

CAPITAL INCREASE

Presentation to Syndicate Analysts

Madrid, May 23, 2000



Banco

Santander Central Hispano

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BSCH intends to register for sale in the United States a portion of the offering of the securities.”

AGENDA

- 1. Offering Structure**
- 2. The Challenges of the New Banking Environment**
- 3. Positioning and Strategy**
 - A. Spain**
 - B. Europe**
 - C. Latin America**
 - D. E-business**
- 4. Use of Proceeds and Impact of the Capital Increase**
- 5. Investment Highlights**

1

Offering Structure

Key elements of the offer

- **Type of offering: Capital increase**
- **Size of offering:**
 - **300 million shares + Green Shoe of 45 million shares**
- **Preliminary size of tranches:**
 - **Retail (incl. Portugal, Italy) 75%**
 - **Spanish institutional 6%**
 - **International 19%**
- **Price: [2%] discount for the retail tranche**
- **Filing: CNMV + SEC**
- **Global Coordinators: Santander Central Hispano Investment + Merrill Lynch**

Preliminary timetable

May 16	Shareholders' Meeting Announcement
May 23	Syndicate Analysts Confidential Presentation (Madrid)
June 1	Shareholders' Meeting
June 8	Draft research submitted for review
June 12	Black-out period commences
June 12-23	Pre - marketing
June 26 - July 7	Roadshows and bookbuilding
July 10	Pricing
July 12	Expected first day of trading

Capital increase objectives

Reinforce Group's own resources and improve its capital structure



■ Capacity to undertake Group's expansion through selective projects ...

... in an ideal moment, because it reinforces the Group's position as an active "player" in high potential geographic markets and in the new economy activities

2

The Challenges of the New Banking Environment

Three basic aspects of the European Banking Sector are transforming the banking model ...

Converging European Retail Markets

- One currency
- Converging regulations/ taxation
- More transparency, increased competition
- Similar customer needs across Europe
- Market of 260 million customers

Banking Industry becoming more and more investment intensive

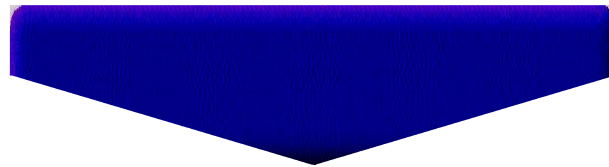
- On-line channels
- Product R&D
- Branding
- Data-base marketing
- Improved quality of service
- Offer new management tools

Increasing Competition within the Industry

- Factories
- Retailers
- Aggregators
- Insurance companies
- Cross border players

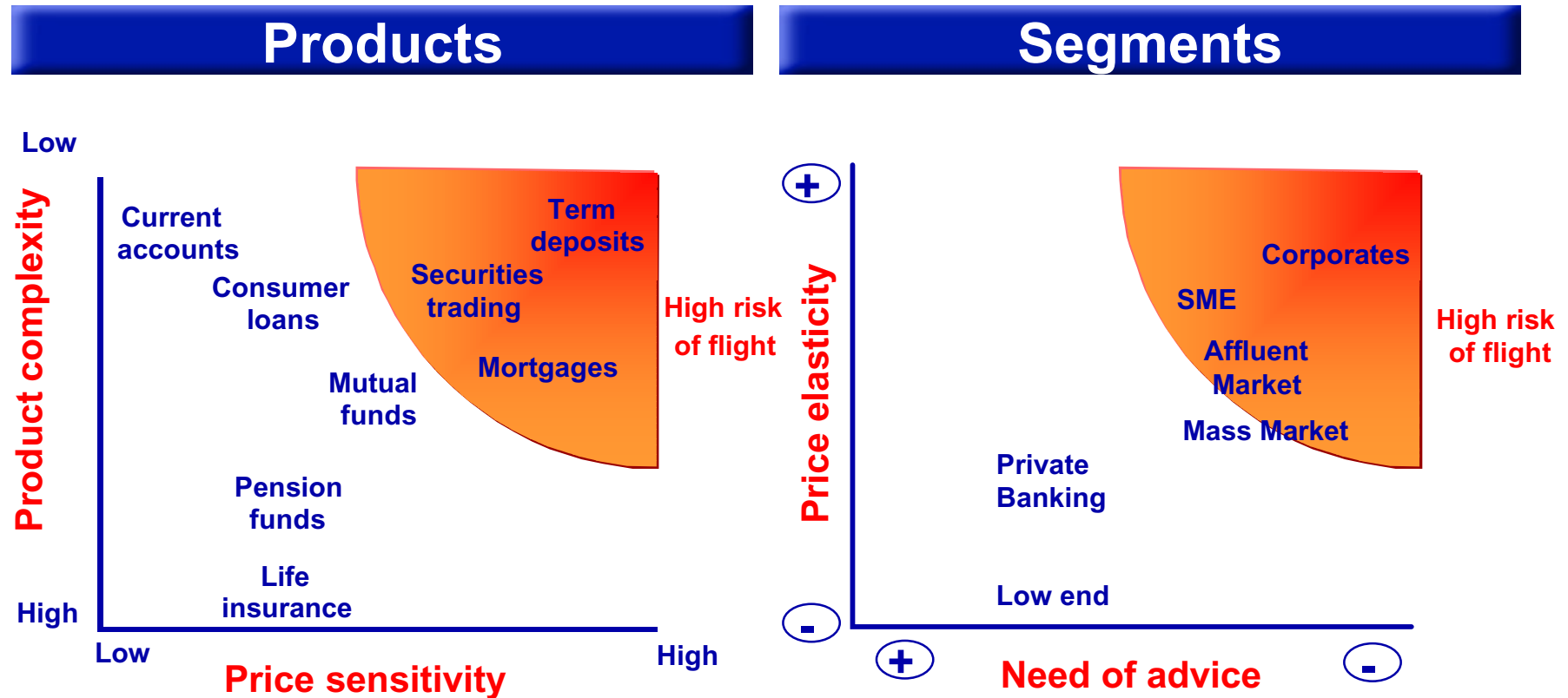
... accelerated by the Internet, which ...

- Reduces market entry and exit barriers
- Increases disintermediation
- Offers new management tools



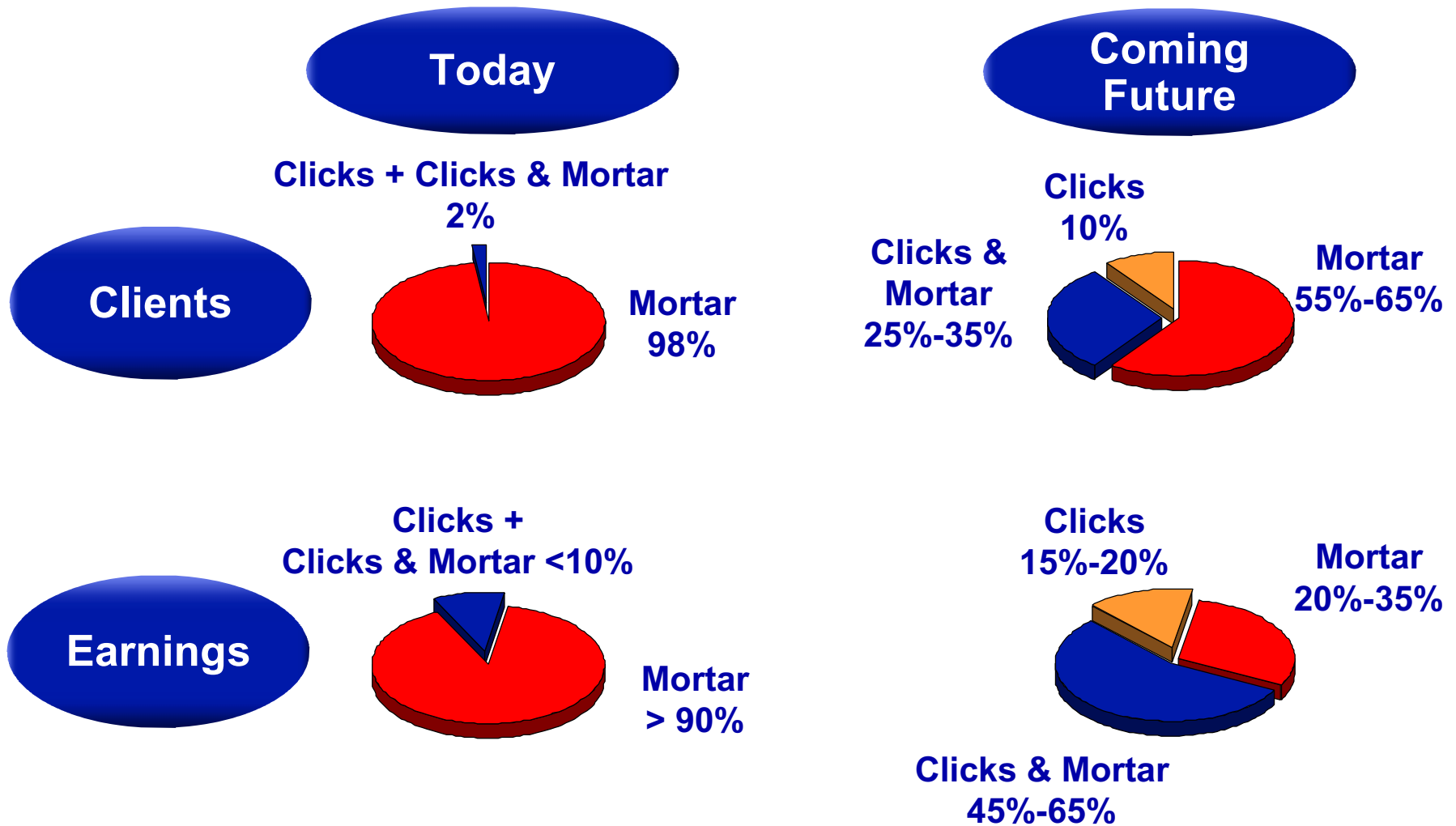
- Changes in demand
- Changes in supply
- A new distribution model

The Internet impact is focused on certain products and client segments ...



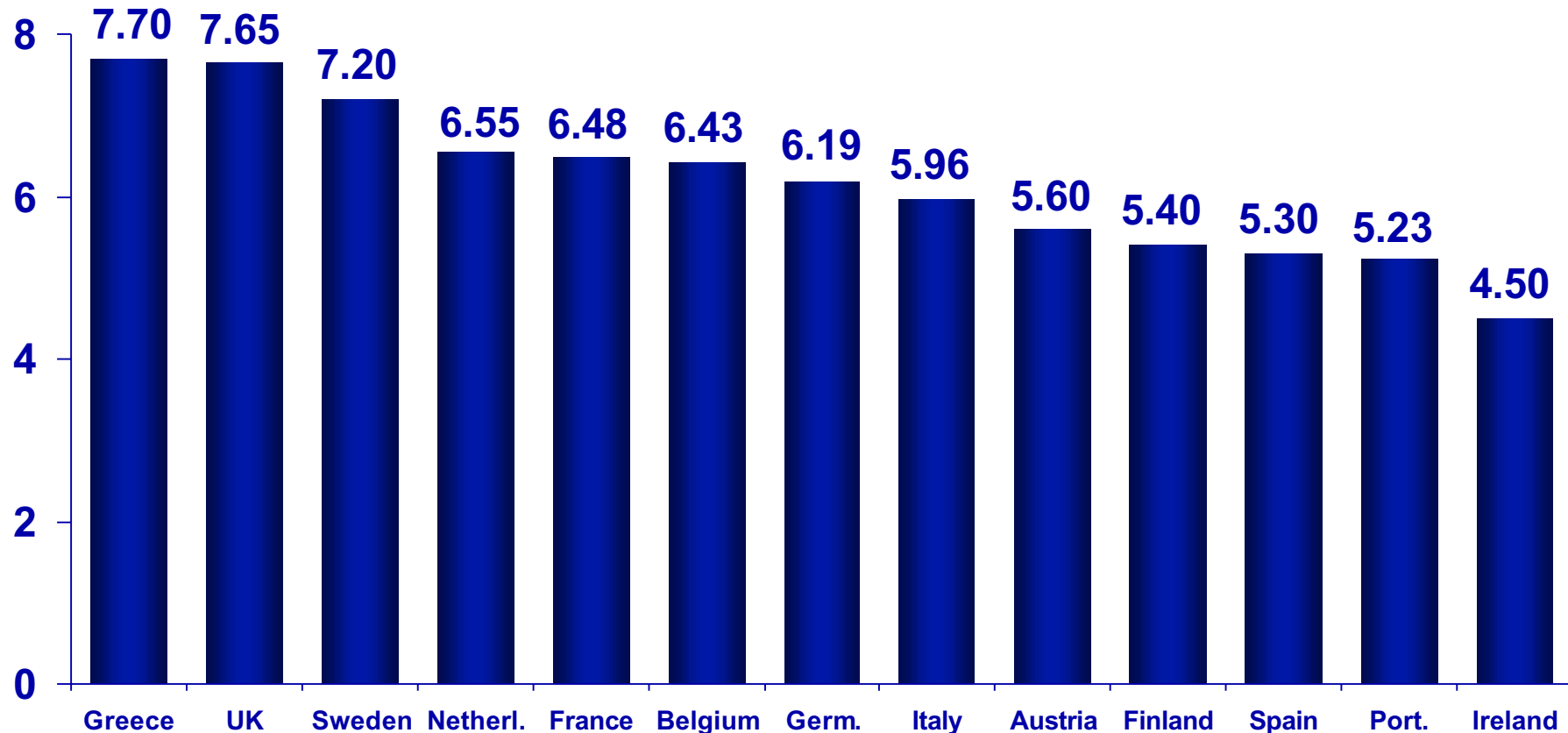
... that are considered today to be among the most profitable

The weight of the Traditional Channel will decrease although it will remain predominant



Margin pressure will follow but less downside in Spain

Mortgage loans rate (%)



Source: ECB March 2000, mortgage loans rate

* Prices are not fully comparable due to legal and tax issues

Goal: To become the lowest cost producer and provide customers with the best service

Focus on multi-channel strategy

+

Differentiated pricing:

Transfer cost savings to customers

+

Maintain the best service to customers

=

Bank of the future

Top customer service at best prices

How to achieve it?

Key elements

- Management focus on core competencies
- Become customer oriented
- Restructuring and re-engineering of processes
- Economies of scale
- Converting faster than competitors
- IT superiority
- TMT alliances



BSCH focus

- Domestic and international retail banking
- First banking relationship becomes paramount
- Lowest transformation costs in the industry
- Lowest unit costs
- Market share gain
- Instrumental for restructuring and customer orientation
- Reach new business opportunities



3

Positioning and Strategy

Banco Santander Central Hispano's vision

We want to become the leader in Europe and in Latin America with a clear focus on high growth and profitability

A global financial leader

The largest Spanish group...

