event being Moody's "**First Trigger Required Rating**")

(such being a "**First Rating Default**", then Party B will within 30 Business Days and at its own cost, adopt one of the following options:

(A) Obtain a Replacement with the First Trigger Required Rating (or a Replacement whose present and future obligations owing to Party A are guaranteed by a Credit Support Provider having the First Trigger Required Rating),

(B) Obtain a Credit Support Provider with the Trigger Required Rating,

(C) Post collateral in the form of cash or securities in favor of Party A with an institution with an unsecured and unsubordinated short-term debt rated P-1 according to Moody's rating scale, as set out in the Credit Support Annex (attached to the Financial Swap Agreement).

(ii) Moody's Criteria (continued):

In the event:

- (1) (a) that the unsecured and unsubordinated long-term debt of Party B or of all its Credit Support Provider of Party B ceases to obtain a minimum rating of A3 by Moody's; or
(b) that the unsecured and unsubordinated short-term debt of Party B or of all its Credit Support Provider of Party B ceases to obtain a minimum rating of P-2 by Moody's, or
- (2) (a) the unsecured and unsubordinated short-term debt of Party B and of all its Credit Support Provider of Party B is not rated by Moody's; and
(b) the unsecured and unsubordinated long-term debt of Party B and of all its Credit Support Provider of Party B ceases to obtain a minimum rating of A3 by Moody's,

(either event being Moody's "**Second Trigger Required Rating**")

(such being a "**Second Rating Default**", then Party B will, as soon as reasonably practicable, on a best efforts basis and in any case as soon as possible and at its own cost, adopt one of the following options:

- (A) Obtain a Credit Support Provider with the Second Trigger Required Rating, or
- (B) Obtain a Replacement with the Second Trigger Required Rating, (or a Replacement whose present and future obligations owing to Party A are guaranteed by a Credit Support Provider having the Second Trigger Required Rating),
- (C) and, additionally, if none of the actions specified above have been taken, Party B shall, within thirty (30) Business Days of the occurrence of the Second Rating Default, post collateral in the form of cash or securities in favor of Party B with an institution with an unsecured and unsubordinated short-term debt rated at least P-1 by Moody's, in accordance with the terms set out in the Credit Support Annex (attached to the Financial Swap Agreement).

Party B's obligations under (i) and (ii) above, and the Termination events deriving therefrom, shall only apply during such time as the events respectively prompting the First Required Rating Default or the Second Required Rating Default are in place. The deposit transferred by Party B pursuant to (i) and (ii) above will be retransferred to Party B upon cessation of the causes resulting in the First Rating Threshold Default or the Second Rating Threshold Default, respectively.

All costs, expenses and taxes incurred in connection with fulfillment of the preceding obligations shall be payable by Party B.

To that effect, “**Credit Support Provider**” shall mean an institution providing and unconditional and irrevocable guarantee directly enforceable by Party A with respect to all present and future obligations of in the Swap Agreement (the “**Guarantee**”), and provided that an institution providing an unconditional, irrevocable and first demand guarantee with respect to present and future obligations of Party B, and provided that (A) a law firm provides a legal opinion confirming that none of the payments made by that institution to Party A results in any requirement for deduction or withholding for or on account of any tax; or (B) if such deduction or withholding exists, the payment made by such entity will be increased by the amount necessary so that the net payment received by Party A will be equal to the amount that Party A would have received had such deduction or withholding not been made; and

“**Replacement**”: means any institution which occupied the contractual position of Party B under the Swap Agreement or entering into a new swap agreement with Party A, on terms substantially identical with the Swap Agreement (which shall be confirmed by Party A, on a best efforts basis), and provided that (A) a law firm provides a legal opinion confirming that none of the payments made by that institution to Party A results in any requirement for deduction or withholding for or on account of any tax; or (B) if such deduction or withholding exists, the payment made by such entity will be increased by the amount necessary so that the net payment received by Party A will be equal to the amount that Party A would have received had such deduction or withholding not been made. That institution shall thereafter, to all intents and purposes, be considered Party B under this Agreement or in the new swap agreement to be entered into.

Additional Termination Events:

“**Additional Termination Events**” is a concept defined in the ISDA framework agreement of the Swap Agreement, which involves the resolution of the Swap Agreement if decided by the Management Company on behalf of the Fund (Party A) or Party B if established as in the previous paragraph.

The early termination of the Swap Agreement shall occurs in the followings events:

- (i) With respect to Party A and Party B: where (a) there is default on payment of Series A Bonds interest and (b) the Management Company notifies, in accordance with the provisions of section 4.4.3 of the Registration Document, the Early Liquidation of the Fund in the Early Liquidation event established in section 4.4.3.1.(i) of the Registration Document. To this effect, both Parties shall be Affected Parties, although for the purposes of calculating the settlement amount, Party A shall be the sole affected party.
- (ii) Where (a) the Second Required Rating Threshold is not complied with and more than 30 Business Days have elapsed since the last breach of the Second Required Rating Threshold has occurred and (b) at least a Substitute who has made an irrevocable offer to occupied Party B’s

position as established in the Swap Agreement and/or at least a Credit Support Provider with the First Required Rating Threshold and/or Second Required Rating Threshold has made an irrevocable offer to guarantee all the present and future obligations of Party B. Only Party B may declare the early termination of the Affected Transactions.

All the costs, expenses and taxes incurred through compliance with the above obligations will run to Party B B.

The occurrence, as the case may be, of the early resolution of the Financial Swap will not in itself constitute a cause of early maturity of the Bond issue and Early Liquidation of the Fund, unless in conjunction with other events or circumstances relative to the wealth situation of the Fund, a substantial or permanent alteration should be produced of its financial balance.

The Financial Swap will be resolved in full right if the Rating Agencies do not confirm the ratings provisionally assigned to each of the Series before the beginning of the Subscription period.

The Management Company will use all means within its reach that might be necessary for there to be a Swap Agreement in force at all times.

In the event of replacement of the Bank as administrator of the Loans, the Swap will cover the administration commissions, that is, an amount equal to the sum of (i) the amount to be paid by Party B, and (ii) the amount accrued as administration commission or of the new administration agreement established, as the case may be.

The maturity of the Swap Agreement will take place on the earliest Payment Date of the following:

- (i) the Date of Legal Maturity, or
- (ii) the date on which the Early Liquidation of the Fund is ended, according to what is provided in section 4.4.3 of the Registration Document, in which all of the Assets and rest of remainders have been liquidated following the Order of Priority of Liquidation Payments of the Fund.

3.5 Name, address and significant business activities of the Assignor.

The Assignor of the Assets is Banco Santander, S.A.. with registered offices in Santander, at Paseo de Pereda, 9-12, 39004 and with central operations in the Ciudad Grupo Santander, Avecina de Cantabria s/n 28660 Boadilla del Monte (Madrid).

The principal financial activities of the Bank are those characteristic of any bank, in accordance with the specific nature of such entities and as established by law. In this regard, the following activities should, basically, be highlighted:

- Capture of funds (through demand savings passbooks, current accounts, term savings passbooks, mutual funds, pension plans, insured retirement plans, assignment of assets, issuance of securities, unit linked and annuities, *inter alia*);

- Financing activities, fundamentally through personal loans, mortgage loans, credit facility accounts, discounting of effects, bank guarantees and leasing, confirming and factoring transactions;
- Provision of services, such as credit and debit cards, commercial payment systems, collection services, direct debit services, transfers, asset management, currency exchange, etc.

The audited financial information on the Grupo Santander for the financial years 2005, 2006 and the first half of 2007.

The information corresponding to December 31, 2005 and December 31, 2006 and the first half of 2007 in million of euros was prepared in accordance with the International Norms on Financial Information which are applicable according to Regulation EC 1606/2002 and Memorandum 4/2004 of the Bank of Spain.

