

ACQUISITION OF banespa

November 21, 2000



Banco

Santander Central Hispano

Agenda

- 1.- Description of the transaction**
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Description of the transaction

Transaction summary

Transaction:	Acquisition of Banespa by BSCH
Interest acquired:	60% voting control 30% economic interest
Price:	R\$ 7,050 million (US\$ 3,550 million)
Form of payment:	Cash
Due diligence:	Extensive Due diligence performed
Closing of transaction:	November 27, 2000
Implied valuation of Banespa:	R\$ 10,593 million (US\$ 5,330 million)
Fairness opinion:	Merrill Lynch

Financial impact

Acquired control - implies control premium

- Valuation range: R\$ 10,093 / R\$ 11,093 million
- Our price for the 30% economic / 60% voting: R\$ 7,050 million (US\$ 3,550 million) which implies a valuation of Banespa: R\$ 10,593 million.
 - Represents 2.4 x book value
 - Represents 10.7 x estimated earnings for 2001 (*)
- Remaining shares have a market price of US\$ 850 million (trading at 0.5 x book value) (as of Nov. 20, 2000)
- Goodwill: Approx. US\$ 3 billion
- Capital support committed by strategic banking partners: US\$700 million
- Net impact on BIS ratio: -1.4 p.

(*) Before restructuring costs

Transaction Rationale - summary

Banco Santander Central Hispano has valued 30% of Banespa at US\$ 3,550 million, based on the following considerations:

Strategic	Financial	Synergies	Business
<ul style="list-style-type: none">■ Enhancement of BSCH's Latam franchise's value and diversification■ Strengthening of presence in Mercosur, the wealthiest region in Latin America■ Achievement of critical mass in Brazil - South/Southeast■ Dominant presence in Sao Paulo - the wealthiest region in Latin America	<ul style="list-style-type: none">■ 60% voting - deserves control premium■ IRR of 19%■ Estimated income of US\$750/800m in 2003	<ul style="list-style-type: none">■ Cost savings target of 33% of 2000 cost base ⁽¹⁾ in three years	<ul style="list-style-type: none">■ Deposit raising bank: US\$6.1bn customer deposits■ 2.8 mill. customers■ 1,315 points of sale in Brazil (13% market share⁽²⁾ in Sao Paulo)■ High potential for growth and product penetration

Banespa is a unique opportunity to position BSCH among the leading banks in Brazil and as the leading financial services provider in Latin America

Brazil in Latin America

A strong presence in Brazil adds significant critical mass and diversification to our franchise in Latin America