... one of the largest in Euroland

	<u>SPAIN</u>	<u>EUROLAND</u>
■ Capitalization	1 st	2 nd
■ Shareholders' equity	1 st	3 rd
■ Assets	1 st	8 th
■ Loans	1 st	8 th
■ Deposits	1 st	6 th
■ Net attributable income	1 st	6 th

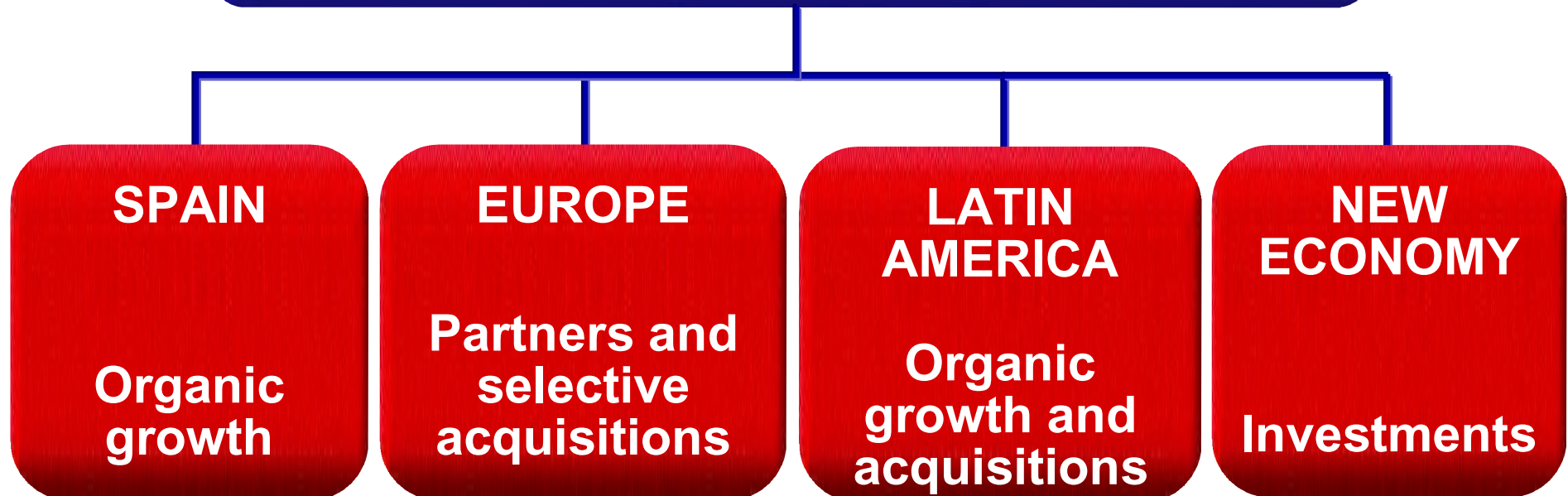
... and the leading Latin American franchise

Fulfilling, and even surpassing our targets

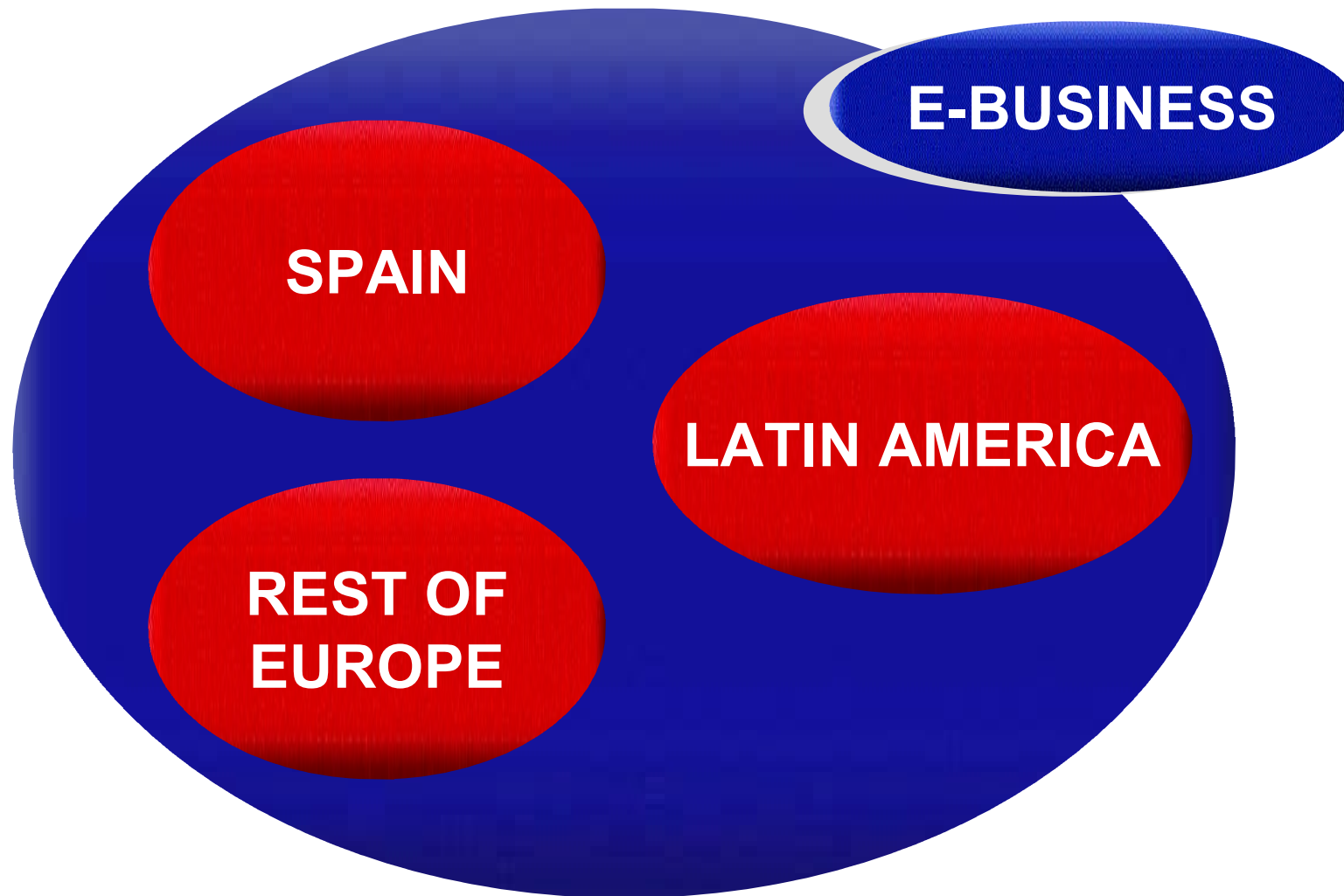
PROGRAM ONE	Target year 2000	March 2000	Year 1999
ROE	19/20%	22.75%	18.51%
Operating income growth	> 10%	23.1%	18.0%
Net income growth	25%	31.2%	26.0%
Efficiency ratio	57%	53.7%	57.7%
BIS Ratio	12%	11.8%	12.0%
NPL Ratio	1.9%	1.9%	2.0%
NPL Coverage	130%	121%	121%

BSCH goes forward into its consolidation as a financial and service group of the future

The strategy aims at reinforcing the Group's present and future value creation



Focus on four Business Areas



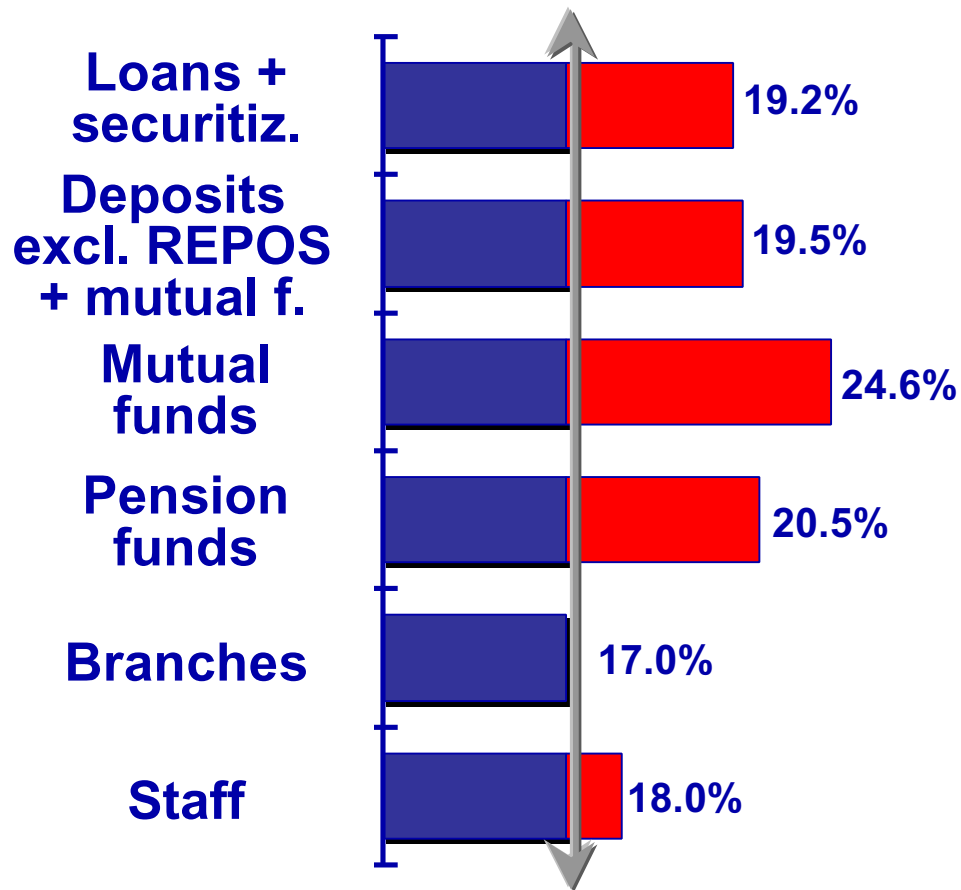
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3A

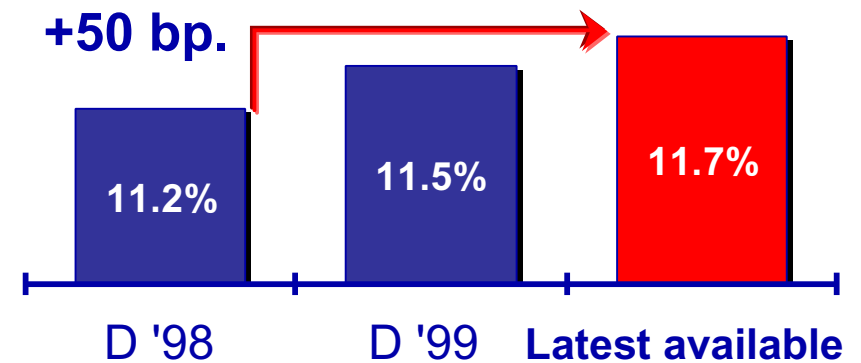
Spain

Multi-brand, a successful strategy in the domestic market with significant improvement in productivity and market share growth...

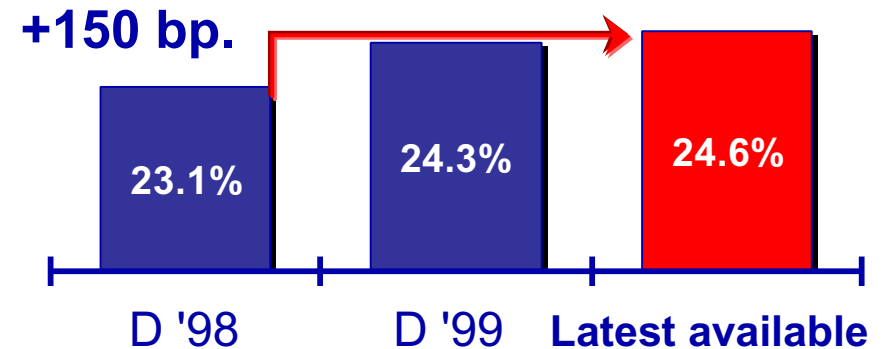
Share of financial sector



Secured loans



Mutual funds



... while optimizing resources in Spain

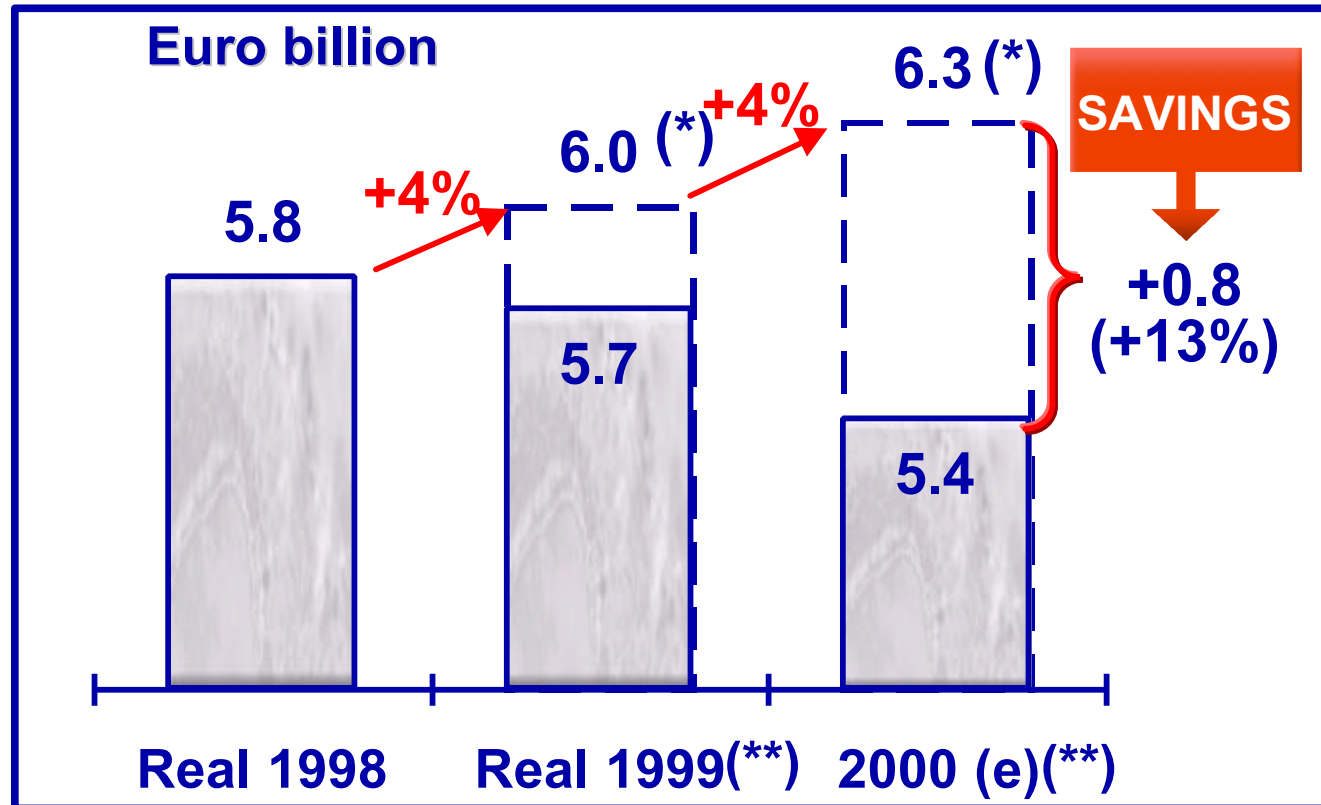
Staff:

- In 1999: 4,400 employee reduction
- In 2000: 2,500 lay-offs expected (early retirements)

Branch network (-900 in 2 years; -15%) :

- Very positive experience of closures in 1999:
 - High level of satisfaction among transferred customers
 - Loss of business: only 1.6% of the closed branches' business
- In 2000 :
 - Closure plan: 450 branches
 - Unified systems platform implementation in July 2000 (in just 6 out of the 10 months expected)

Improving cost reduction vs. merger announcement estimates

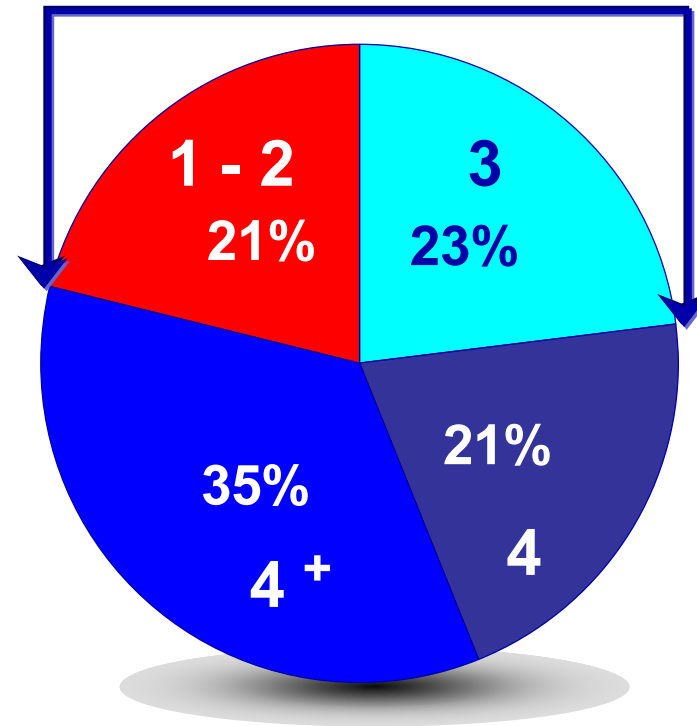
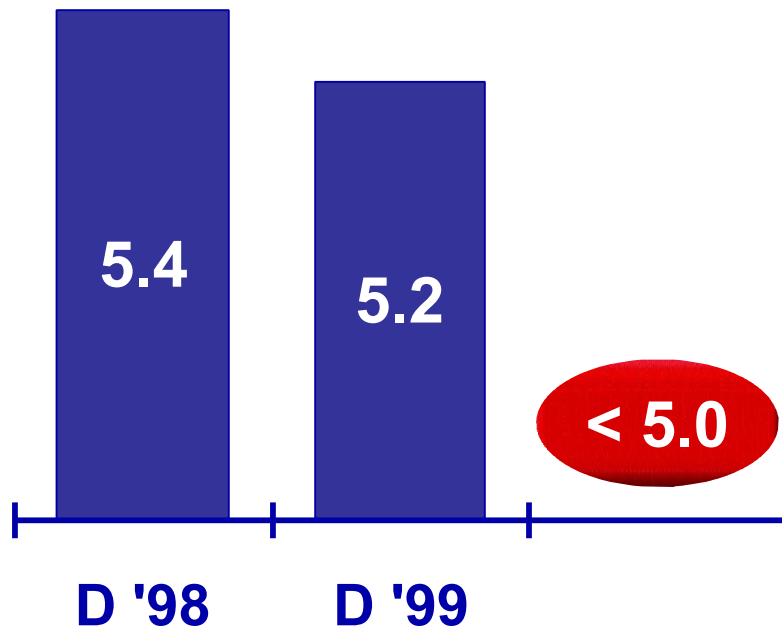


- (*) Assuming that 1999 and 2000 expenses grow at the same rate as inflation (Spain and Latin American countries considered proportionally) growth would be 4% per year
- (**) Cost on like-for-like basis: Not including new acquisitions and changes in consolidation criteria

We not only close branches, we also streamline and add flexibility to the network

Fewer employees per branch than the sector = 6

44% of branches have ≤ 3 employees



Aggressively re-engineering the “Old Bank”: How is BSCH going to transform itself?