GRUPO SANTANDER DATA				
	31/12/2006	31/12/2005	% change	31.12.2006
BALANCE SHEET (millions of euros)				
Total assets	885,603	818,096	8.25%	833,873
Customer credit (gross)	561,295	484,442	15.86%	531,509
Customer resources in balance	604,954	508,344	19.00%	565,715
Other managed customer resources	194,731	173,791	12.05%	173,509
Total managed customer resources	799,685	682,135	17.23%	739,224
Net wealth	48,915	44,384	10.21%	47,073
Stockholders' equity (including undistributed profit)	43,956	38,411	14.44%	40,062
INCOME STATEMENT (millions of euros)				
Mediation margin				
Basic margin (commercial)	7,133	5,804	22.90%	12,488
Ordinary margin	11,919	9,924	20.10%	20,436
Operating margin	13,207	10,840	21.84%	22,615
Pre-tax profits (ordinary)(*)	7,193	5,366	34.05%	11,369
Pre-tax profits (including extraordinary)	5,395	4,244	27.12%	8,776
Profit attributed to the group (ordinary)(*)	5,961	4,244	40.46%	9,150
Profit attributed to the group	3,892	3,216	21.02%	6,582
<i>(*): Without including net capital gains and extraordinary corrections.</i>				
DATA PER SHARE AND MARKET VALUE				
Quote	13,69	11,42	19.88%	14,14
Market value (millions of euros)	85,621	71,424	19.88%	88,436
Ordinary attributed profit per share	0,6236,	0.5147	21.16%	1,0534
Ordinary attributed profit diluted by share	0.6207	0.5130	20.99%	1,0477
Accounting value	7.03	6.14	14.50%	6.41
PER (Price/profit attributed per annualized share; times)	10.98	11.09	-0.99%	13.42
P/VC (Accounting price/value; times)	1.95	1.86		2.21
IMPORTANT RATIOS (%)				
Operating margin/ATM				

GRUPO SANTANDER DATA				
	31/12/2006	31/12/2005	% change	31.12.2006
Ordinary ROE (Attributed p./Average stockholders' eq.)	0.8	0.7		1.4
Ordinary ROA (Net p./Total average assets)	19.70	18.23		18.54
Ordinary RORWA (Net p./Average shares weighted by risk)	0.97	0.87		0.88
Efficiency ratio	1.7	1.7		1.6
Efficiency ratio with redemptions	39.66	44.15		43.45
Default rate	44.38	49.27		48.53
Coverage rate	0.83	0.83		0.78
CAPITAL RATIOS (BIS REGULATIONS) (%)	169.16	185.69		187.23
Total				
Core capital				
TIER I	13.09	12.40		12.49
ADDITIONAL INFORMATION	6.27	5.75		5.91
Number of shares (millions)	7.90	7.41		7.42
Number of shareholders				
Number of employees				
Continental Europe	6,254	6,254		6,254
United Kingdom (Abbey)	2,315,649	2,393,463		2,310,846
Latin America	135,922	126,529		129,749
Financial management and participations	46,987	44,048		44,216
Number of offices	16,613	17,876		17,146
Continental Europe	70,568	63,091		66,889
United Kingdom (Abbey)	1,754	1,514		1,498
Latin America	11,092	10,439		10,852

3.6 Return on and/or repayment of the securities linked to others which are not assets of the issuer.

Not applicable.

3.7 Administrator and responsibilities of the Management Company as administrator.

3.7.1 Administrator.

The Bank, whose name, address and significant activities are detailed under section 3.5, above, the entity that is the Assignor of the Assets, in accordance with the provisions of article 2.2 of Royal Decree 926/1998, is obliged to exercise custody and administration of the Assets, the relations between the Bank and the Fund being regulated by this Prospectus.

The Bank shall accept the mandate received from the Management Company and, by virtue of such mandate, agrees as follows:

- (i) To exercise administration and management of the Assets acquired by the Fund in the terms of the scheme and ordinary procedures of administration and management established in this Prospectus;

- (ii) To continue administering the Assets, dedicating the same time and attention and the same level of expertise, care and diligence in the administration thereof as that which it would devote and exercise in the administration of its own loans and, in any case, it shall exercise an adequate level of expertise, care and diligence in providing the services contemplated in this Additional Building Block;
- (iii) That the procedures it applies and will apply for administration and management of the Assets are and will continue to be in accordance with the laws and legal rules in force which are applicable;
- (iv) To abide by the instructions given to it by the Management Company, with due loyalty;
- (v) To indemnify the Fund for damages which may derive from the breach of the obligations so contracted.

A description of the scheme and of the ordinary procedures of administration and custody of the Assets is contained in the following sections.

(1) Term of Duration

The services shall be rendered by the Bank until, once all of the Assets have been amortized, all of the obligations assumed by the Bank in relation to said Assets have been cancelled, without prejudice to the possible early revocation of its mandate.

Both in case of breach by the Administrator of the obligations established in this Additional Building Block, as well as in the case of a severe decline in its credit rating so as to entail an impairment or risk for the financial structure of the Fund or for the rights and interest of the Bondholders, the Management Company may carry out one of the following actions:

- (i) Make a formal demand to the Administrator to subcontract, delegate or be secured in the performance of said obligations by another entity which, in the judgment of the Management Company, has the adequate legal and technical capacity, and provided that an adverse impact on the rating of the Bonds does not take place.
- (ii) If the above action is not possible, the Management Company shall directly assume the rendering of the services.

The Management Company shall bear in mind the proposals which the Administrator formulates to it both on the subcontracting, delegation or appointment of the substitute in the performance of its obligations, as well as on the entity which could guarantee it in the execution and enforcement thereof.

The Administrator, in turn, may voluntarily resign from carrying the administration and management of the Assets, if possible, in accordance with current law in force from time to time and provided that (i) it is authorized by the Management Company, (ii) the Management Company has appointed a new Administrator, (iii) the Administrator has indemnified the Fund for damages caused thereto by the resignation and substitution, in addition to the fact that any additional cost shall be its responsibility, not collecting it, therefore, from the Fund, and (iv) no adverse impact on the rating of the Bonds takes place.

(2) Liability of the Bank as to custody and administration.

The Bank agrees to act diligently in the custody and administration of the Loans and the documents regarding the Mortgage Loans and the multiple nominative title of the MTC which would be deposited in the Bank, and will be liable to the Fund, through its Management Company, for any damage which may arise from its negligence.

The Bank shall indemnify the Fund, through its Management Company, for any damage, loss or expense incurred as a consequence of the breach of its obligations relating to custody and/or administration of the Loans and the documents regarding the Loans.

(3) Liability of the Bank in collection management.

The Bank agrees to act in the management of collections on the Loans, with all due diligence, and shall be liable to the Fund, through its Management Company, for any damage which may derive from its negligence.

The Bank does not howsoever assume any liability in directly or indirectly guaranteeing the successful conclusion of the transaction, nor will it grant guarantees or bank guarantees, or subject itself to repurchase agreements in respect of the Assets with the exception of those which do not conform to the representations and warranties contained under section 2.2.8 and the conditions and limitation contained in section 3.7.1 (11) of this Additional Building Block.

(4) Custody of contracts, deeds, documents and files.

The Administrator shall maintain all contracts, copies of deeds, documents and database records regarding the Loans and the Damage Insurance policies and, as the case may be, the Mortgage Credit Insurance, as the case may be, under safe custody and shall not abandon the possession, custody or control thereof without the prior written consent of the Management Company to such effect, unless a document is requested thereof in order to start proceedings for foreclosure or enforcement of a Loan.

The Administrator shall reasonably provide access, at all times, to said contracts, deeds, documents and records, to the Management Company or to the Fund's auditor, duly authorized by the latter. Furthermore, if so requested the Management Company shall furnish, within five (5) Business Days following the said request, free of charge, a copy or photocopy of any of the said contracts, deeds and documents. The Administrator shall proceed in the same Manner In the case of requests for information from the Fund's auditor.

