Sale of Antonveneta

Madrid, November 8th. 2007

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Description of the deal

Strategic rationale

Financial rationale

Final remarks

- **We have agreed to sell Antonveneta to MPS for EUR 9 bn**

- **Businesses being sold excludes Interbanca**

- **In net terms we have bought BU LatAm (mainly comprised by B. Real in Brazil) (*), Interbanca and our share of the shared assets for EUR 10.9 bn**

As a result of this transaction we cancel the planned rights issue

(*) BU LatAM excluding wholesale business outside Brazil

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When we presented the ABN Amro transaction, we outlined the strategic rationale for acquiring this business:

Italy: An attractive franchise in a market where SAN can add a lot of value

- **Italy is a very attractive market**
  - Attractive returns
  - Underdeveloped in some areas (mortgages, consumer lending)
  - Potential to improve operational efficiency
- **Antonveneta is an attractive franchise**
  - Seventh largest bank in Italy; sixth largest in the North by branch network*
  - Strong customer franchise; critical mass in core regions
  - A great platform from which to grow
- **We can add significant value to Antonveneta**
  - Apply our expertise in areas such as mortgages or retail mutual funds
  - Implement our IT system (Partenon)
  - Leverage our global businesses (cards, insurance…)

(*) After recently announced M&A transactions

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Why we are selling ATV…

1. **Italy is an atractive market that we like…**
2. **…but ATV's market position was a relatively small one (subscale)**
   - It would have required continuous long term investment (organic at first, possibly also inorganic over the medium term) to build a relevant nationwide presence
3. **This means that other banks, with an existing presence in the Italian market, can create more value than us managing Antonveneta**
4. **…and we have got a price that provides upfront our value creation expectations**
5. **While we can focus our management in fewer and larger organic projects**

This deal should be valued on its standalone merits.

We have no immediate acquisition plans.

Over the medium term, we will continue to assess inorganic growth opportunities based on our double discipline:

- **Strategic fit**
- **Financial fit**

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Financial terms:

- Price received for ATV is EUR 9bn excluding Interbanca
- This implies a price per branch of EUR 9m
- We cancel our EUR 3 bn rights issue

“Antonveneta is worth more to an existing player” (in-market synergies) and we get paid our expected value creation upfront

Capital impact: after the deal, our core Tier 1 ratio is around our long term target

December 07 (est.)	Proforma- global consolidation: Starting point (includes rights issue)	Proforma- global consolidation: Sale of Antonveneta (but no rights issue)
Core Tier 1	**5.3%**	**6.0-6.2%**
Tier 1	**7.0%**	**7.5 - 7.8%**
Total capital	**11.8%**	**12.3-12.5%**

The EPS impact would be slightly lower than the one announced at the time of the ABN Amro deal….

	2008	2009	2010
EPS impact (announced at the time of the ABN Amro deal)	+1%	+4%	+5%
New EPS impact	+1%	+3%	+4%

Note: assumes no rights issue

…but with lower leverage in the group

…but the ROI of the ABN Amro deal would improve from 13% in 2010… to 19%

	Starting point	New scenario
Total price	**19,9**	**19,9**
less- price of shared businesses	- 1,0	- 1,0
less- price of businesses sold	- 0,2	- 9,2
Adjusted price (acquired businesses)	**18,7**	**9,7**
2010 earnings- acquired businesses	**2,4**	**1,8**
2010 ROI	**13%**	**19%**

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Strategic rationale:

- Antonveneta would have required continous investment to create a business of the size we require (it is subscale for us)
- No in-market synergies
- Therefore, the turnaround would have higher execution risk
- …at a time where the main focus is Brazil where the potential is very large

Financial rationale:

- Expected value creation paid at front
- Antonveneta “worth more” to an incumbent (in-market synergies) than to us
- Higher capital ratios, less leverage
- The ROI of the ABN Amro deal improves from 13% to 19%

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