■ Where to go?

Different price for different channels for different customers

■ How to get there?

1. Transformation of the branch network focusing on

- reduction of branches and personnel
- customer relationships
- customer focus - advisory function
- migration of functions and transactions

2. Migration of customers to the appropriate channel

3. Transfer cost savings to customers

Project Fénix: establishing two separate spaces at multichannel branches

SALES AND ADVICE



- Sales managers
- Computer marketing tool
- “Data mining”
- CRM/e-CRM (Customer Relationship Management)

QUICK SELF-SERVICE: direct channels



ATM

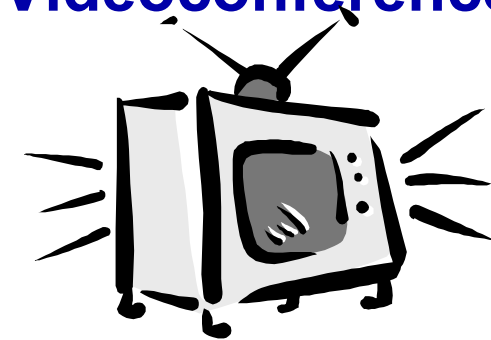


Telephone banking

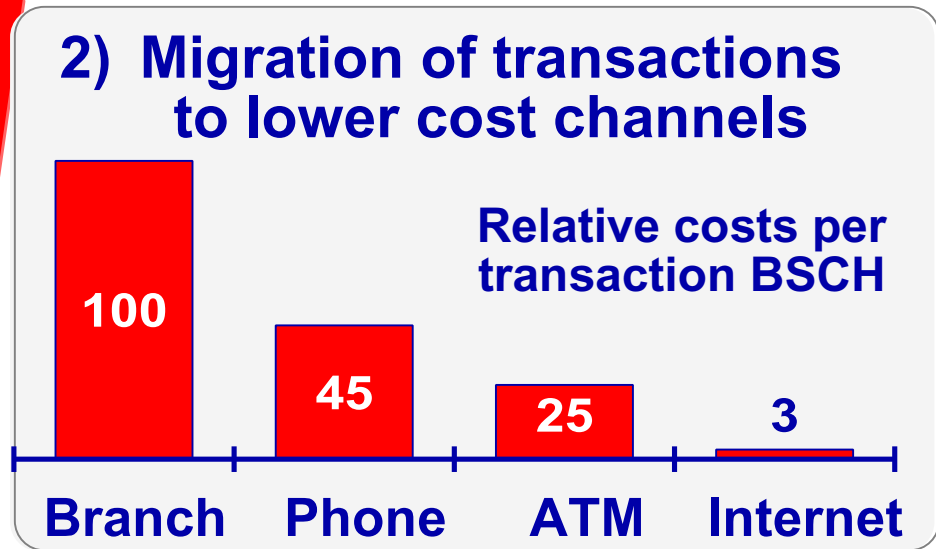
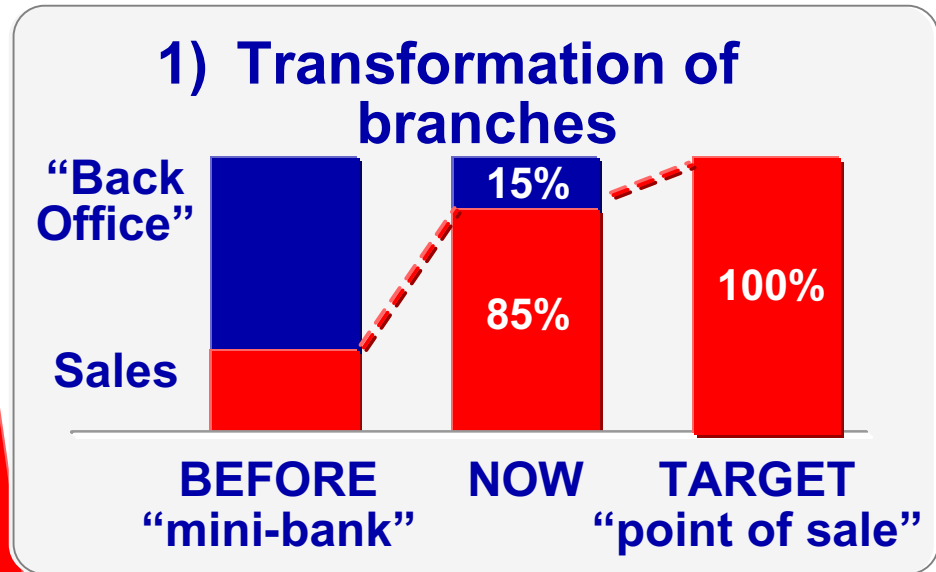
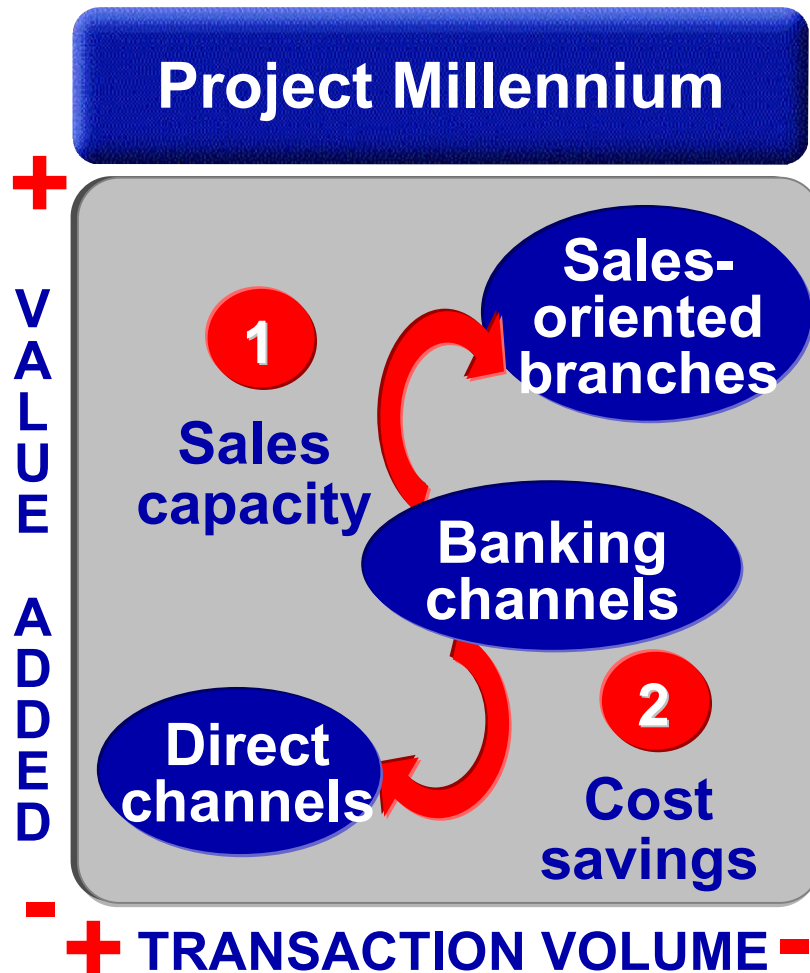


Internet

Videoconference



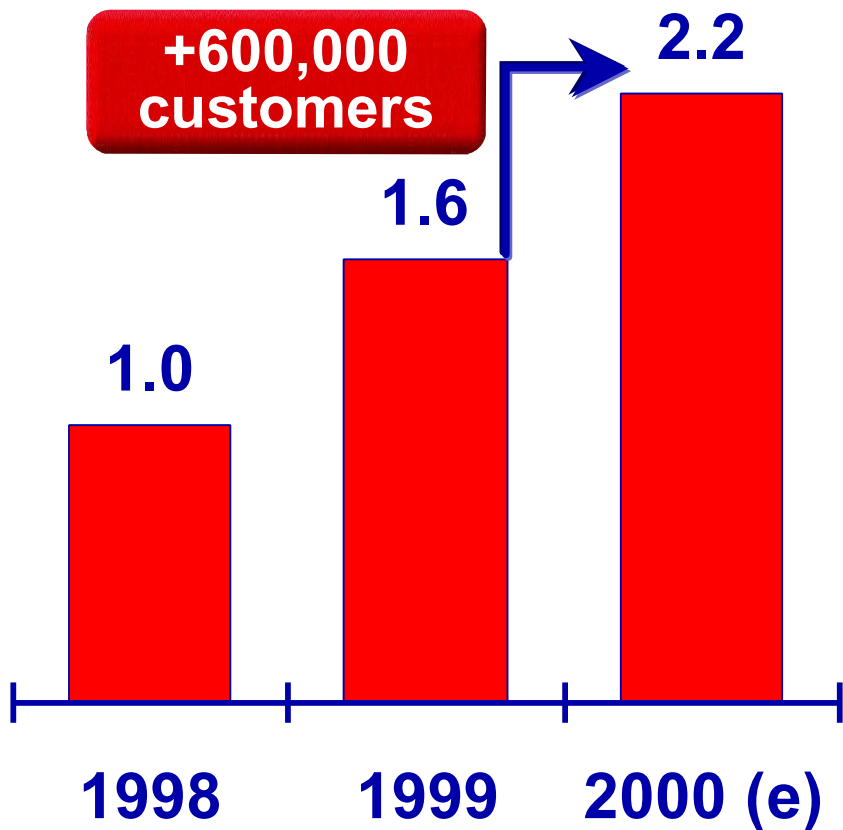
We are increasing sales capacity, saving costs ...



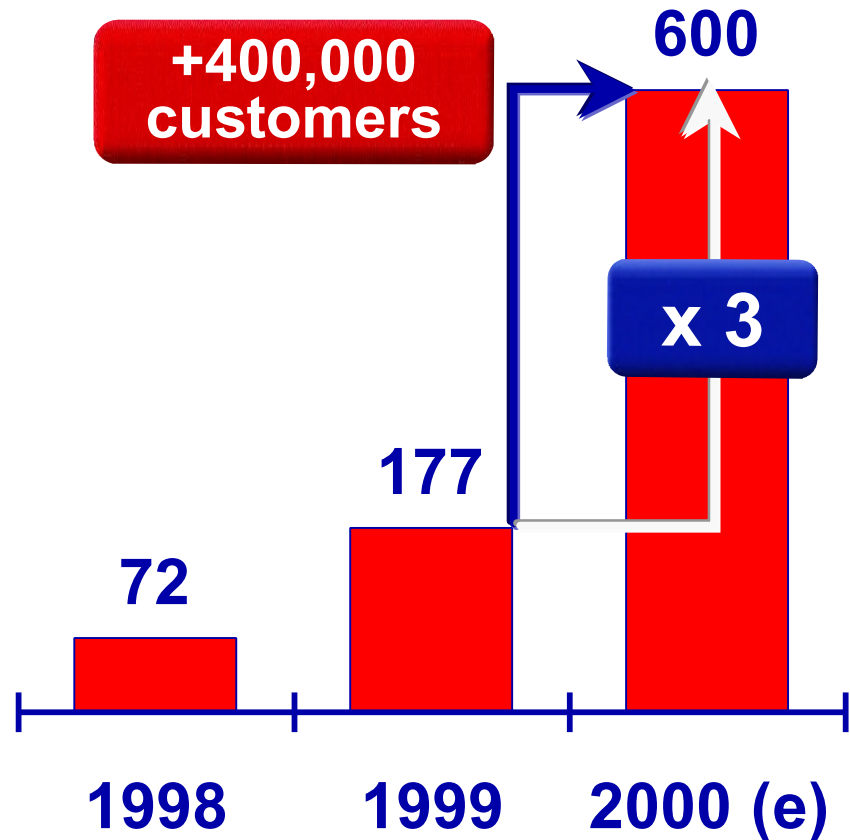
Note: On a 100 basis

High migration of customers towards low-cost channels in Spain

**Telephone banking
(Millions of customers)**



**Internet banking
(Thousands of customers)**



ATMs / Passbook updaters: "Self service project"

Objective

Migrate 134 million basic teller operations per year: frees up work equivalent to 2,350 people to focus on sales

	1998 level of "self service"	Target 2000	
■ Cash withdrawals	74.4%	85%	Reduce teller operations by 45%
■ Consult balances and transactions	45.6%	85%	
■ Update passbooks	6.3%	36%	Increased number of passbook updaters: from 275 as of Dec.'98 to 907 as of Mar.'00
■ Credits, bills, transfers	0.1%	8-18%	

Increase in cross-selling

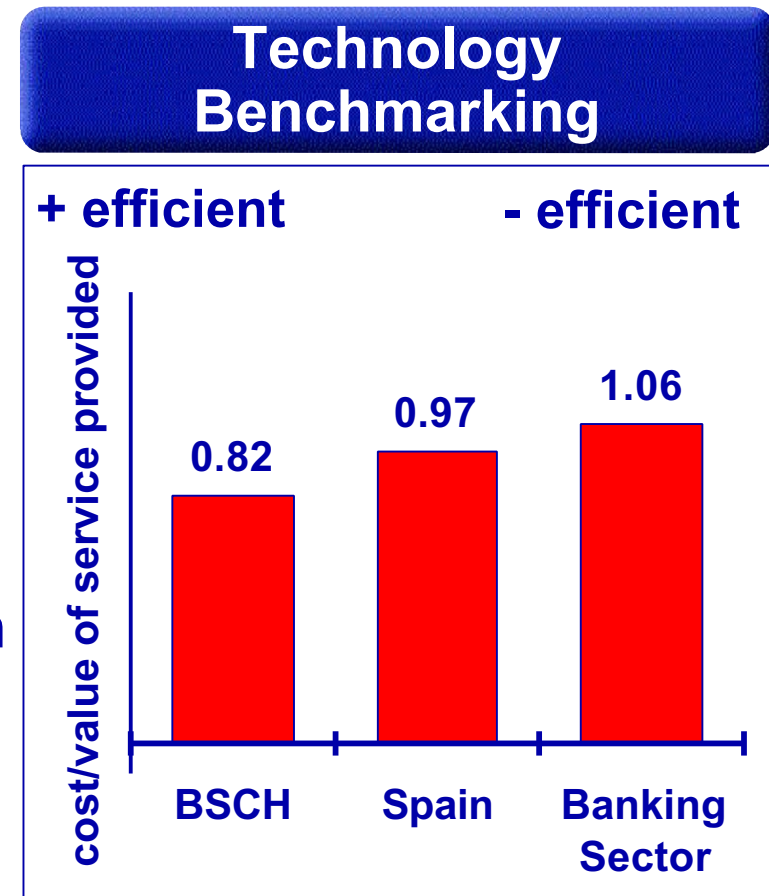
Towards 8 products per customer

Already reaching target in certain segments

- **Internet customers** **8**
- **Mortgage customers** **7**
- **High net worth customers** **6**

High Speed of Transformation relative to competitors

- Commitment from top management
- Best technology support
 - IT systems age: 3-4 years
 - Multi-channel and multi-entity platform
 - Designed for unlimited growth capacity (e.g.: Internet)
 - Proven security
 - Cost efficient