The Administrator in any case waives the privileges granted to it by law in its capacity as collection manager of the Fund and custodian of the Loan agreements and, in particular, those provided by articles 1730 and 1780 of the Spanish Civil Code (relating to retention under pledge of property on deposit) and 276 of the Spanish Commercial Code (similar guarantee to retention under pledge of property on deposit).

(5) Collection management.

The Bank, as collection manager, shall receive for the account of the Fund such amounts as are paid by the Obligors arising out of the Assets, both for principal or interest, as well as any other concept including the Damage Insurance contracts and, as the case may be, the Mortgage Credit Insurance, assigned to the Fund, and shall proceed to deposit into the Cash Account the amounts which pertain to the Fund, immediately and, in any case, within a deadline not to exceed twenty-four (24) hours.

(6) Setting of interest rate.

The Administrator shall continue setting said variable interest rates in accordance with the provisions of the relevant Loans, formulating any communications and notices which are established for such purpose in the respective contracts.

(7) Advance of funds.

The Bank shall in no case advance any amount it has not first received from the Obligors as principal or installment pending maturity, interest or finance charge, prepayment, etc., as deriving from the Assets.

(8) Insurance Policies.

The Bank shall use reasonable efforts to maintain in full force and effect the insurance policies subscribed, as the case may be, in relation to each one of the Loans, the Bank being liable to the Fund for any damages caused thereto, in the event that the insurance policies are not kept in full force and effect. The Administrator is obliged to advance payment of any premiums which have not been paid by the Obligors, provided that It has knowledge of such circumstance.

The Bank, as Administrator, in the case of a claim, shall coordinate the actions for collection of the indemnities on the insurance policies, as the case may be, in accordance with the terms and conditions of the Mortgage Loans and of the above-mentioned insurance policies.

(9) Reporting.

The Administrator shall report periodically to the Management Company on the degree of compliance by the Obligors with the obligations deriving from the Loans, the compliance by the Administrator with its obligation to deposit the amounts received as deriving from the Assets, and the actions carried out In case of default and auction of properties, and of the existence of any hidden defects in the Loans.

The Administrator shall prepare and submit to the Management Company such additional information as, in relation to the Loans or the rights deriving therefrom, may be reasonably requested by the Management Company.

(10) Subrogation of the Obligor of the Assets.

The Administrator shall be authorized to allow substitutions in the position of Obligor in the Loan agreements, exclusively in cases in which the characteristics of the new Obligor are similar to those of the former one, and they meet the criteria for granting loans, as described under section 2.2.7 of this Additional Building Block, and provided that the expenses deriving from this modification are paid in full by the Obligors. The Management Company may totally restrict this power of the

Administrator when such substitutions could adversely affect the ratings assigned to the Bonds by the Rating Agencies.

In any case, any subrogation made in accordance with the provisions of the above paragraph shall be immediately reported by the Administrator to the Management Company.

Furthermore, the Obligor may request to the Administrator subrogation in the Mortgage Loans in accordance with the provisions of Law 2/1994. The subrogation of a new creditor in the Mortgage Loan and the consequent payment of the amount owed shall cause the prepayment of the Mortgage Loan and of the relevant MTC.

(11) Powers and actions in relation to Loan re-negotiation processes.

The Management Company enables the Administrator on a general basis to carry out re-negotiations, with or without prior consent, in the terms and conditions described below.

The Administrator may not voluntarily cancel the guarantees of the Assets for a cause other than payment of the Asset, waive or settle in respect of the latter, write off the Assets in whole or in part or extend them, nor in general carry out any act which diminishes the ranking, legal effectiveness or economic value of the guarantees or of the Assets, without prejudice to proceeding to service requests from the Obligors with the same diligence and procedure as if dealing with other loans.

In no case may the Administrator start by its own initiative, without a request from the Obligor, interest rate re-negotiations which may yield a decrease in the interest rate applicable to an Asset.

The Management Company authorizes the Administrator to proceed with re-negotiation of the interest rate applicable to the Loans, as requested by the Obligors, pursuant to the following requisites:

- a) The Administrator shall re-negotiate the interest rate applicable to the Loans at an interest rate considered the market interest rate and which shall not differ from the interest rate that the Administrator itself applies in the renegotiation of credit and loans which it grants. To these effects, the market interest rate will be considered to be the interest rate offered by the financing entities in the Spanish market for loans or credits for amounts and other conditions very similar to that of the Loan
- b) Under no circumstance will the renegotiation of the interest rate applicable result in the substitution of the interest rates or indices used by the Administrator in the credits and loans it grants for other interest rates or indices. Notwithstanding, it will be possible to renegotiate the change from a variable interest rate to a fixed interest rate.

Furthermore, the Administrator's capacity of re-negotiation recognized in this section is subject to the following limitations:

- a) In no case may the Loan amount be increased.
- b) The frequency of Loan payments may not be modified.

- c) The spread below zero point sixty-five per cent (0.65%) may not be re-negotiated.

The extension of the maturity term of a specific Loan may be carried out provided that the following requisites are met:

- The amount of the principal of the Mortgage Loans assigned to the Fund about the extent of the maturity takes place, shall not exceed 10% of the Initial Outstanding Balance of the Mortgage Loans at the Constitution Date.
- That, in any case, the term between principal amortization payments on the Loan is maintained or reduced, and the same amortization system is maintained.
- That the new final maturity date or last Loan amortization is June 24, 2047, at the latest.

In any case, after any re-negotiation takes place in accordance with the provisions of this section, the Administrator shall proceed to immediately notify the Management Company of the conditions resulting from each re-negotiation.

Should the Administrator fail to comply with any of the conditions and/or limitations established in this section and in the Deed of Constitution, without prejudice to the Management Company's right to suspend or modify the requirements for renegotiation detailed here below, the Administrator undertakes to replace or repurchase the affected Assets in accordance with the rules set forth in section 2.2.9 of this Additional Building Block, which will not imply the guarantee by the Administrator of the successful completion of the transaction, but rather the necessary redress of the effects produced by the breach of its obligations, in accordance with article 1.124 of the Civil Code. The Management Company will immediately inform the CNMV of the redemptions of the Assets that are made as a result of the Administrator's non compliance. The costs expenses resulting from the action taken to rectify the Administrator's non compliance will be borne by the Administrator, and will not be able to be charged to the Fund. reparation

The Management Company, on behalf of the Fund, may at any time leave in suspense or modify the authorization and the requisites for re-negotiation on the part of the Administrator, as reflected under this section.

(12) Fee for provision of services.

A fixed fee shall accrue in favor of the Bank for its tasks involving administration of the Loans, of six thousand euros (€6,000) per quarter, V.A.T. included, on each Payment Date. If the Bank is replaced as to its tasks of administrative of said Assets by another entity not forming part of the Bank's consolidated group, the substitute entity shall be entitled to receive an administration fee which shall rank number 1 in the Order of Priority of Payment contemplated under section 3.4.6.(b) of this Additional Building Block.

If the Fund, through its Management Company, does not pay on a Payment Date the entire fee because it lacks sufficient Available Funds in the Cash Account in accordance with the Order of Priority of Payments contemplated under section

3.4.6.(b), any amounts not paid shall accumulate without penalty to the fee which must be paid on the next Payment Date, with payment thereof proceeding at that time.

On the other hand, the Bank, on each Payment Date, shall be entitled to the reimbursement of all exceptional expenses incurred, subject to justification thereof to the Management Company, in relation to the administration of the Assets. Said expenses shall include, *inter alia*, those caused by enforcement of guarantees and, as the case may be, the sale of properties and shall be paid provided that the Fund has sufficient Available Funds in the Cash Account and in accordance with the provisions of section 3.4.6.(b) of this Additional Building Block. in respect of the Order of Priority of Payments.