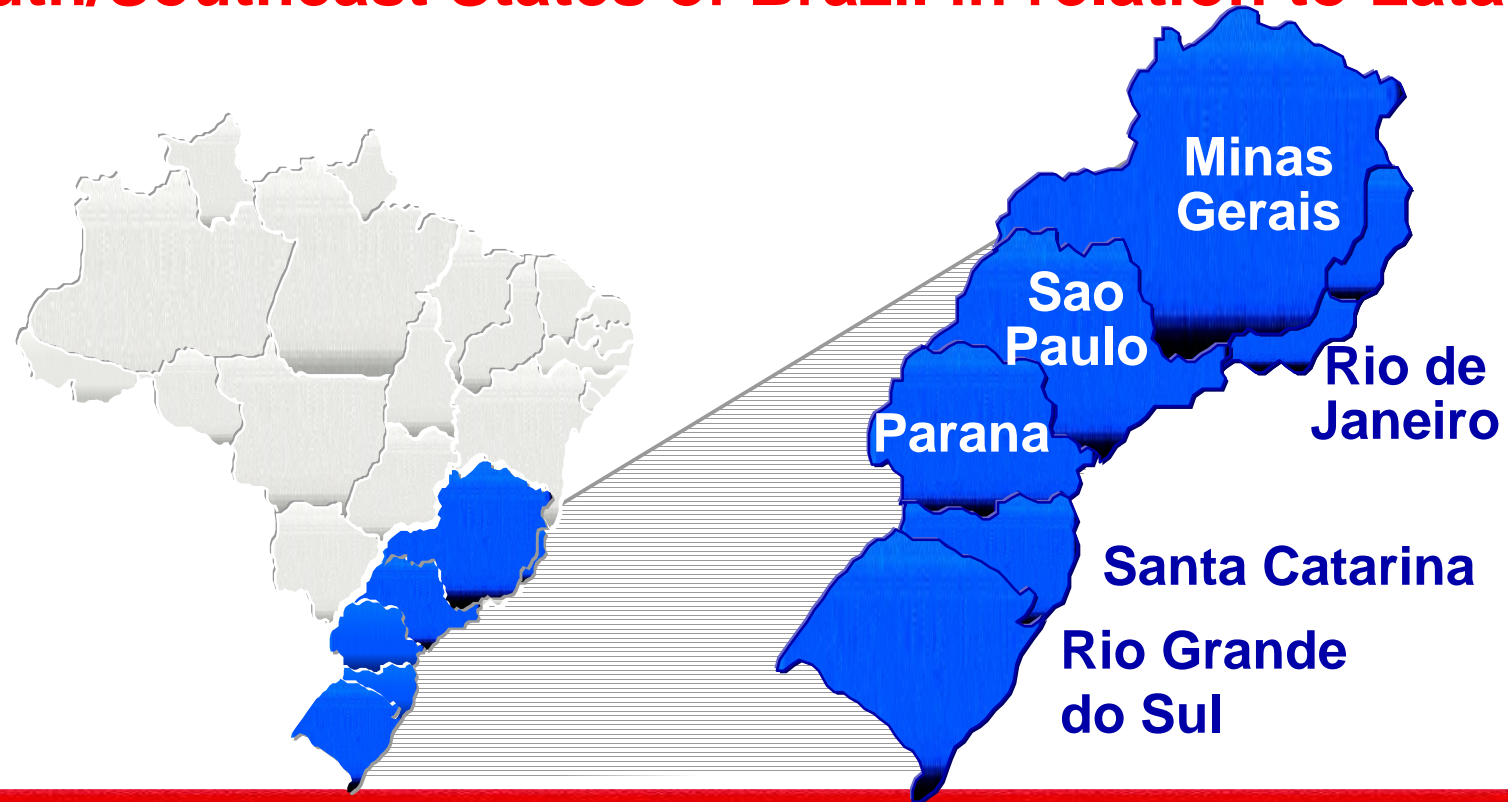
US\$ Bn.	Brazil	Latam	%
GDP	666	1,885	35.3%
Population (m.)	166	425	39.0%
Deposits	150	421	35.6%
Mutual Funds	146	193	75.6%
Pension Funds	-	78	-
Loans	151	378	40.0%

Good growth prospects in the Brazilian banking business

Macro View for Brazil	2000	2001	2002	2003
GDP Growth	3.8%	4.4%	5.5%	3.5%
Interest Rates	17.2%	14.1%	12.3%	13.0%
Inflation	6.4%	4.5%	4.0%	4.0%
Exchange Rate US\$	1.8	1.9	2.0	2.0

- Brazilian GDP is growing above the average for Latin America
- Downward trend in inflation and interest rates
- Expected double-digit growth in loans, deposits, funds and fee income

South/Southeast States of Brazil in relation to Latam



The States of the South/Southeast of Brazil*

	Sao Paulo	South-Southeast	% Brazil	% Latam
GDP (US\$ Bn.)	198	403	76.2%	24.0%
Population (m.)	36	94	57.3%	22.3%
Deposits	68	127	84.6%	31.2%

* Minas Gerais, Rio de Janeiro, Santa Catarina, Paraná, Sao Paulo, Rio Grand do Sul