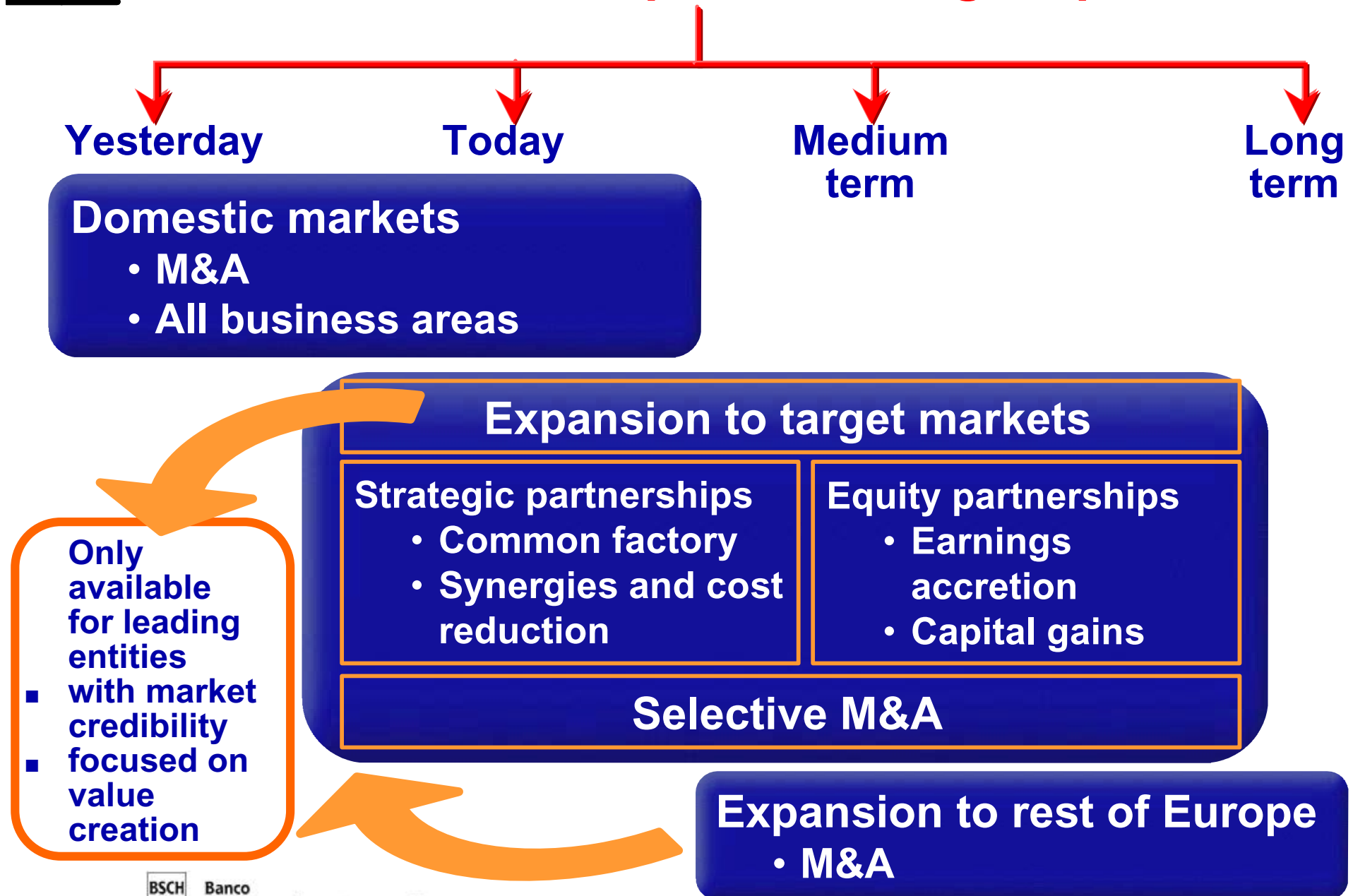
Source: Gartner Group

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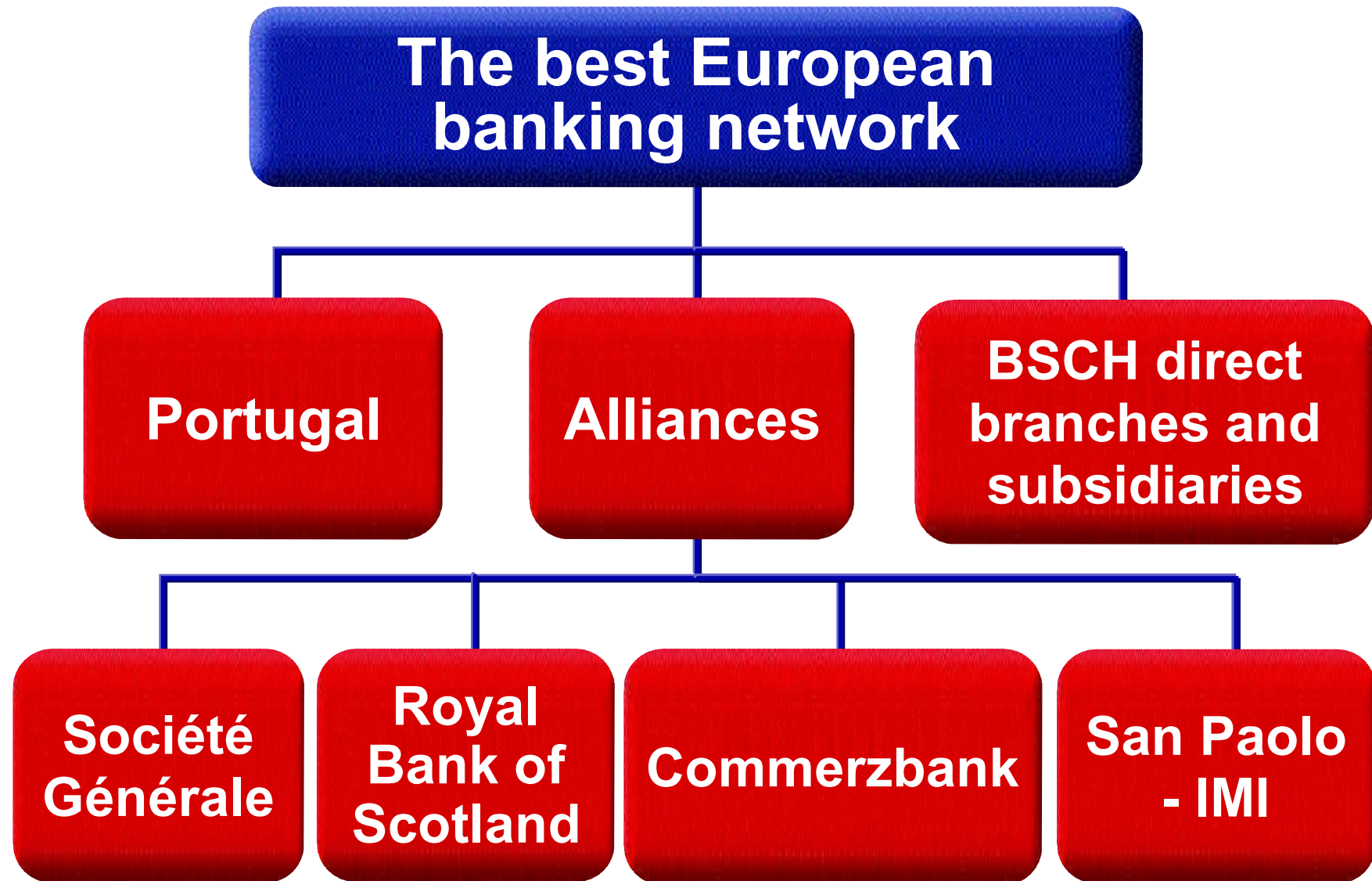
3B

Europe

Towards a new European banking map



A winning platform in Europe



Acquisition of Totta and CPP banks

- **Critical mass: 11% market share in Portugal**
- **Strong brand recognition**
- **3-year targets:**

Earnings x 2

ROE: 20%

Efficiency: <50%

Common factory: Synergies & cost reductions

- **Create a European platform to reduce substantially unit costs through economies of scale in certain business segments**

- **Asset Management**
- **Insurance**
- **Investment Banking**
- **Cash Management**

“By merging business units in specific product segments, estimated synergies could reach 10% of the business unit cost”⁽¹⁾

(1) Merrill Lynch research

Strong and profitable equity partnerships... % stake

Bank	Dec '98	Mar '00	Domestic Ranking
■ SG	1.20%	6.01%	3 rd
■ RBS	9.58%	9.20% (*)	2 nd
■ Commerzbank	2.97%	4.89%	4 th
■ San Paolo - IMI	5.19%	7.19%	2 nd

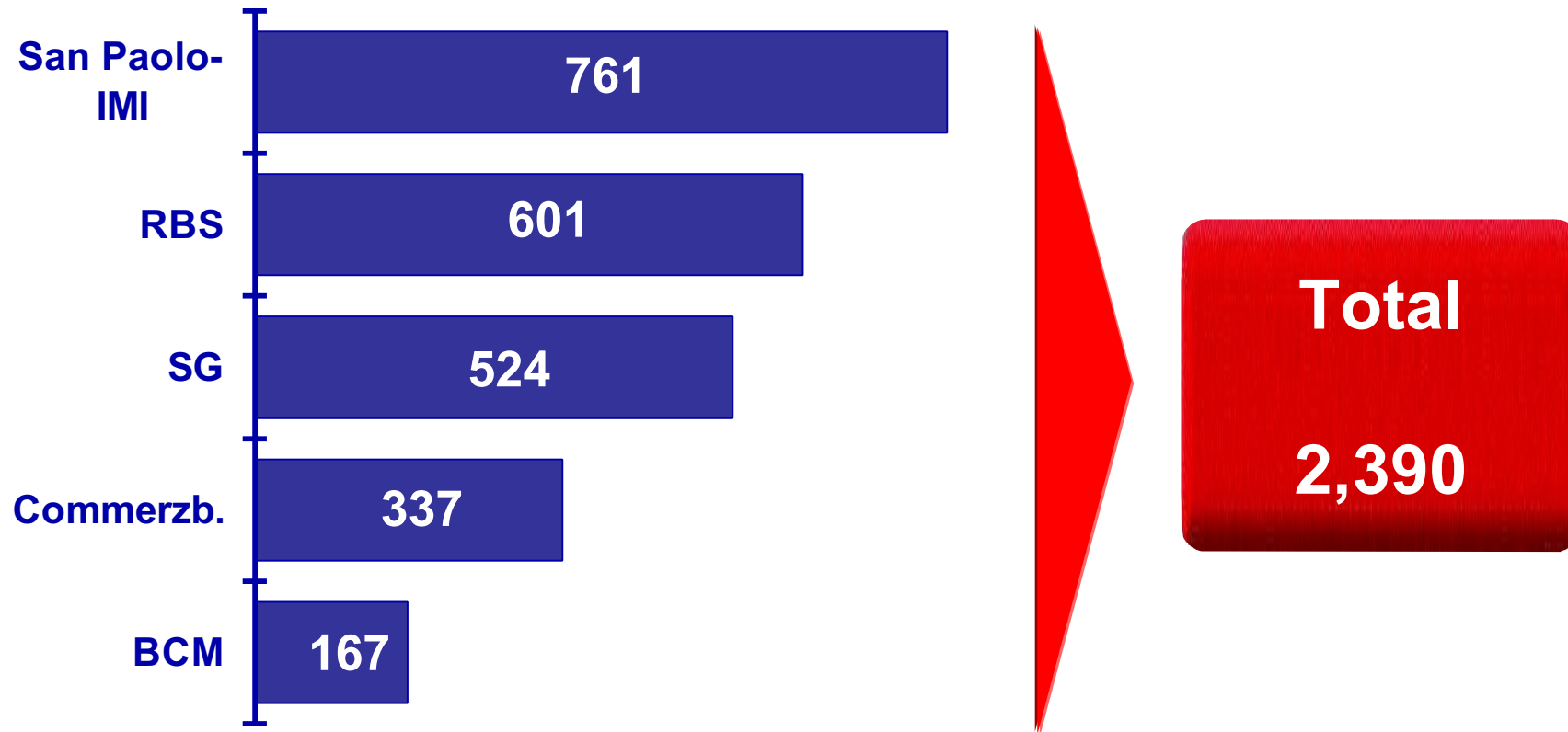
(*) Of the new Royal Bank of Scotland

Relevant acquisition in 2000: RBS

4% earnings accretion by 2000

... with large unrealized capital gains...

Euro million



... and a contribution to profits estimated at Euro 570 million in 2000(*)

(*) Based on IBES consensus earnings estimate for 2000
Note: Prices as of May 2000

Dual strategy to expand into the main European Markets

- **Via strategic partnerships on a case by case basis**
- **Through Patagon.com standalone as part of its global strategy**



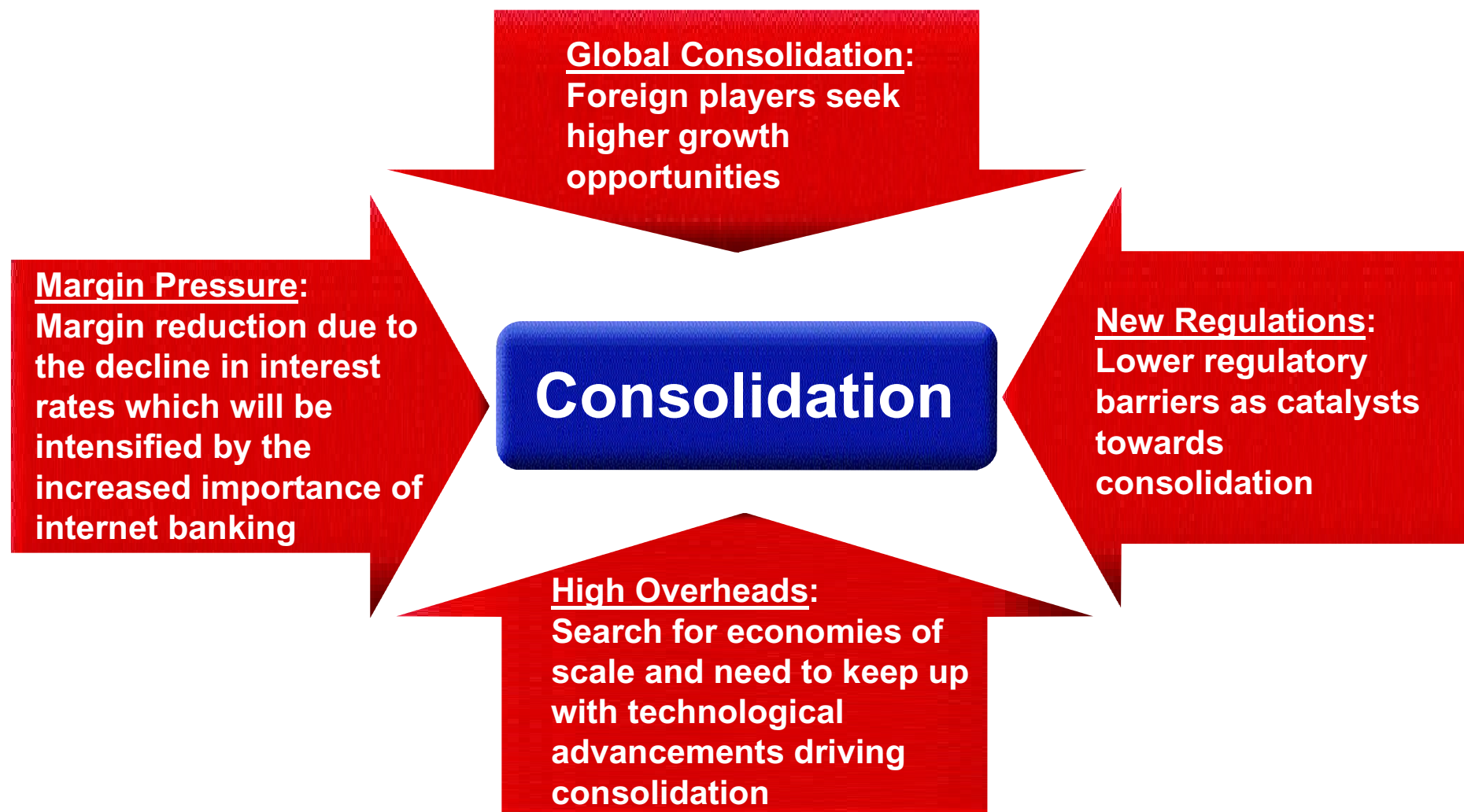
The fall of entry barriers due to Internet allows aggressive and well managed banks to penetrate the markets that were previously closed

—

3C

Latin America

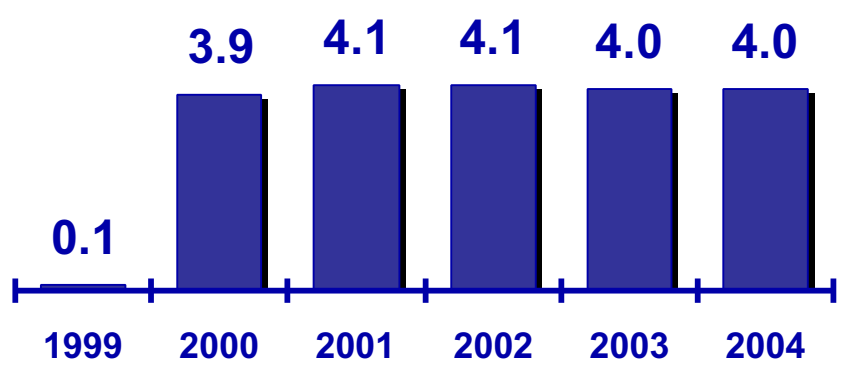
Latin American banking trends driving towards consolidation...