(13) Compensation

In the event that any of the Obligors of the Loans has a payable, expired, liquid right of credit as regards the Administrator and, therefore, this will mean that one of the Loans will be totally or partially compensated against this right of creditor, the Administrator will remedy this circumstance or, if it is not possible to remedy it, the amount which would have been compensated plus the interest due and which would have corresponded to the Fund up to the date on which the income calculated in accordance with the conditions applicable to the corresponding Loan will be deposited in the Fund by the Administrator.

(14) Subcontracting

The Administrator may subcontract any of the services which it has undertaken to provide by virtue of the above stipulations, except for those services which cannot be delegated pursuant to the legislation in force. In no case will this subcontracting entail any cost or additional expense for the Fund or the Management Company, and cannot give rise to a revision downwards of the rating granted by the Rating Agencies to each one of the Series of Bonds. Notwithstanding any subcontracting or delegating, the Administrator will not be exonerated nor released from any of its responsibilities assumed and which are legally attributable to or obligatory for the Administrator through this subcontracting or delegating.

(15) Notifications

The Management Company and the Assignor have agreed not to notify the assignment to the respective Obligors. For these purposes, notification is not a requisite for the validity of the assignment of the Loans nor for the issue of the Mortgage Transfer Certificates.

However, the Assignor will grant the widest powers of attorney which in Law are necessary to the Management Company so that it can, in the name of the Fund, notify the Obligors of the assignment at the time it considers this to be advisable.

Nevertheless, in the event of insolvency, or indications of insolvency, of intervention by the Bank of Spain, of liquidation or the substitution of the Administrator or because the Management Company considers it to be reasonably justified, the Management Company may request the Administrator to notify the Obligors of the transfer of the Loans pending repayment to the Fund, as well as the fact that the payments deriving from these will only be of a releasing nature if they are made into

the Cash Account opened in the name of the Fund. However, both in the case that the Administrator has not notified the Obligors within the three (3) Business days following the reception of the request, and in the case of insolvency of the Administrator, it will be the Management Company which directly notifies the Obligors. The Management Company will notify in the shortest possible period of time.

The Assignor will assume the expenses involved in notifying the Obligors even when notification is made by the Management Company.

3.7.2 Management Company

The administration and legal representation of the Fund is vested in the Management Company, whose name, address and significant business activities are detailed under section 6 of the Registration Document in the terms provided by Royal Decree 926/1998, and other applicable regulations, without prejudice to the provisions of the Deed of Constitution.

The Management Company, as manager of third-party businesses, is also responsible for the representation and defense of the interests of the Bondholders and of the remaining ordinary creditors of the Fund. Consequently, the Management Company shall at all times safeguard the interests of the Bondholders, giving the defense of such interest priority and adhering to the provisions established in regulations for such purpose.

The actions which the Management Company shall perform in order to comply with its duties of administration and legal representation of the Fund are, purely as a matter of illustration and without prejudice to other actions contemplated under this Additional Building Block, as follows:

- (i) It will open in the name of the Fund the Cash Account, initially with the Bank, as long as the Bank's unsubordinated and unsecured short-term debt rating does not descend from F1, A-1 or P-1 (as per the scales of Fitch, Standard & Poor's and Moody's, respectively).
- (ii) Exercise the rights inherent to the title to the Assets of the Fund and, in general, carry out all acts of administration and disposal as are necessary for the proper performance of the administration and legal representation of the Fund;
- (iii) Carry the financial servicing of the Assets with diligence and rigor, without prejudice to the duties of management assumed by the Assignor in its capacity as Administrator in accordance with the provisions of section 3.7.1, above;
- (iv) Verify that the amount of income effective received by the Fund corresponds to the amounts to be received by the Fund in accordance with the conditions of each Asset and the conditions of the various contracts;
- (v) Validate and control the information it receives from the Administrator regarding the Loans, both as regards collections of ordinary payments, prepayments of principal, payments received for unpaid payments and status and control of non-payments;

- (vi) Calculate the available funds and movements of funds which it shall have to make once the application thereof has been carried out in accordance with the relevant order of priority of payments, ordering transfers of funds between the various asset and liability accounts and the applicable payment instructions, including those assigned to meet the financial servicing on the Bonds;
- (vii) Calculate and settle the amounts which, for interest and fees, must be received and paid by the various asset and liability financial accounts, as well as the fees to be paid for the various financial services arranged and the amounts which, for repayment of principal and interest, pertain to each one of the Bond Series;
- (viii) In the event that the ratings of the Bank's debt assigned by the Rating Agencies at any time during the life of the Bonds, decrease as regards the capacity of the Bank as Administrator and Payment Agent, carry out the actions contemplated in relation to these contracts which are described under section 3.7.1 of this Additional Building Block and in section 5.2a) of the Securities Note;
- (ix) Comply with its calculation obligations contemplated in this Additional Building Block and the Subordinated Loan Agreement, Guaranteed Interest Rate Reinvestment Agreement, International Subscription Agreement and Swap Agreement which are described under sections 3.4.3, 3.4.4 and 3.4.7 of this Additional Building Block;
- (x) Monitor the actions of the Administrator for recovery of non-payments, giving instructions, when applicable, in order to bring a foreclosure proceeding and, as the case may be, with regard to the position to be adopted in real property auctions. Exercise the actions which apply when circumstances occur which so require;
- (xi) Carry the accounting of the Fund with due separation from the accounting of the Management Company, perform a rendering of accounts and comply with the tax or other legal obligations which are the Fund's responsibility;
- (xii) Furnish the holders of the Bonds issued against the Fund, the CNMV and the Rating Agencies, such information and notices as are provided by current law in force and, especially, those contemplated in this Prospectus. To this effect, the Management Company will supply the Rating Agencies (by sending the information to the domain sf_surveillance@fitchratings.com for Fitch, europesurveillance@standardandpoors.com for Standard & Poor's and monitor.RMBS@moodys.com for Moody's), within one month following each Payment Date, with information regarding the situation of the Fund and the Assets, as agreed between the Management Company and the Rating Agencies, so that the function of the Fund is made clearer. The Management Company will also supply this information when reasonably required to do so and, in any event, when a change occurs occur in the conditions of the Fund, in the contracts it enters into or in the parties thereto;

- (xiii) In order to allow the Fund's operations in the terms contemplated in the Prospectus and by current regulations in force from time to time, renew or modify the contracts it has executed on behalf of the Fund, substitute each one of the providers of services to the Fund by virtue thereof and, including, if necessary, enter into additional contracts, all of which subject to current law in force from time to time, prior authorization, if necessary, from the CNMV or competent administrative body, and notification thereof to the Rating Agencies, and provided that such actions do not yield a decrease in the rating on the Bonds and do not impair the interests of the Bondholders. Any modification to the Deed of Constitution shall first be reported to the CNMV and to the Rating Agencies;
- (xiv) Appoint and replace, as the case may be, the auditor that performs the audit on the Fund's annual financial statements;
- (xv) Prepare and submit to the CNMV and the competent bodies, all documents and information which must be submitted as established by current regulations in force and in this Prospectus, or requested thereof, as well as prepare and submit to the Rating Agencies any information they reasonably request thereof;
- (xvi) Adopt the appropriate decisions in relation to the liquidation of the Fund, including the decision for early termination of the Bond issue and liquidation of the Fund, in accordance with the provisions of this Prospectus;
- (xvii) Not carry out actions which could deteriorate the rating on the Bonds and procure the adoption of those measures which are reasonably in its reach in order that the rating on the Bonds is not adversely affected at any time;
- (xviii) Management the Fund in such a manner that the net asset value thereof is always zero.