Basic attributes - Banespa

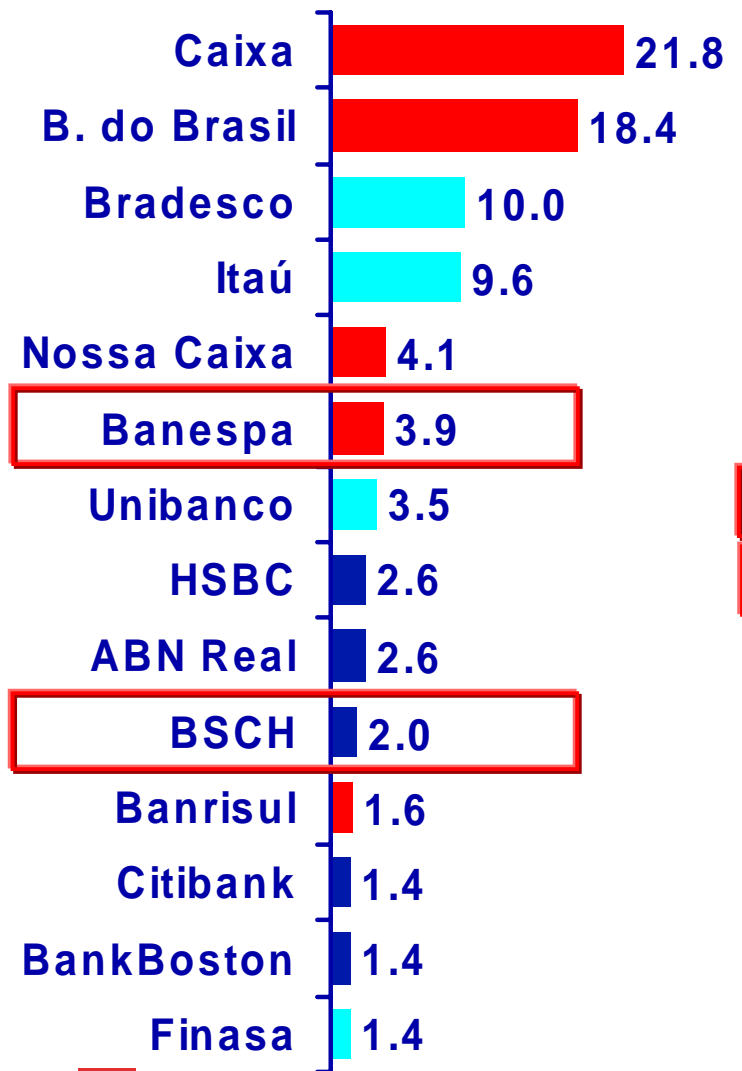
Banespa, a leading retail bank in Brazil's most attractive market - Sao Paulo

- **Among the leading Brazilian banks**
- **Broad distribution network with dominant position in Sao Paulo**
- **Large client base focused on retail banking**
- **Low risk profile: deposit raising bank**
- **Significant opportunities of growth and efficiency improvement**