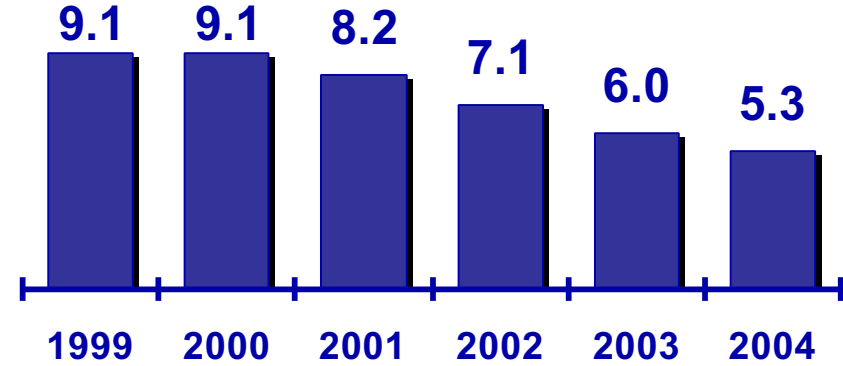
... and BSCH is establishing itself as a leader

Positive Latin American prospects: High growth expectations, decreasing inflation and increasing banking penetration

GDP Growth (%)⁽¹⁾



Consumer Prices (% change)⁽²⁾



The relatively low financial system penetration level in Latin America presents an opportunity for significantly greater growth than the United States and Europe



(1) (2) Source: EIU

BSCH competitive advantages in Latin America

Vs. local banks

- **Restructuring track-record**
- **Economies of scale**
- **Customer segmentation**
- **Better IT**
- **Multi-country product distribution (long-term)**
- **Regional economic in and out flows**

Vs. foreign banks

- **Presence**
- **Language**
- **Cultural affinities**
- **Market is closed to late arrivals**

Building the first Latin American financial services franchise

Project America: 1999 - 2001

TARGETS:

- ROE: 25%
- Efficiency: 45%
- Market share: > 10%
- Risk profile: medium-low

Expected contribution to Group results:
> US\$ 800 million in 2000 (585 million in 1999)

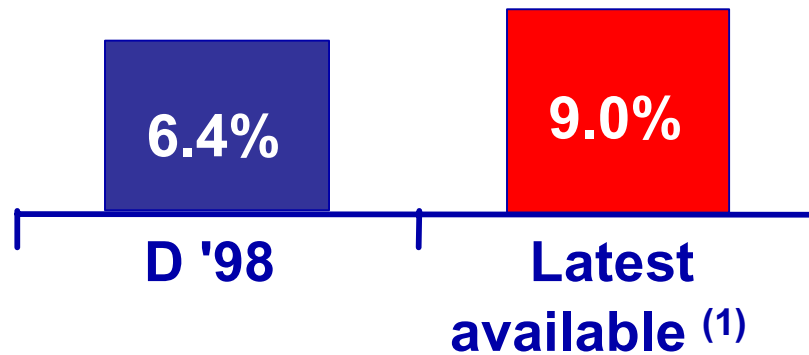
Recent acquisitions reinforce Latin American presence



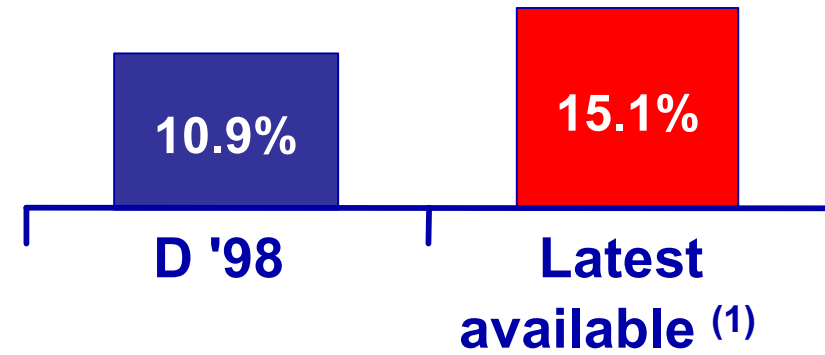
Increasing presence in businesses and countries with high potential

Market share is strongly increasing in all businesses in Latin America (less so in loans)

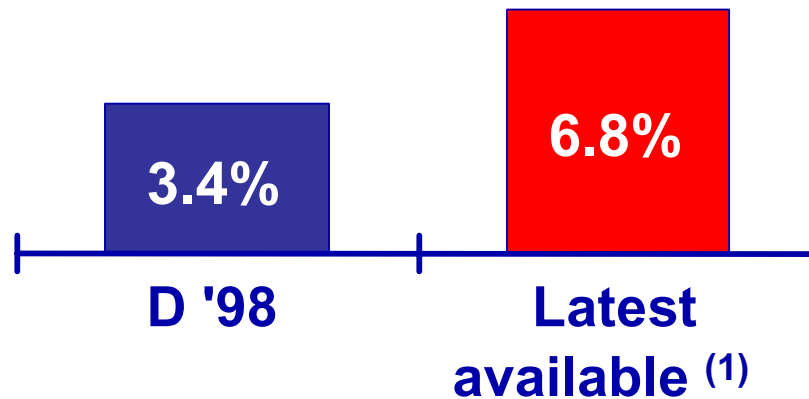
Customer deposits



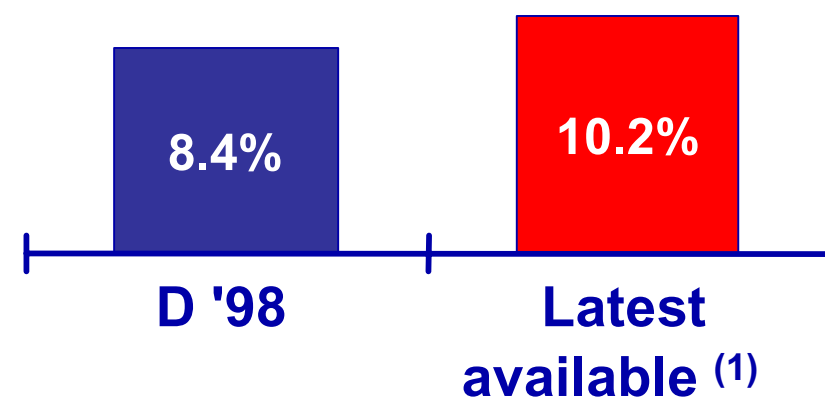
Pension funds



Mutual funds



Loans



(1) Serfin, Meridional and Previnter included

The leading franchise in Latin America

US\$ Billion	Assets	Market share
BSCH	85.4	9.4%
Bradesco	44.6	4.9%
BBVA	40.6	4.5%
Banamex	30.6	3.4%
Bank Boston	30.0	3.3%
Itaú	28.2	3.1%
BBVA + Bancomer	68.1	7.5%
Banamex + Bancomer	58.1	6.4%

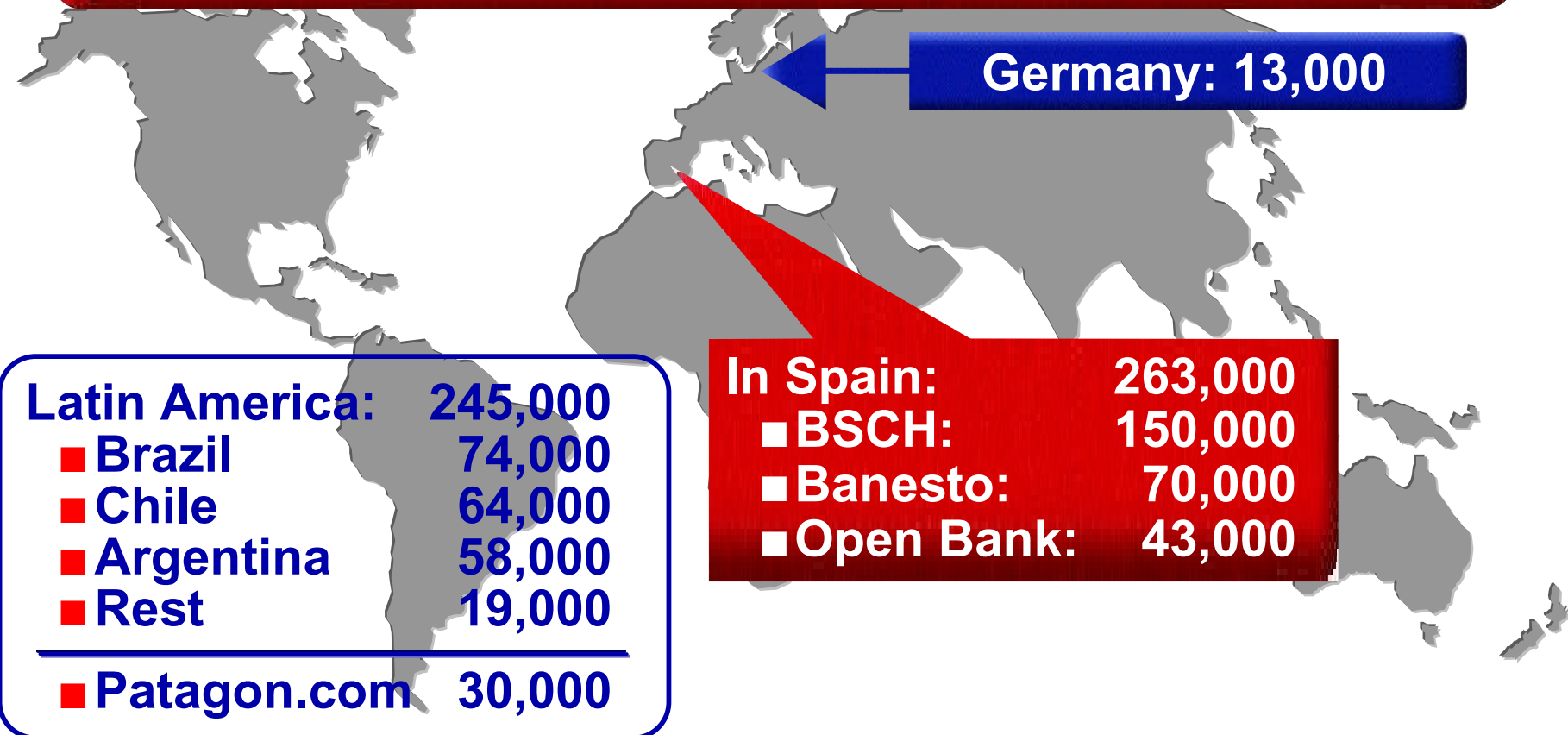
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3D

e-business

E-Business: we take-off from a privileged position

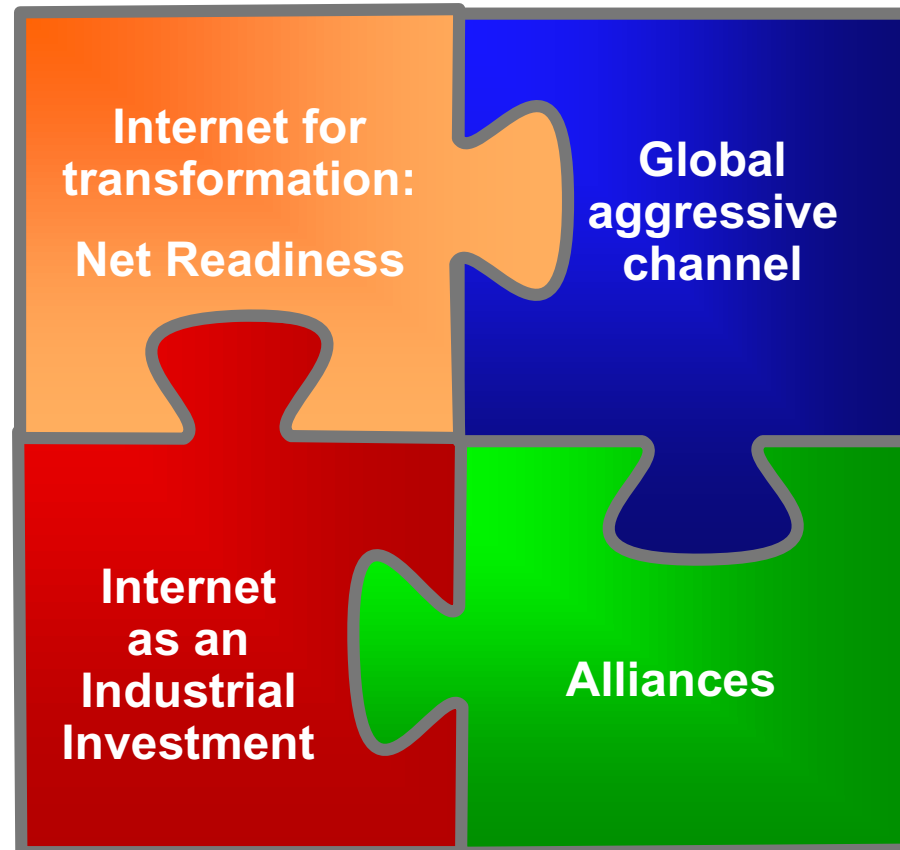
As of March, more than 500,000 customers on the Internet



The global strategy of the Group in e-business involves projects in all fronts

- Migration of Clients
- Intranet
- Wireless banking
- B2B and B2C

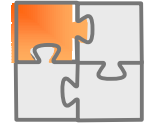
- Venture capital in B2B and B2C



- Patagon.com /Openbank

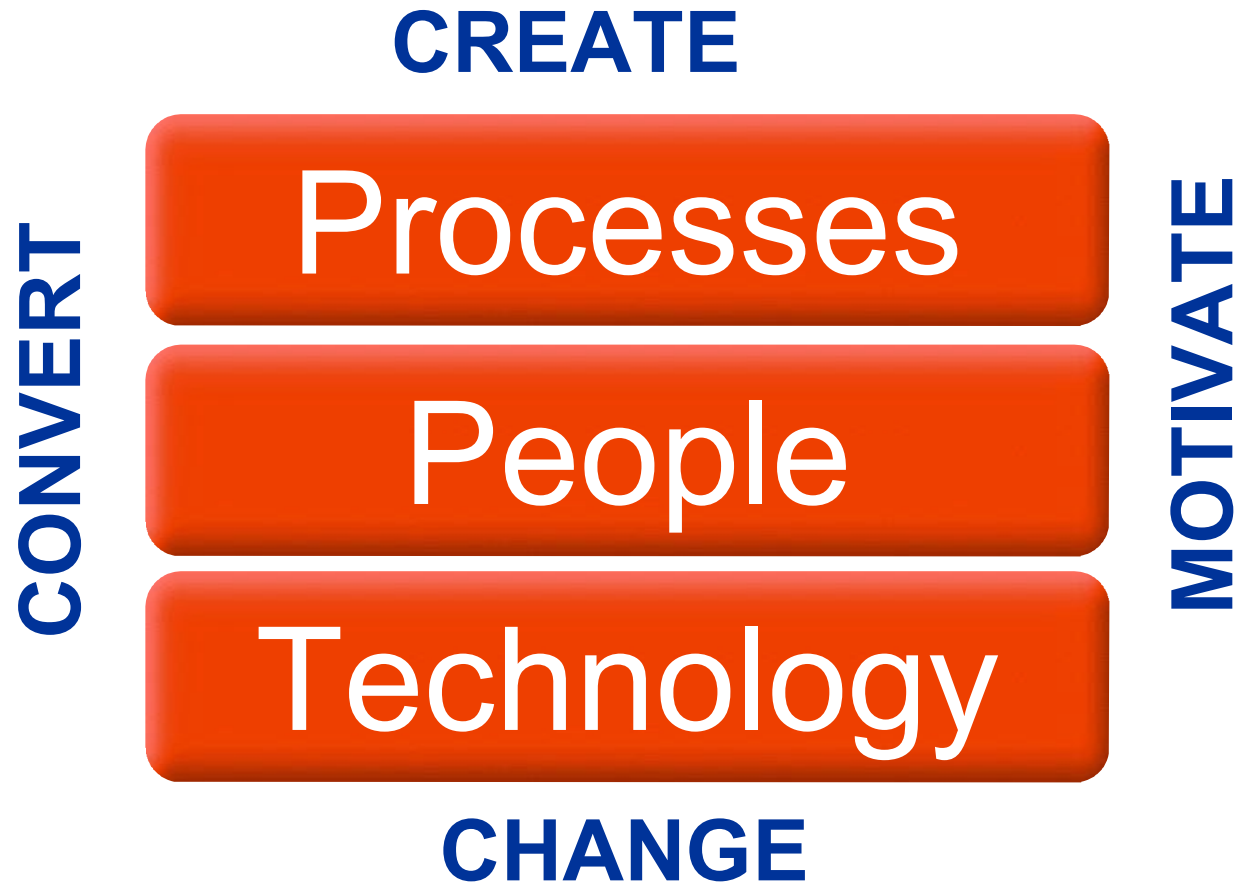
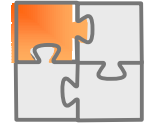
- Telecom
- Media
- Utilities
- Technology

— Why Net Readiness?

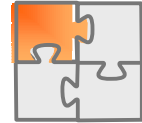


- **The market is changing: demanding sophisticated & complete functionality from the Bank**
- **New technologies allow:**
 - **Processes optimization, improvement of efficiency & operational agility**
 - **Creation products & services online**
 - **Improvement global quality of services**
 - **Creation new distribution and communication channel**

— What we need for Net Readiness:



Why do we need to change Processes?



- Processes are the *Key Elements* to be able to provide any service on the net...
- ... and improve efficiency, operational agility and flexibility

How do we measure what processes are Net Ready?

- POW: Process On the Web
- BOW: Business On The Web
- TPC: Transactions Per Channel

What processes need to be Net Ready?

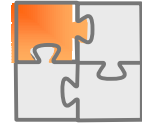
B2B

- User Registration
- Current Account
- Credit Lines
- e-Billing
- e-Payments

B2C

- Current Account
- Funds
- Mortgage
- Personal Loan

Net Readiness Actions



Process

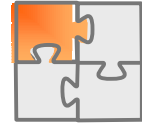
People

Technology

Action Plan - May/December 00

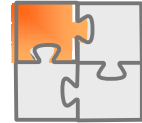
- Fix objectives for:
 - POW increase
 - BOW increase
 - TPC increase
- Webify the main Processes
- Use Intranet as Vehicle of Change - Global Deployment

— What do we need to do with the People?