The Management Company shall perform its activity with the diligence required thereof in accordance with Royal Decree 926/1998, representing the Fund and defending the interests of the Bondholders and of the remaining creditors of the Fund as if dealing with its own interests, caring for the levels of diligence, reporting and defense of the interests of the former and avoiding situations which entail conflicts of interest, giving priority to the interests of the Bondholders and to those of the remaining creditors of the Fund as opposed to those which are its own. The Management Company shall be liable to the Bondholders and remaining creditors of the Fund for all damages caused thereto by the breach of its obligations. Furthermore, it shall be liable as regards sanctions applicable thereto pursuant to the provisions of Law 19/1992.

The Management Company has the necessary means, including adequate information systems, to carry out the duties of administration of the Fund attributed thereto by Royal Decree 926/1998.

The Management Company has established a set of Internal Regulations of Conduct in application of the provisions of Chapter II of Royal Decree 629/1993, of May 3, on rules of action in the securities markets and obligatory records, which have been reported to the CNMV.

The Management Company may act as Management Company of the Fund, as well as of any other securitization fund, without the simultaneous management thereof constituting in any form whatsoever a violation of its obligations of diligence as Management Company of the Fund or other securitization funds.

3.7.3 Substitution of Management Company

The Management Company shall be substituted in the administration and representation of the Fund in accordance with the provisions to be established by regulation for such purpose. Thus, in accordance with the provisions of articles 18 and 19 of Royal Decree 926/1998, the substitution of the Management Company shall be carried out through the following procedure:

- (i) The Management Company may resign from its duties when it deems pertinent and voluntarily request its substitution, by letter addressed to the CNMV reflecting the appointment of the substitute management company. Included with such letter shall be that of the new management company, duly authorized and registered as such in the special registries of the CNMV, in which the latter declares it is willing to accept such duties and is interested in the pertinent authorization. The resignation of the Management Company and appointment of a new company as management company of the Fund shall be approved by the CNMV. In no case may the Management Company waive the exercise of its duties until all of the requisites and formalities for its replacement to be able to fully assume its duties in relation to the fund have been fulfilled. Nor may the Management Company waive its duties if, as a result of the aforesaid substitution, the rating assigned to any of the Bond Series issued against the Fund should decrease. All expenses generated as a consequence of such substitution shall be paid by the Management Company itself, and may not be attributed, in any case, to the Fund.
- (ii) In the event of the occurrence in the Management Company of any of the causes for dissolution contemplated under number 1 of article 260 of the Spanish Corporations Law (“Ley de Sociedades Anónimas”), the substitution of the Management Company shall proceed. The occurrence of any of such causes shall be notified by the Management Company to the CNMV. In this case, the Management Company shall be obliged to comply with the provisions of section (i), above, prior to its dissolution.
- (iii) In the event that the Management Company is declared insolvent, or has its authorization revoked, a management company to replace it must be appointed. The substitution shall have to be made effective prior to four (4) months transpiring from the date on which the event determining the substitution took place. If, four (4) months from when the event determining the substitution took place have lapsed and the Management Company has not appointed a new management company, the Early Liquidation of the Fund and the redemption of the Bonds shall proceed, for which the actions contemplated under section 4.4.c.3) of the Registration Document shall proceed.
- (iv) The substitution of the Management Company and appointment of the new company, approved by the CNMV in accordance with the provisions of the above paragraphs, shall be reported to the Rating Agencies and shall be

published, within a deadline of fifteen (15) days by legal notice in two nationally-circulated newspapers and in the bulletin of the AIAF Market.

The Management Company is obliged to execute the public and private documents that are necessary in order to proceed with its substitution by another management company in accordance with the scheme provided in the above paragraphs of this section. The substitute management company shall be subrogated in the rights and obligations which, in relation to this Prospectus, are vested in the Management Company. Furthermore, the Management Company shall deliver to the new management company such documents and accounting and database records relating to the Fund as are in its possession.

Scheme of remuneration in favor of the Management Company for performance of its duties

The Deed of Constitution shall determine that the Management Company shall have a right:

- (i) to a structuring fee payable on the Disbursement Date on a lump-sum, one-off basis in an amount equal to NINETY THOUSAND EUROS (€90,000); and
- (ii) on each Payment Date of the Bonds, provided the Fund has Available Funds at the Cash Account in accordance with the Order of Priority of Payments contemplated for each Series under section 3.4.6.(b) of the Additional Building Block, to a periodic administration fee equal to zero point zero twenty per cent (0,02%) per annum, with a minimum of seventy thousand euros (€70,000) per annum, to accrue on the actual days of each Interest Accrual Period, payable quarterly at each Payment Date, and calculated on the sum of the Balances Pending Payment on the Bonds of all Series, on the start date of the Determination Period preceding the Payment Date in progress. The fee accruing from the Fund's Constitution Date up to the first Payment Date of the Bonds shall be adjusted in proportion to the days transpiring between both dates, calculated on the face value of the Bonds issued.

The calculation of the periodic administration fee, payable on a given Payment Date, shall be made pursuant to the following formula:

$$A = B \times 0,025\% \times \frac{d}{365 \times 100}$$

Where:

A = Fee payable on a given Payment Date.

B = Sum of Balances Pending Payment on the Bonds of all Series, on the Determination Date pertaining to that Payment Date.

d = Number of days transpiring during each Interest Accrual Period.

3.8 Name and address and brief description of any swap counterparts and any providers of other material forms of credit/liquidity enhancement or of accounts.

The Bank is the counterparty of the Fund in the contracts described below. A brief description of the Bank is included under section 3.2 of this Additional Building Block.

a) Guaranteed Rate Reinvestment Agreement.

The Cash Account is initially open at Banco Santander, S.A. Said account shall be maintained at the Bank as long as the Bank's unsubordinated and unsecured short-term rating does not descend from F1, A-1 or P-1 (as per the scales of Fitch, Standard & Poor's and Moody's respectively). A description of the contract is reflected under section 3.4.4 of this Additional Building Block

b) Subordinated Loan Agreement.

A description of the contract is reflected under section 3.4.3.a) of this Additional Building Block.

c) Swap Agreement.

A description of the contract is reflected under section 3.4.3.a) of this Additional Building Block.

4. POST ISSUANCE REPORTING

4.1 Indication whether or not the Management Company intends to provide post-issuance information.

a) Obligations and deadlines contemplated for the drawing up, auditing and approval of the annual financial statements and management report.

The Management Company shall present to the CNMV the Fund's annual financial statements, together with the auditors' report in respect thereof, within four (4) months following the close of the Fund's fiscal year which shall coincide with the calendar year (i.e. prior to April 30 of each year).

b) Obligations and deadlines contemplated for the placement at the disposal of the public and forwarding to the CNMV and the Rating Agencies of periodic information on the economic-financial status of the Fund.

b.1.- Ordinary periodic notifications.

The Management Company, in its task involving management and administration of the Fund, agrees to forward to the CNMV and to the Rating Agencies, with the utmost diligence possible, quarterly or at any other time requested thereof, the information requested thereof (with the exception of that contained in section e), which shall be annual), in relation to the Bonds, the performance of the Assets, prepayments and the Fund's economic-financial position, irrespective of making them aware of any additional information as may be requested.

(b.1') Within a deadline between the Rate Setting Time and three (3) Business Days, by the latest, following each Payment Date, it shall proceed to notify the Bondholders of the nominal interest rates resulting for each Bond Series for the following Interest Accrual Period.

(b.1’) With advance notice of at least one (1) calendar day preceding each Payment Date, it shall proceed to notify the Bondholders of the following:

- i. The resulting interest on the Bonds together with the redemption thereof;
- ii. The Average Prepayment Rates of the Assets, as at the Determination Date;
- iii. The residual average life of the Bonds calculated pursuant to the hypothesis of maintenance of said actual prepayment rate.
- iv. The Balance Pending Payment (after the redemption to be settled on each Payment Date) on each Bond, and the percentage which such Balance Pending Payment represents as to the total initial face amount of each Bond.
- v. Outstanding balance of the Assets, interest accrued, both collected and not collected in respect thereof and amount in default on the Assets.
- vi. Report on the appropriateness and subsequent application of the Available Funds in accordance with the order of priority of payments contained under section 3.4.6.(b) of this Additional Building Block to the Securities Note.