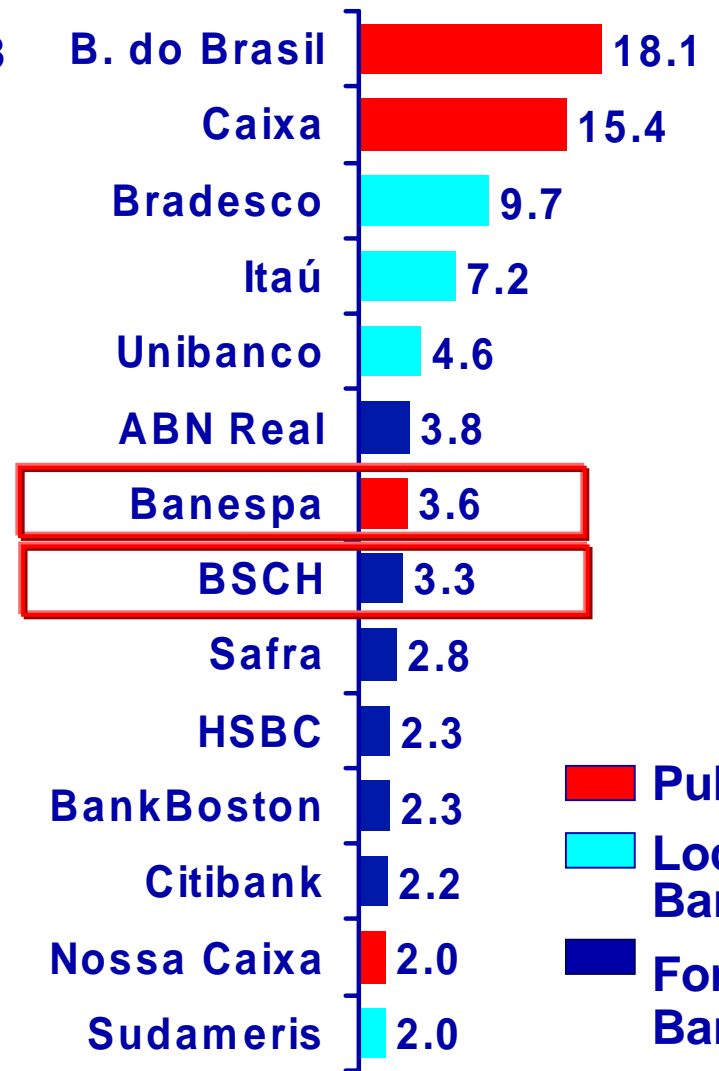
Among the leading Brazilian banks

Market shares in percentage terms

Total Deposits



Total Assets



■ Public Banks
■ Local Private Banks
■ Foreign Private Banks

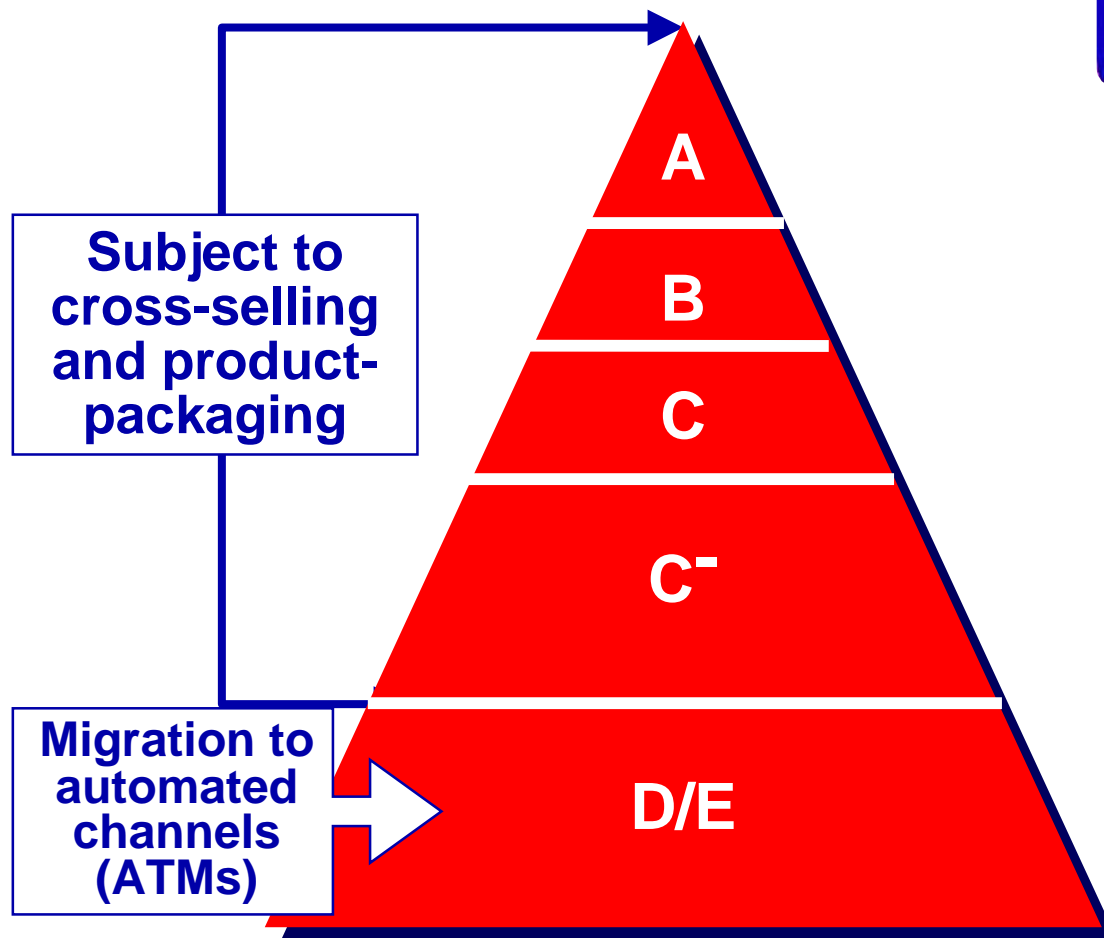


Broad distribution network with dominant position in Sao Paulo

Number of branches

	BSCH Brazil	Banespa	Bradesco	Itaú	Unib.	BSCH Brazil + Banespa
SP - Capital	115	117	370	281	175	232
SP - Interior	30	414	515	219	139	444
Total	145	531	885	500	314	676
Rio de Janeiro	25	10	226	267	191	35
Minas Gerais	14	4	253	532	87	18
South	149	15	348	498	107	164
Other States	16	13	763	164	106	29
Total	349	573	2.475	1.961	805	922

Large client base focused on retail customers (95% of total)