- **Reconvert**
 - **Training**
 - **Webization drivers**
 - **Motivation:**
 - **Variable compensation**
 - **Entrepreneurial concept (stock options)**
 - **Internal job rotation**
 - **Attractive projects**
- **New Hires**

Net Readiness Actions



Process

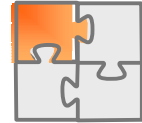
People

Technology

Action Plan - May/December 00

- Global Educational Training
- Top Management Training
- Employee Accesibility Program
- Use of Universal Corporate & Standard Email
- Launch of Net Readiness Cells
- Job Rotation Initiatives
- Internal communication initiative

Why Technology?



Process

People

Technology

Yesterday

Data
Oriented

Today

Information
Oriented

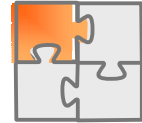
Tomorrow

Communication
Oriented

Action Plan - Immediate

- Universal Corporate Network
- Employee Accesibility Programs
- Corporate & Standard Email

Net Readiness



Process

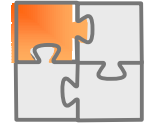
People

Technology

Action Plan - May/December 02

- New Retail Platform
- Multi-Channel Platform
- New Business Platform
 - CRM
 - One to One Services & Functions
 - DW - Datamining
 - Predictive Marketing
 - Workflow Support
 - Knowledge Management

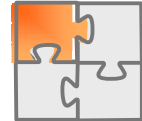
Our Internet strategy through mobile phones



Objective: lead “wireless banking”

- Use of the available technology every time (SMS, WAP)
- Integration and extension of services (SMS, WAP) available on BSCH platforms
- Development of transactional & non-transactional WAP services for BSCH customers
- Creation of a WAP portal offering banking and non-banking services for customers and non-customers

B2B and B2C offer to generate banking business



- B2B: e-Procurement project
 - Developed with other partners:
 - Vertical and sector-specialized portals
 - Procurement management portals
- B2B: e-commerce for corporate customers
- B2C



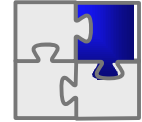
Agreement with EDS Co-next / AT Kearney

- Joint-venture to develop e-procurement and LSN projects
- Operations to start in June 2000

Investments within next 12 months

- B2B Factory: US\$ 200/300 Million
- B2C: US\$ 150 Million

Strategic rationale for Patagon.com acquisition



Presence

- Largest financial portal in Latin America
- In Argentina, Brazil, Chile, Mexico and Venezuela

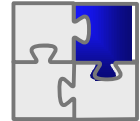
Offer

- “Financial destination” which offers services of
 - ❑ financial supermarket
 - ❑ online brokerage
 - ❑ market information and analysis

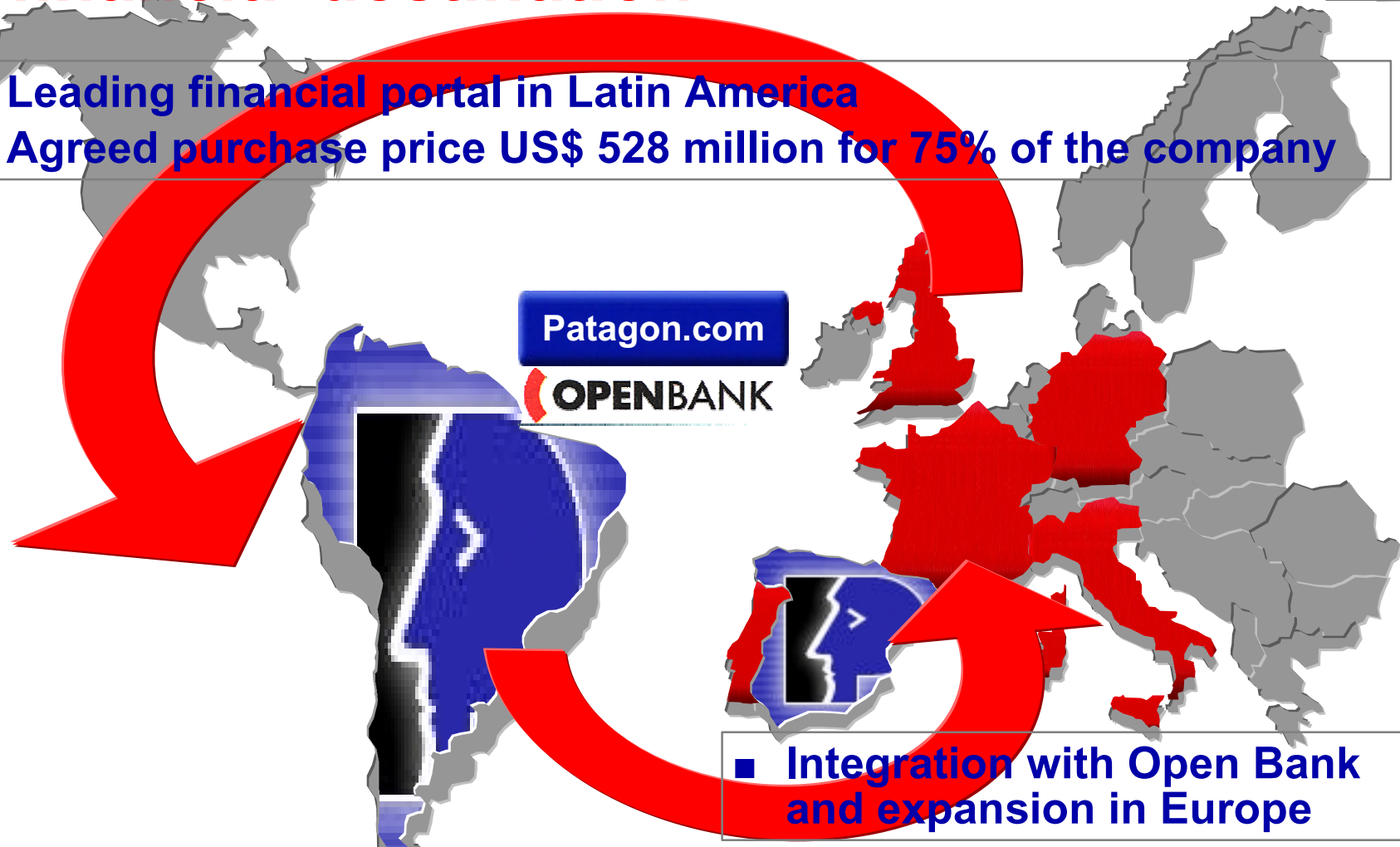
Traffic

- Large volume today

Patagon.com, a leading global financial destination



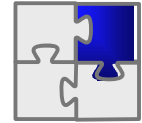
- Leading financial portal in Latin America
- Agreed purchase price US\$ 528 million for 75% of the company



- Integration with Open Bank and expansion in Europe

Financial destination with media content to attract traffic and execution capacity to generate revenues

Patagon.com overcomes the concept of “pure bank” on the Internet



**Patagon.com =
traffic**



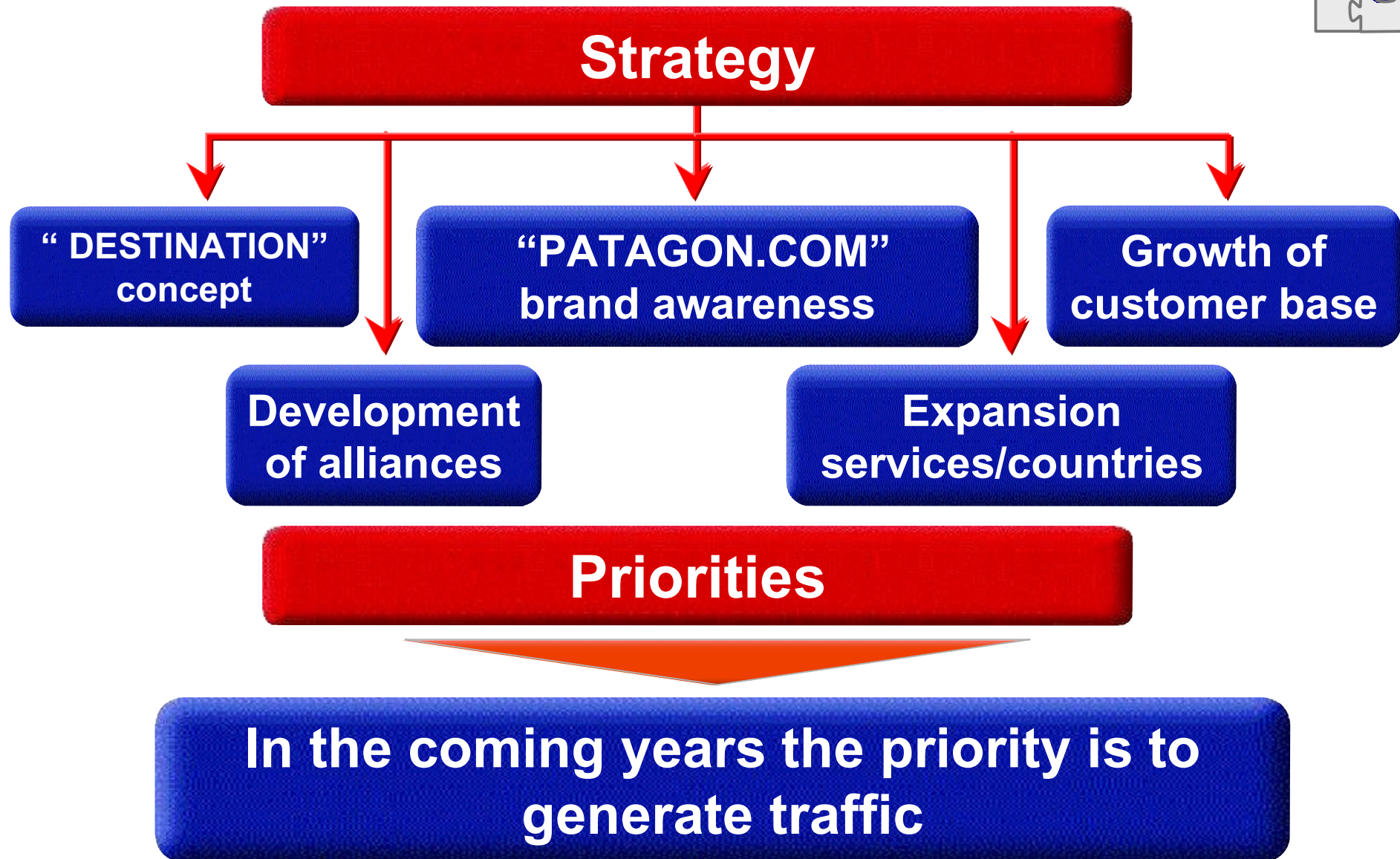
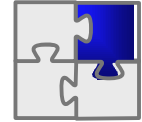
**Open Bank =
transactional
banking**

Starting point

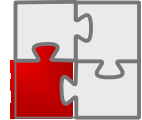
- over 30,000 customers
- 15 mill. pages visited per month
- “chat”: 50,000 members

- over 43,000 customers
- 5 mill. pages visited per month
- % transactions Internet
 - 47% securities trading
 - 23% transfers

Patagon.com growth



Our venture capital investments in the Internet

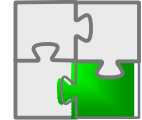


- **Infotel**
 - B2B, trade information
- **eDreams**
 - B2C, travel agent
- **Demasiado.com**
 - Generic portal in Spanish
- **MyAlert.com**
 - Warning system for mobile phones
- **Mundoline.com**
 - Auctions
- **Submarino.com**
 - B2C, e-commerce: books, records, ...
- **Parfumnet.com**
 - B2C: perfumes, ...
- **Teleprix.com**
 - Telephone operator choice system
- **Farmaciaonline.com**
 - B2C: pharmacy
- **Musimundo.com**
 - B2C: records and electronics
- **Vitaminic**
 - B2C

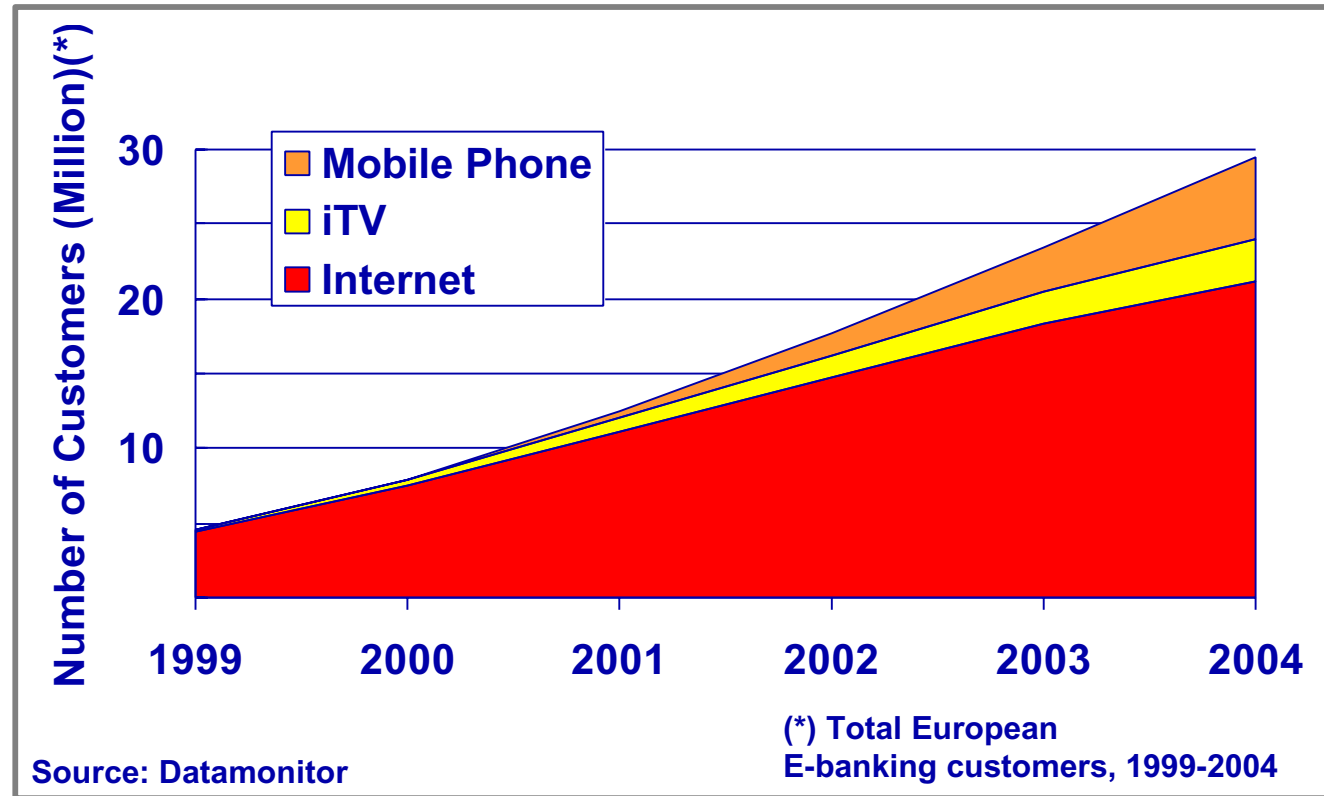
Investments

US\$ 30 million

Additional channels to support Internet development (I)