Furthermore, and if applicable, the Bondholders shall be informed of the interest accruing on the Bonds and unpaid due to insufficiency of Available Funds.

Notices of these sections b.1’) and b.1’’) shall be given as provided in section b.3, below, and shall also be reported to Iberclear and AIAF within a maximum deadline of two (2) Business Days prior to each Payment Date (unless they fall on a bank holiday in Madrid; in which case they will pass to the following Business Days).

b.2 Extraordinary Notices

The Fund, through its Management Company, shall also report to the Bondholders and to the CNMV any material fact which may occur In relation to the Assets, the Bonds, the Fund, and the Management Company itself, which may considerably influence the trading of the Bonds and, in general, any relevant modification to the assets or liabilities of the Fund and any change on the Deed of Constitution, and also as to an eventual decision to Early Redemption of the Bonds for any of the causes provided in the Prospectus. The attestation executed before a notary public concerning the liquidation and procedure referred to in section 4.4.c.3 of the Registration Document, shall also be submitted to the CNMV in such case.

b.3 Procedure

The notifications to the Bond holders which, in the light of the above, must be made by the Fund, through its Management Company, shall be given as follows:

1. Ordinary periodic notices referred to under section b.1), supra, by publication either in the AIAF daily bulletin, or any other which may come

to replace it in the future or other of similar characteristics, or through publication in a widely-circulated newspaper in Spain.

2. Extraordinary notices referred to under section b.2), supra, by publication in a widely-circulated newspaper in Spain.

In addition, the above notices may be given by publication in other generally-disseminated media.

These notices shall be deemed to be given on the date they are published. Any day of the calendar, whether a Business Day or Non-Business Day, can be suitable for this purpose (for purposes of this Prospectus).

(c) Reporting to Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores; CNMV*).

The Management Company shall inform the CNMV of any publications which, both on a periodic ordinary basis as well as on an extraordinary basis, are carried out as per the provisions of the foregoing sections, as well as any information which, irrespective of the above, is requested thereof.

(d) Information to be furnished by the Bank to the Management Company

In addition, the Bank is obliged to inform the Management Company, on behalf of the Fund, on a quarterly basis and, in any case, at the request thereof, of any non-payments, prepayments and modifications of interest rates and, punctually, of payment demands, judicial actions, and any other circumstances which affect the Assets. Furthermore, the Bank shall furnish the Management Company with all documentation the latter may request thereof In relation to the said Loans and, especially, the necessary documentation to start, as the case may be, judicial actions by the Management Company.

Ignacio Ortega Gavara, for and on behalf of SANTANDER DE TITULIZACIÓN, S.G.F.T., in his capacity as General Manager, hereby signs this Prospectus in Madrid, this 27th day of September, 2007.

DEFINITIONS

For adequate interpretation of this Prospectus, capitalized terms shall be construed in accordance with the definition given to each such term below, unless any other meaning is expressly attributed thereto. Any terms not expressly defined shall be construed in their natural and obvious sense according to the general usage thereof. Furthermore, it is stated for the record that terms in the singular shall include the plural and vice versa, whenever the context so requires.

The capitalized terms listed below shall have the following meaning:

“**Assets**”: Means the credit rights arising from the Loans granted by the Bank and which are the object of assignment to the Fund.

“**Administrator**”: Means Banco Santander, S.A.

“**Rating Agencies**”: Means, collectively, Standard & Poor’s España, S.A., Moody’s Investors Service España S.A. and Fitch Rating España, S.A.

“**Paying Agent**”: Means Banco Santander, S.A.

“**AIAF**”: Means AIAF, Mercado de Renta Fija (*ALAF Fixed Income Securities Market*).

“**AIG**”: Means AIG Europe, the company of Mortgage Credit Insurance.

“**Early Redemption**”: This means the amortization of the Bonds on a date previous to the Legal Maturity Date in the cases of advanced settlement of the Fund in accordance with the requisites which are laid down in section 4.4.3 of the Registration Document.

“**Bank**”: Means Banco Santander, S.A.

“**Bonds**”: Means the securitization bonds issued against the Fund.

“**Accrued Redemption Amount**” or “**Accrued Redemption Amount for the Series A1, A2, A3, B, C, D and E Bonds**”: Means the difference (if positive) between the sum of the Principal Balance Pending Payment on the Series A1, A2, A3, B, C, D, and E Bonds on the Determination Date prior to each Payment Date and the Outstanding Balance of the Assets not having any payment more than eighteen (18) months late.

“**Accrued Redemption Amount for the Series F**”: This means the positive difference between the Balance of the Principal Pending of the Series F on the Determination Date preceding the corresponding Payment Date and the amount of the Reserve Fund required on the corresponding Payment Date provided that the conditions stipulated in section 3.4.2.2 of the Additional Building Block are complied with.

“**Assignor**”: Means Banco Santander, S.A.

“**Mortgage Transfer Certificates**” or “**MTC**”: Means the mortgage transfer certificates to be issued by the Bank in accordance with the provisions of section 3.3a)2) of the Additional Building Block.

“**Memorandum 4/2004**”: This means Memorandum 4/2004 of the Bank of Spain, of December 22, to credit entities, on the norms on public and reserved financial information and financial statement form.

“**CNMV**”: Means Comisión Nacional del Mercado de Valores (*Spanish Securities Market Commission*).

“**Management and Subscription Agreement**”: Means the Bond underwriting and placement agreement to be entered into by the Manager, for and on behalf of the Fund, and the Lead Managers.

“**Subordinated Loan Agreement**”: Means the subordinated loan agreement in the amount of two million euros (€2,000,000) to be entered into by the Management Company, for and on behalf of the Fund, and the Bank, to be applied towards financing the expenses related to constitution of the Fund and issuance of the Bonds and partially financing the acquisition of the Assets.

“**Guaranteed Rate Reinvestment Agreement**”: Means the guaranteed interest rate reinvestment agreement in respect of the Cash Account to be entered into by the Management Company, acting for and on behalf of the Fund, and the Bank, whereby the Bank will guarantee a variable yield on the amounts deposited by the Fund (through its Management Company) into the Cash Account.

“**Swap Agreement**”; “**Swap**”; “**Financial Swap Agreement**”; or “**Financial Swap**”: Means the interest rate swap agreement, as per the standard form 1992 ISDA Agreement, to be entered into by the Management Company, acting for and on behalf of the Fund, and the Bank.

“**Cash Account**”: Means the account to be opened at the Bank in the name of the Fund, by the Management Company, the operational aspects of which shall be the object of the Guaranteed Rate Reinvestment Agreement.

“**MTC**”: Means Mortgage Transfer Certificate.

“**Obligors**”: Means the individuals, having their domicile in Spain, to whom the Bank has granted the Loans from which the Assets subject to securitization derive.

“**Business Day**”: Means any day except:

- (i) Saturday;
- (ii) Sunday;
- (iii) holiday as per the TARGET calendar (for the sole purpose of determining the Nominal Interest Rate applicable for each Interest Accrual Period). It includes, apart from the days recognized in sections (i) and (ii), above, January 1, Good Friday, Easter Monday, May 1, December 25 and December 26; and
- (iv) holiday in Madrid (for the purpose of determining the Nominal Interest Rate applicable for each Interest Accrual Period and for the remaining conditions of the issue).

“**Calendar Day**”: Means all the days of a year including Sundays and bank holidays.

“**Registration Document**”: Means the registration document, formed by Annex VII, as approved by the CNMV on September 27, 2007.

“**Underwriters**”: Means Banco Santander, S.A..

“**Lead Managers**”: Means, collectively, ABN AMRO and Banco Santander, S.A..