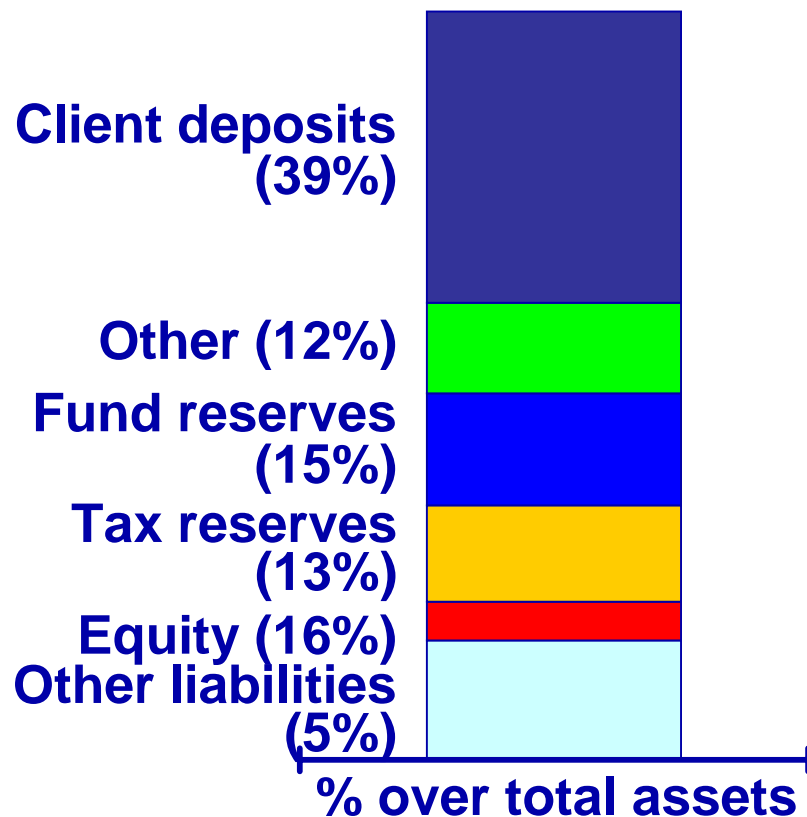


Banespa customer base

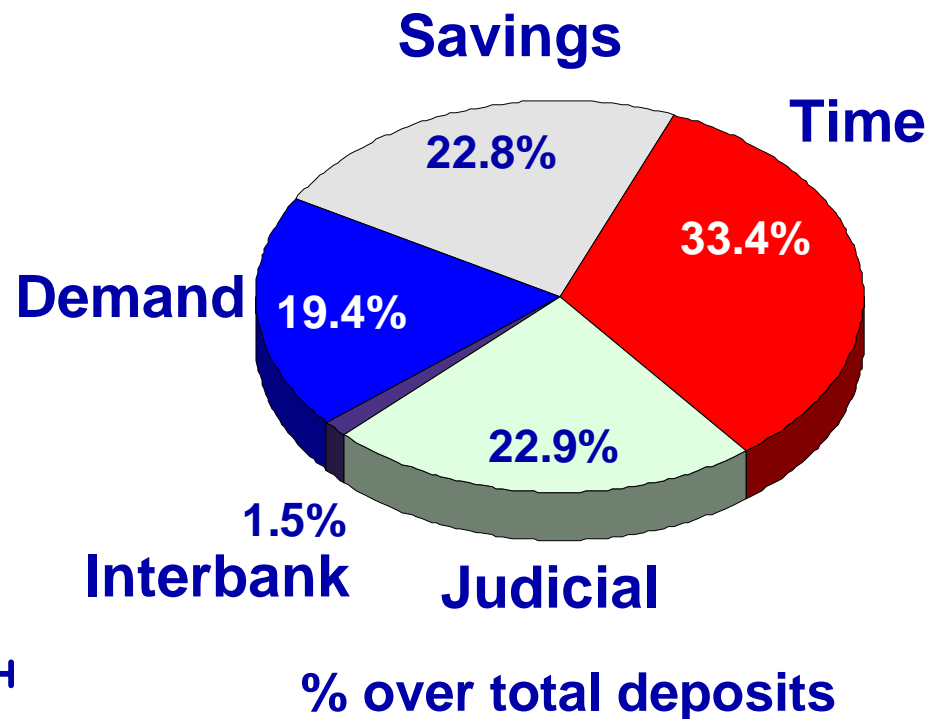
- 2.8 million customers - 1.8 million subject to cross-selling of packaged products
- 1 million customers are civil servants - high/medium income individuals
- 1.5 million customers receive monthly payroll through Banespa