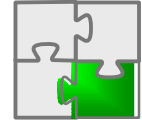


Increasing usage of alternative channels



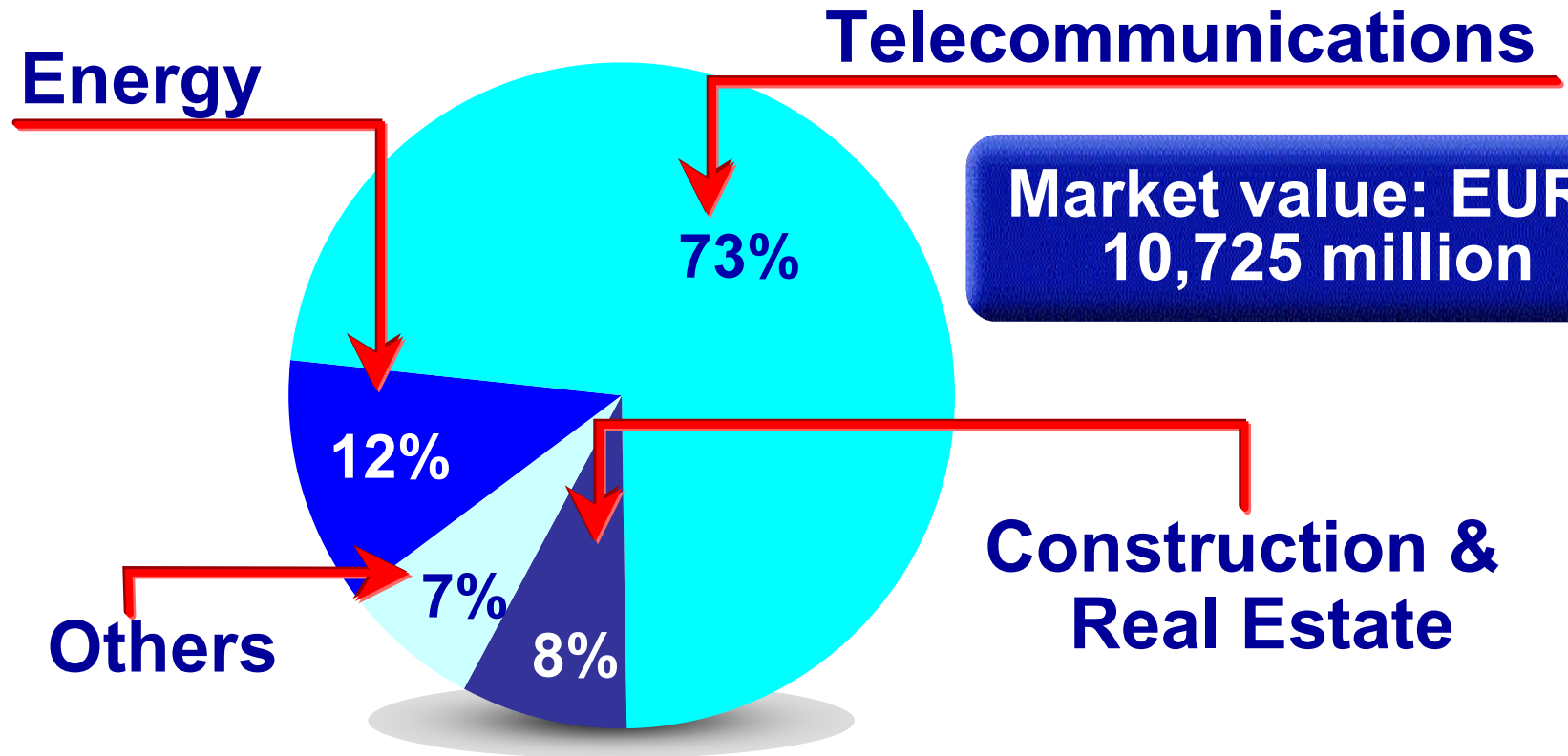
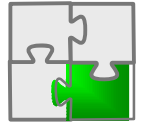
Growing importance of alternative and complementary channels to Internet: WAP and Digital TV

Additional channels to support Internet development (II)



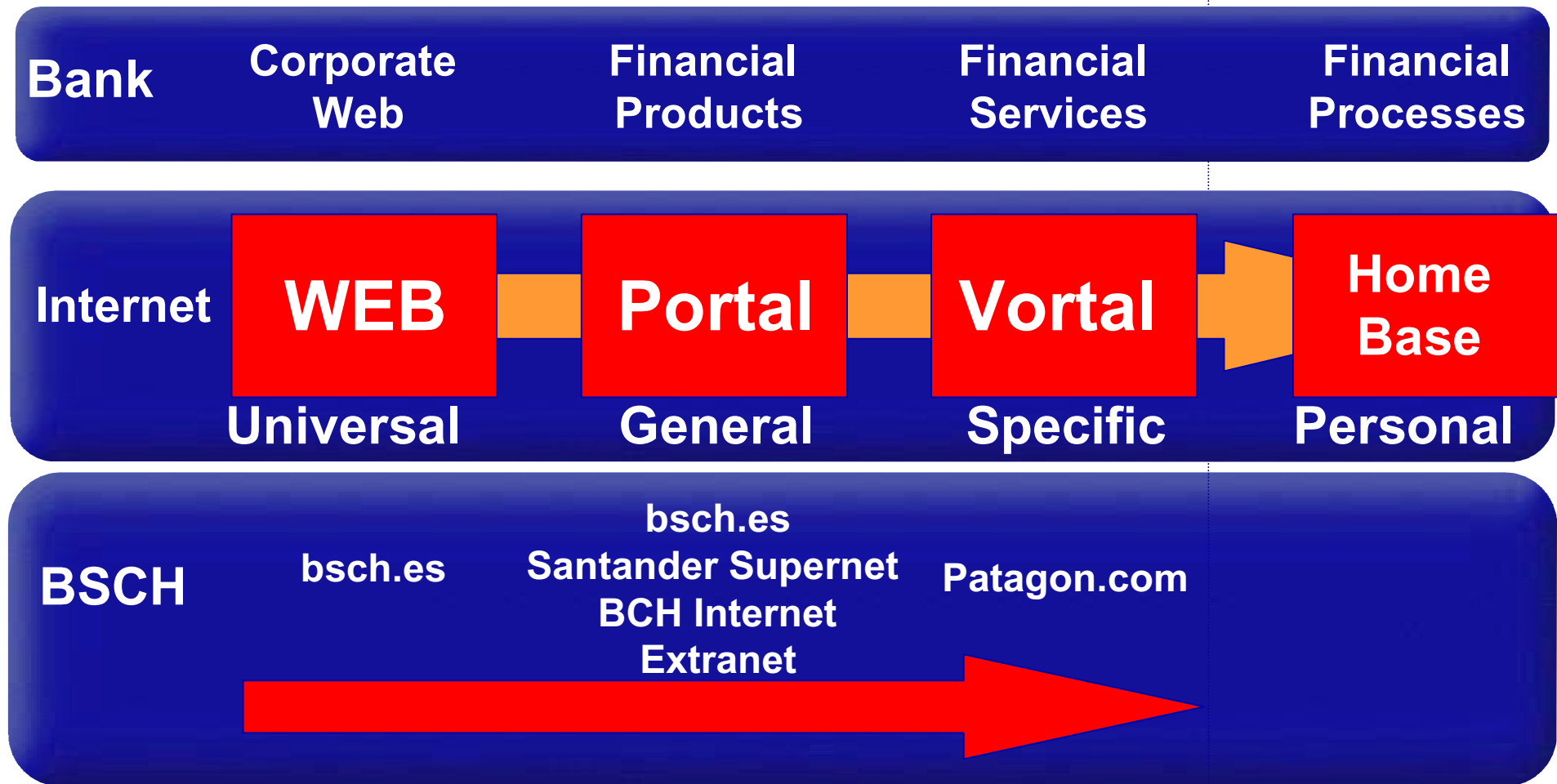
- **A technology partner is convenient to access new media**
- **Telecom + Financial packages are important for TMT operators**
 - **secures high traffic**
 - **creates stickiness**
- **Partnerships with TMT groups are attractive**
- **Major areas for Alliances**
 - **Mobile phones** **Airtel / Vodafone**
 - **Interactive TV** **ONO**
 - **Utilities** **Unión Fenosa**

Santander Central Hispano position reinforced by stakes in telecoms sector

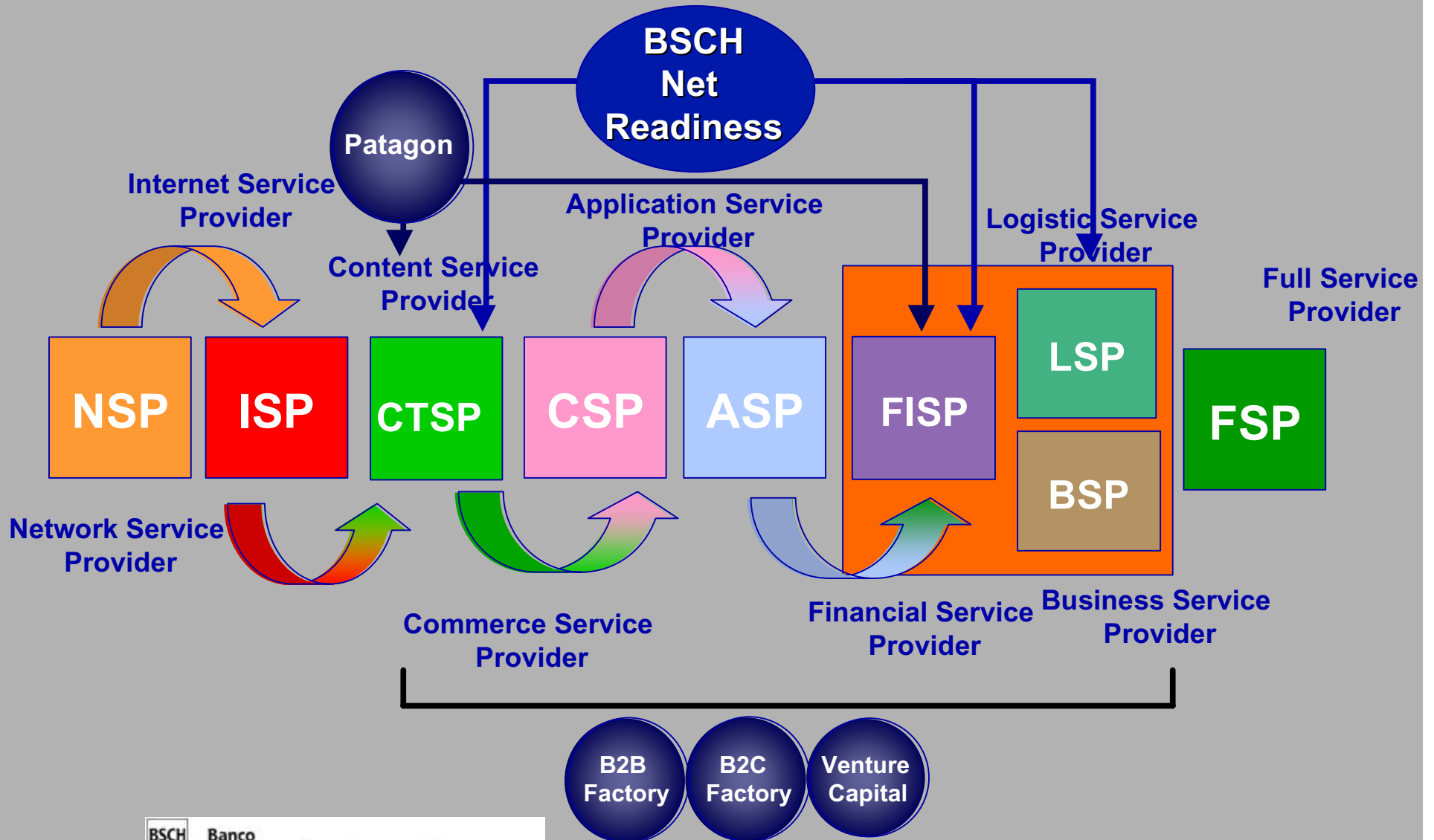


Unrealized capital gains: EUR 7,000 million

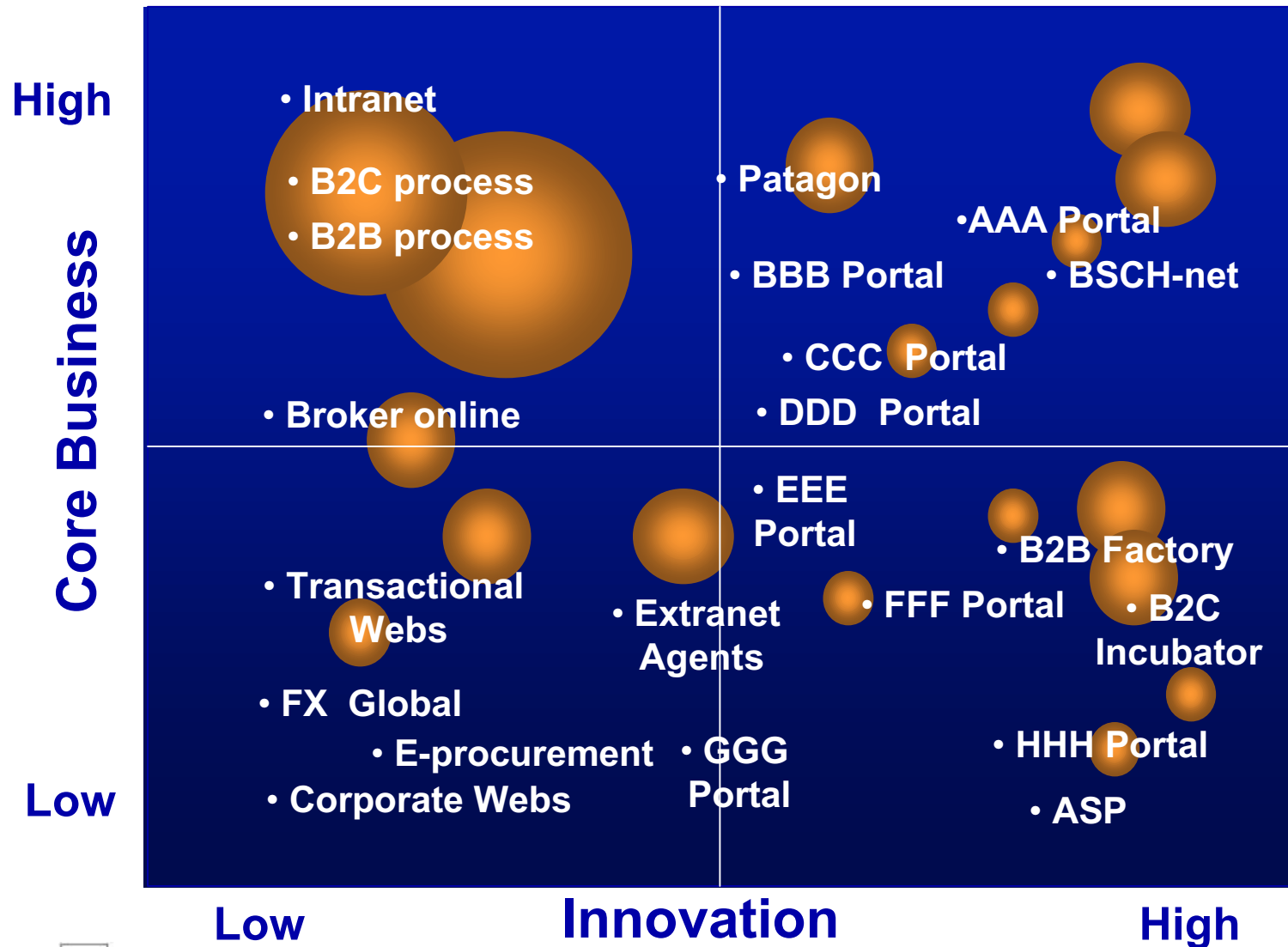
Conclusions: Banco Santander Central Hispano evolution in the Internet



Banco Santander Central Hispano's position in the Internet Value Added Chain



Our presence in the e-business value matrix



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4

Use of proceeds and Impact of the capital increase

Capital increase use of proceeds

US\$ Mill.