“Deed of Constitution”: Means the Deed of Constitution of the securitization fund Fondo de Titulización de Activos Santander HIPOTECARIO 4, assignment of Assets and Issuance of Securitization Bonds.

“Constitution Date”: Means the date on which the Deed of Constitution is executed, The Constitution Date is scheduled to be October 1, 2007.

“Disbursement Date”: Means October 4, 2007.

“Determination Dates”: Means the dates which coincide with the fifth (5th) Business Day preceding each Payment Date.

“Payment Dates”: Means January 15, April 15, July 15 and October 15 of each year or, if any of these dates is not a Business Day, the immediately following Business Day.

“Final Maturity Date of the Loans”: Means June 24, 2047, or, if any of these dates is not a Business Day, the immediately following Business Days.

“Legal Maturity Date”: Means January October 15, 2050 or, if not a Business Day, the next Business Day.

“Fitch”: Means Fitch Rating España, S.A.

“Prospectus”: Means, collectively, the table of contents, the document describing the risk factors, the Registration Document, the Securities Note, the Additional Building Block and the document containing the definitions.

“Fund” or **“Issuer”**: Means Fondo de Titulización de Activos, SANTANDER HIPOTECARIO 4.

“Reserve Fund”: Means the reserve fund to be funded by the Management Company, for and on behalf of the Fund, in accordance with the provisions of section 3.4.2.2 of the Additional Building Block.

“Available Funds”: Means the amounts received by the Fund as principal and interest of the Assets, the return of the Cash Account and the Reserve Fund, and the net amount of the Swap Agreement and any amounts which the Fund might receive, as established in section 3.4.6.a) of the Additional Building Block, which will be applied on each Payment Date to the payments established in the Order of Priority of Payment included in section 3.4.6.b) of the Additional Building Block.

“Available Redemption Funds”: Means the amount to be applied towards redemption of the Series A1, A2, A3, B, C, D, and E Bonds on each Payment Date and which shall be determined in accordance with the provisions of section 4.9.4 of the Securities Note.

“Funds Available for Settlement”: Means:

- a) The Funds Available, and
- b) The amounts which the Fund obtains due to the disposal of the Assets which remain and of any other assets, as the case may be, in the cases of advanced settlement of the Fund in accordance with the requisites which are established in section 4.4.3 of the Registration Document.

“FSR”: Means Financial Strength Rating. An FSR focuses on an insurer's ability to meet its policyholder obligations, explicitly excluding an opinion of the insurer's willingness to pay.

“Guarantee”: Means, regarding the Swap Agreement, the unconditional, irrevocable and first demand guarantee with respect to present and future obligations of Party B granted by the Credit Support Provider.

“Credit Support Provider”: Means, regarding the Swap Agreement, an institution providing an unconditional, irrevocable and first demand guarantee with respect to present and future obligations of Party B, and provided that (A) a law firm provides a legal opinion confirming that none of the payments made by that institution to Party A under the Guarantee is subject to deductions or withholding for or on account of any tax; or (B) the Guarantee determines that, if there is any such deduction or withholding, the payment made by that institution shall be increased by whatever amount is necessary so that the net payment received by Party A will be equal to the amount that Party A would have received had such deduction or withholding not been made.

“Ordinary Expenses”: Means the following expenses: (i) expenses deriving from the annual audits of the Fund’s financial statements, (ii) expenses deriving from the maintenance of the ratings of the eight (8) Bond Series, (iii) expenses which derive from the redemption of the Bonds, (iv) expenses related to any notices which, in accordance with the provisions of this Prospectus, must be given to the holders of Bonds in circulation, and (v) in general, any other expenses borne by the Management Company, deriving from its representation and management of the Fund.

“Extraordinary Expenses”: Means the following expenses: (i) if applicable, all expenses deriving from the preparation and formalization owing to the modification of the Deed of Constitution and the agreements, and from the signature of additional agreements, (ii) the expenses necessary to execute the Mortgage Loans and (iii) in general, all other extraordinary expenses borne by the Fund or by the Management Company on behalf of the Fund.

“GEMI”: Means GE Mortgage Insurance Limited, the company of Mortgage Credit Insurance.

“Iberclear”: Means Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores (*securities registration, clearing and settlement management company*).

“V.A.T.”: Means Value Added Tax.

“Law 19/1992”: Means Law 19/1992, of July 7, on the Scheme of Real Estate Investment Companies and Funds and on Mortgage Securitization Funds.

“Law 37/1992”: Means Law 37/1992, of December 28, on Value Added Tax.

“Law 3/1994”: Means Law 3/1994, of April 14, on Adaptation to Second Banking Directive.

“Law 22/2003” or **“Insolvency Proceeding Act”**: Means Law 22/2003, of July 9, Insolvency.

“Civil Procedure Act”: Means Law 1/2000, of January 7, on Civil Procedure.

“Securities Market Act” or **“Law 24/1988”**: Means Law 24/1988, of July 28, regulating the Securities Market, as amended by Law 37/1998, of November 16, by Law 44/2002, of November 22 and by Royal Decree Law 5/2005, of March 11.

“Early Liquidation”: Means the settlement of the Fund and, thus, the prepayment of the issue of Bonds on a date previous to July 15, 2047, or if this were not a Business Day, the

one following, in the cases and in accordance with the procedure set out in section 4.4.3 of the Registration Document.

“**LTV**”: Means “Loan to Value”, that is to say, the relationship between the balance pending payment and the evaluation of each Mortgage Loan.

“**AIAF Market**”: Means, Fixed Income Market of the Association of Financial asset Intermediaries.

“**Additional Building Block**”: Means the additional building block to the securities note relating to the Bond issue, as prepared in accordance with Annex VIII of (EC) Regulation 809/2004, as approved by the CNMV on September 27, 2007.

“**Rate Setting Time**”: Means the second Business Day as per the calendar of TARGET (*Trans-European Automated Real-time Gross Settlement Express Transfer System*) preceding each Payment Date, at 11:00 a.m. (Madrid time) on said day.

“**Moody’s**”: Means Moody’s Investors Service España S.A.

“**Minimum Level of Reserve Fund**”: Means seven million four hundred thousand euros (€7,400,000) equal to 0.60% of the initial amount of the Series A1, A2, A3, B, C, D and E Bonds

“**Required Level of the Reserve Fund**” or “**Required Level**”: Means the amount which the Reserve Fund must have on each Payment Date. Such amount will be the following: i) during the first three years, a fixed amount equal to 1.20% of the initial amount of the Series A1, A2, A3, B, C, D and E Bonds, and ii) once it reaches 2.40% of the Outstanding Balance of the Series A1, A2, A3, B, C, D and E Bonds, it may decrease quarterly on each payment date, until its amount coincides with the Minimum Level of the Reserve Fund.

“**International Norms on Financial Information**”: Means the International Norms on Financial Information which are applicable to the financial information provided by the Bank in accordance with Regulation EC 1606/2002 and Memorandum 4/2004 of the Bank of Spain.

“**Securities Note**”: Means the securities note relating to the Bond issue, as prepared in accordance with Annex XIII of (EC) Regulation 809/2004, as approved by the CNMV on September 27, 2007.

“**Order of Priority of Payment**”: Means the order of priority for the application of the payment or deduction obligations as regards the application of the Funds Available on each Payment Date.

“**Order of Priority of Liquidation Payments**”: Means the order of priority of the payment or deduction obligations of the Fund as regards the application of the Available Settlement Funds on the Date of Liquidation.

“**Order ECO/805/2003**”: Means Order ECO/805/2003 of March 27, of the Ministry of Economy on norms of evaluation of real estate and certain rights for financial purposes.

“**Order EHA/3537/2005**”: Means Order EHA/3537/2005, whereby article 27.4 of Law 24/1988, of July 28, on the Stock Market, was developed.

“**Order ECO/805/2003**”: Means Order ECO/805/2003 of March 27, of the Ministry of Economy on norms of evaluation of real estate and certain rights for financial purposes.