Latin America

Serfin	1,560
Meridional	835
Previnter	82

New economy

Patagon.com	528
B2B and B2C investments in next 12 months	450

TOTAL INVESTMENT: US\$ 3,500 MILLION

Serfin acquisition

- Banco Santander Central Hispano has valued Serfin at US\$ 1,560 million, based on the following considerations:

Strategic

- Growth via acquisition as best option to create value - Reach critical mass
- Serfin enhances the value of the Santander Mexicano franchise: market share, scale, customer base, Internet

Financial

- Rigorous financial clean-up and re-capitalization
- Implementation of new accounting criteria:
 - Deferred taxes
 - Asset valuation
 - Capitalization rules
- Purchase multiple: 1.6x Book Value (1.0x using generally accepted Mexican banks valuation criteria)

Synergies

- Possibility to take advantage of tax credits of US\$ 250 million (NPV) in addition to those in the balance sheet
- Cost savings up to 25% of the combined cost base⁽¹⁾

(1) Compared to total combined cost for 1999

Becoming the third largest Mexican group

Market share (%)	Banamex	Bancomer	BSCH	Bital	Banorte	BBVA
Assets	22.4	18.9	18.2	9.1	8.2	6.0
Total deposits	21.6	19.3	17.5	9.2	8.8	6.8
“Counter deposits”	22.5	22.1	16.2	12.2	6.7	4.5
Mutual funds ¹	6.8	14.9	13.0	8.1	5.6	8.9
Pension funds ¹	16.1	23.1	8.6	8.4	5.1	9.5
Total Customer savings ²	16.8	18.3	15.8	8.2	8.4	6.9
Loans	29.1	25.2	11.5	7.5	5.0	6.4
Branches	16.3	16.6	11.7	19.2	5.6	7.7
Employees	24.0	20.1	12.1	13.5	7.1	5.4

Note: Data as of December 1999, except otherwise noted

(1) As of March '00, according to managed portfolios

(2) Customer savings: Total deposits + Mutual funds + Pension funds

Meridional Group acquisition

- Banco Santander Central Hispano has acquired Meridional Group for US\$ 835 million, based on the following considerations:

Strategic

- Diversified franchise, complementary to Santander Brazil
 - Retail Banking size doubled, addition of customer base and expertise in Investment Banking / Capital Markets
- Largest private bank in Rio Grande do Sul, with market share of 25% among private banks (10% of total). Also presence in southern Brazilian states (Mercosur Corridor)
 - Licences for the opening of another 190 branches

Financial

- Restructured bank (the one with the lowest employee per branch ratio in Brazil)
- Synergies and cost savings: US\$ 85 million per year

Positions BSCH as the 5th largest private bank in Brazil

Previnter Group Acquisition

Transaction

- Acquisition, along with Banco Provincia de Buenos Aires, of 55% of Previnter Group for US\$ 167 million
- Previnter Group : Previnter AFJP, Previnter Seguros de Retiro, Internacional Seguros Vida
- 696,000 clients and US\$ 1,554 million of funds managed

Buyers

- BSCH: 27%
- Banco Provincia de Buenos Aires: 28%

Strategy

- Merger within 3-4 months with AFJP Orígenes (49% BSCH, 51% Banco Provincia)
- Combined pensions market share of approx. 30%

Orígenes + Previnter shareholders

- Grupo Banco Provincia: 41%
- Grupo Santander Central Hispano: 39%
- BankBoston: 20%

Patagon.com acquisition

- **75% of share capital**
- **BSCH investment of US\$ 528 million**
- **Current management maintained**
- **Agreement subject to due diligence and regulatory approvals**

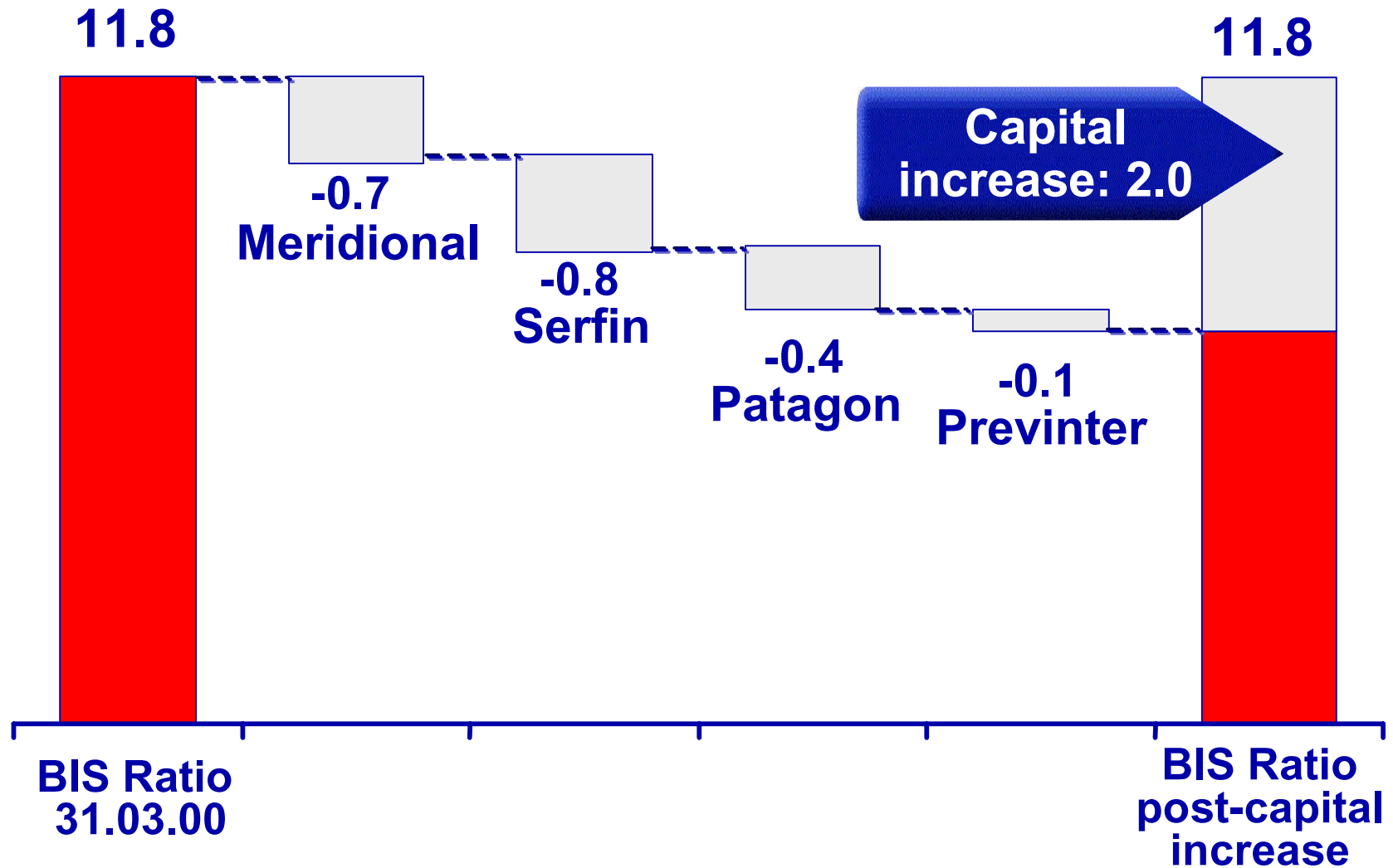
Expected earnings accretion by 2002

	2001(*)	2002(*)	2003(*)
■ Serfin	-2.0%	0.1%	1.6%
■ Meridional	0.0%	0.2%	0.5%
■ Previnter	0.0%	0.1%	0.1%
TOTAL	-2.0%	0.4%	2.2%

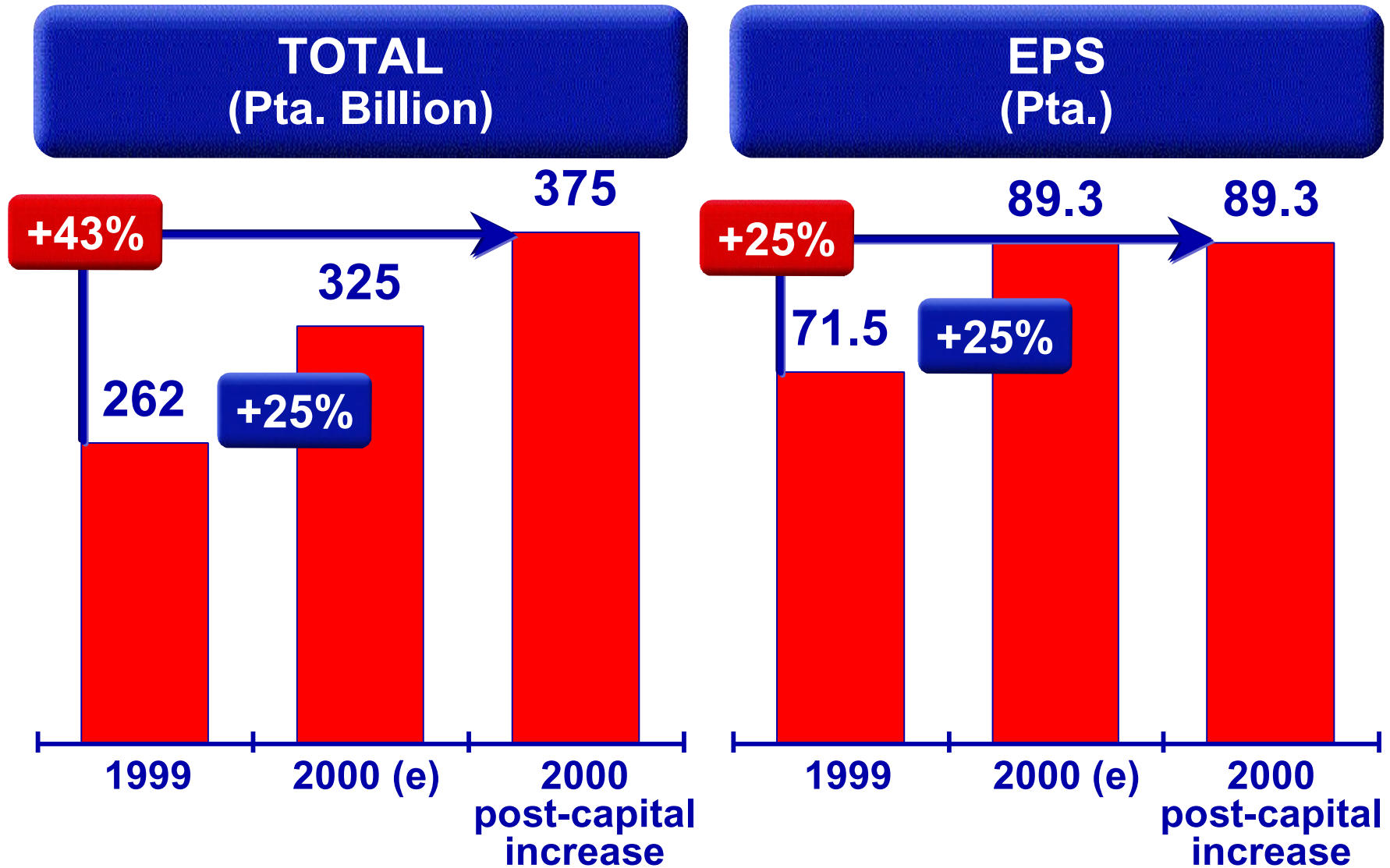
(*) Including goodwill amortization

Impact of acquisitions and capital increase on BIS Ratio

Data in percentage terms

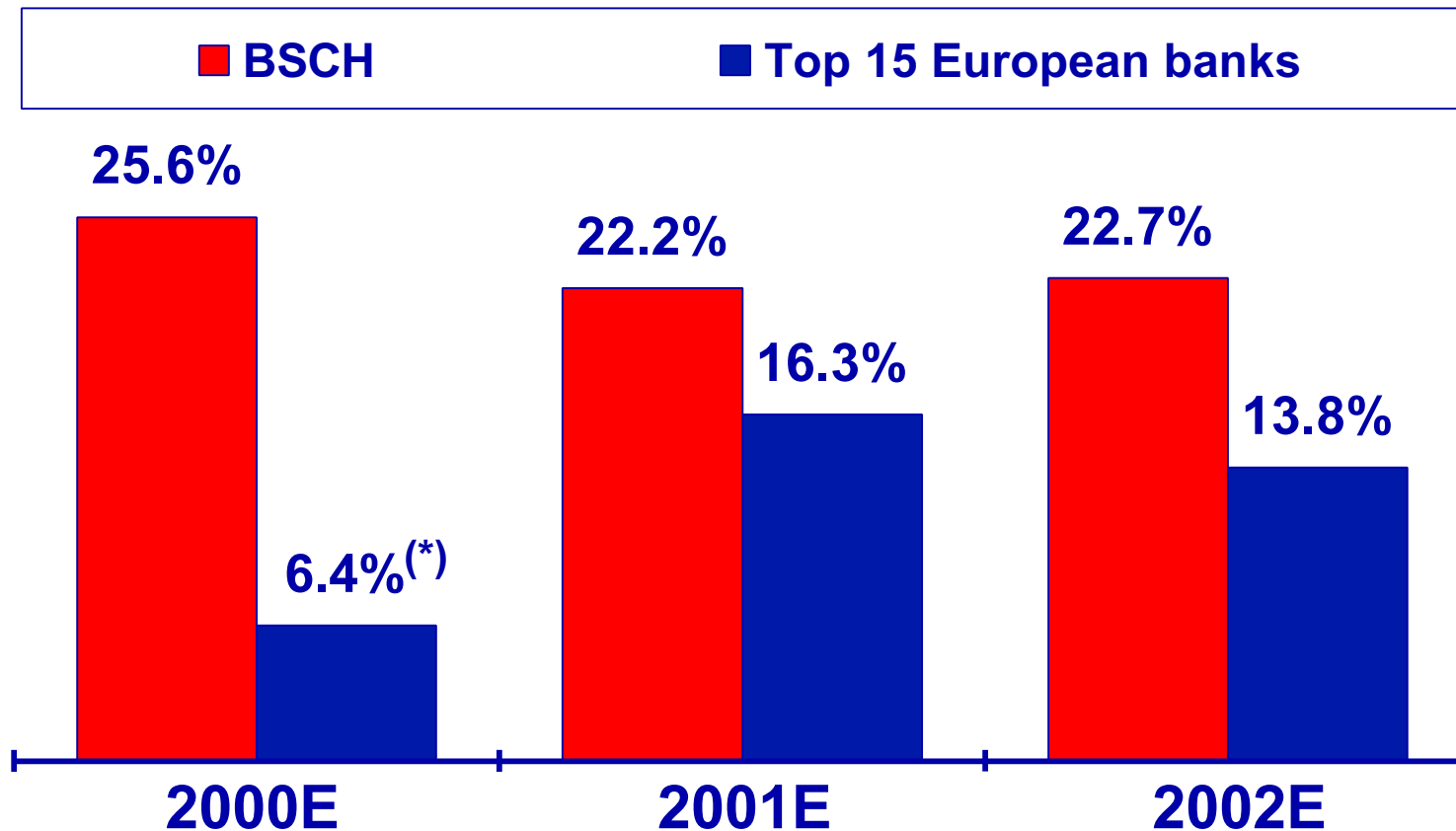


We maintain our EPS growth estimates of 25% for 2000



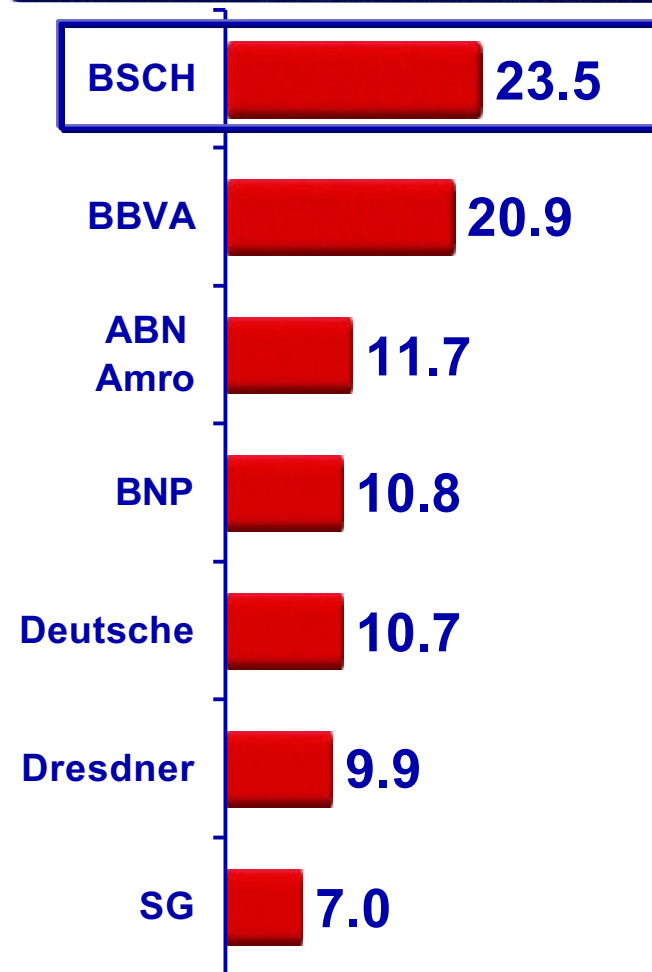
Analysts Consensus on Banco Santander Central Hispano earnings estimates (I)

Expected EPS growth

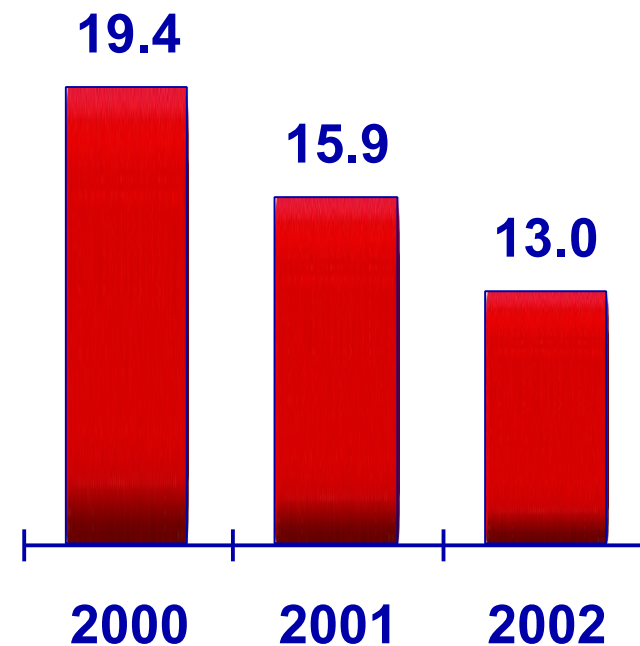


Analysts Consensus on Banco Santander Central Hispano earnings estimates (II)

CAGR EPS '99/'02 (e) (%)



PER BSCH (e)



Source: IBES. May, 18 2000.
Price Euro 10.5

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5

Investment highlights

Investment highlights

- **Robust volume growth in Spain with strong cost savings potential**
- **Unique strategy in Europe: profitable and ready for Pan-European integration**
- **Largest franchise in Latin America with leading positions in countries with the strongest economic prospects**
- **Rapid transformation of business operations through Internet**
- **Patagon.com: vocation to become a global financial destination**
- **Above average and sustainable prospective earnings growth compared to European peers**



Banco

Santander Central Hispano