“Ordinary Part”: Means the Nominal Interest Rate applicable to the Series F Bonds on each Interest Accrual Period (being equal to the addition of (i) the Reference Interest Rate, common for all the Series Bonds, plus (ii) a margin of 4.00%), calculated according to section 4.8 of the Securities Note.

“Extraordinary Part”: Means, on each Payment Date on which the Fund has sufficient Available Funds, the extraordinary interest accrued by the Series F Bonds, of a variable amount equal to the excess of liquidity existing once the concepts that hold a prominent position in the Order of Priority of Payments have been paid.

“Grace Period of the Fund's Redemption”: Means the initial period of the term of a loan in which the obligor only pays the interest, and does not redeem any amount of the principal. After this period, the obligor will pay installments comprised of the principal and the interest up to the final redemption of the loan.

“Subscription Period”: Means the period of five hours, between 12:00 and 17:00 Madrid time on the Business Day following execution of the Deed of Constitution, during which subscription applications shall be formulated at the offices of the Lead Managers.

“Interest Accrual Periods”: Means each one of the periods into which the Bond issue is divided, comprising the days actually transpired between each Payment Date, including in each Interest Accrual Period the initial Payment Date of the relevant period and excluding the final Payment Date of the relevant period. The first Interest Accrual Periods will have a duration equal to the period between the Disbursement Date (October 4, 2007) and the first Payment Date (January 15, 2008)

“Determination Periods”: Means each one of the periods between two consecutive Determination Dates, including in each Determination Period the initial Determination Date of the relevant period and excluding the final one of the relevant period. The term of the first Determination Period will be between the Constitution Date and the Determination Date prior to the first Payment Date.

“Loans”: Means the Mortgage Loans granted by the Bank to and individual domiciled in Spain, for the purpose of financing the acquisition of property.

“Loans with periods of Grace”: This means loans where the obligor only pays the interest, and none of the capital. After this period, the obligor will pay quotas comprising capital and interest until the loan is finally repaid.

“Nonperforming Loans”: Means those Loans whose debt the Bank considers will not be recovered or those Loans which have installments pending for periods greater than 18 months.

“Defaulting Mortgage Loans”: This means Mortgage Loans that on a certain date are over 90 days in arrears of payment of the matured quotas, excluding Charge off Loans.

“Mortgage Loans”: Means mortgage-backed Loans.

“Royal Decree 1643/1990”: Means Royal Decree 1643/1990, December 20, approving the Accounting General Plan.

“Royal Decree 926/1998”: Means Royal Decree 926/1998, of May 14, whereby Asset Securitisation Funds and the Management Companies of Securitisation Funds are regulated.

“**Royal Decree 1777/2004**”: Means Royal Decree 1777/2004, of July 30, approving the Corporate Income Tax Regulations.

“**Royal Decree 1310/2005**”: Means Royal Decree 1310/2005, of November 4 , whereby Law 24/1988, of July 28, on the Stock Market, was partially developed as regards admission to negotiation of securities on official secondary markets, public offers of sale or subscription and the prospectus required for these purposes.

“**Royal Legislative Decree 4/2004**”: Means Royal Legislative Decree 4/2004, of March 5, approving the Corporate Income Tax Act, as amended.

“**Royal Legislative Decree 1/1993**”: Means Royal Legislative Decree 1/1993, of September 24, approving the Transfer Tax/Stamp Duty Act, as amended.

“**(EC) Regulation 809/2004**”: Means Commission Regulation (EC) No. 809/2004, of April 29, 2004, implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, Constitution by reference and publication of such prospectuses and dissemination of advertisements.

“**Internal Rules of Conduct**”: Means the internal Rules of Conduct of the Management Company in application of the stipulations in Chapter II of Royal Decree 629/1993, of May 3, on the rules of acting on the stock markets and obligatory registries, which the CNMV has been notified of.

“**Balance of Principal Pending Payment on the Bonds**”: Means the total outstanding balances on the Bonds of all Series (i.e. the principal amount of the Bonds pending redemption).

“**Outstanding Balance of (the) Assets**” or “**Outstanding Balance**”: Means the amounts of principal due and unpaid together with amounts of principal still not due and pending maturity of the Assets, that is to say, including the amounts due and unpaid.

“**Mortgage Credit Insurance**”: Means the insurance for all the life of the operation and for a constant amount, according to the limits established in the insurance policies of AIG and GEMI, which is intended to cover the risk of loss which might occur after the process of execution of a loan due to the failure of the borrower to pay.

“**Damage Insurance**” Means the damage insurance formalized with regard to any the mortgaged Assets as guarantee of the Mortgage Loans according to the Order ECO/805/2003 of March 27, of the Ministry of Economy on norms of evaluation of real estate and certain rights for financial purposes.

“**Series**”: Means each one of the eighth (8th) series into which the total amount of the Bond issue is broken down.

“**Series A1**”: Means the Series having a total par value of one hundred and eighty-four million, three hundred thousand euros (€184,300,000), represented by one thousand, eight hundred and forty-three (1,843) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000);

“**Series A2**”: Means the Series having a total par value of six hundred and sixty-one million, nine hundred thousand euros (€661,900,000), represented by six thousand, six hundred and nineteen (6,619) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000);

“**Series A3**”: Means the Series having a total par value of two hundred and seventy-eight million euros (€278,000,000), represented by two thousand seven hundred and eighty (2,780) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000);

“**Series B**”: Means the Series having a total par value of twenty million, nine hundred thousand euros (€20,900,000), represented by two hundred and nine (209) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000);

“**Series C**”: Means the Series having a total face amount of thirty million, seven hundred thousand euros (€30,700,000), represented by three hundred and seven (307) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000);

“**Series D**”: Means the Series having a total face amount of twenty-seven million, one hundred thousand euros (€27,100,000), represented by two hundred and seventy-one (271) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000);

“**Series E**”: Means the Series having a total face amount of twenty-seven million, one hundred thousand euros (€27,100,000), represented by two hundred and seventy-one (271) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000); and

“**Series F**”: Means the Series having a par face amount of fourteen million, eight hundred thousand euros (€14,800,000), represented by one hundred and forty-eight (123) Bonds, each having a par value of ONE HUNDRED THOUSAND EUROS (€100,000).

“**Management Company**”: Means Santander de Titulización, S.G.F.T., S.A.

“**Substitute**”: Means any institution which occupied the contractual position of Party B under the Swap Agreement or entering into a new swap agreement with Party A, on terms substantially identical with the Swap Agreement (which shall be confirmed by Party A, on a best efforts basis), and provided that (A) a law firm provides a legal opinion confirming that none of the payments made by that institution to Party A results in any requirement for deduction or withholding for or on account of any tax; or (B) if such deduction or withholding exists, the payment made by such entity will be increased by the amount necessary so that the net payment received by Party A will be equal to the amount that Party A would have received had such deduction or withholding not been made. That institution shall thereafter, to all intents and purposes, be considered Party B under the Swap Agreement or in the new swap agreement to be entered into.

“**Standard & Poor’s**”: Means Standard & Poor’s España, S.A.

“**CAPR**”: Means Constant Annual Prepayment Rate.

“**Nominal Interest Rate**”: Means the interest rate applicable on each Series Bond on each Payment date which results from adding together: (i) the Reference Interest Rate of EURIBOR at three (3) months or, as the case may be, its substitute (as described under section e) below and (ii) the relevant margin for each Series.

“**Reference Interest Rate**”: Means the interest rate which is used to determine the Nominal Interest Rate.

“**IRR**”: Means Internal Rate of Return for the holders of each Bond Series.

“**Subsidized Housing**”: Means, housing whose characteristics, dimension and price are regulated by the Government, which establishes certain conditions for purchaser to take

advantage of certain financial as well as tax benefits, who, in turn, must fulfill certain requirements in respect of the ownership of such housing and family income.