- 106,000 SME clients

Banespa, a deposit-raising bank ...

**Balance sheet mix:
strong client funding base**



**Deposit mix:
low cost deposit base**

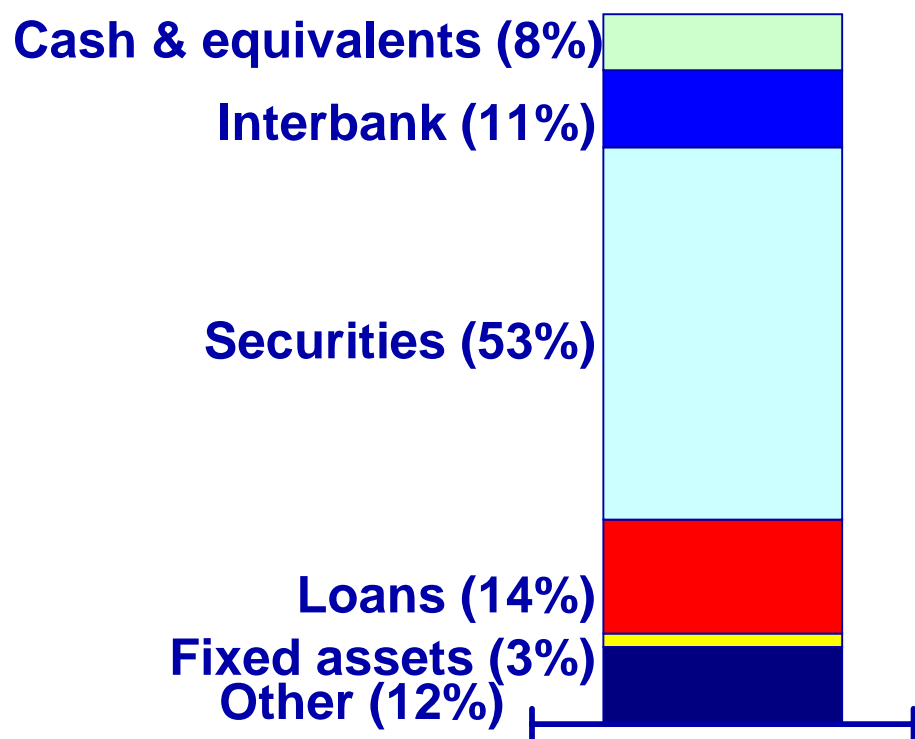


Low cost funding becomes even more valuable given the expected reductions in reserve requirements

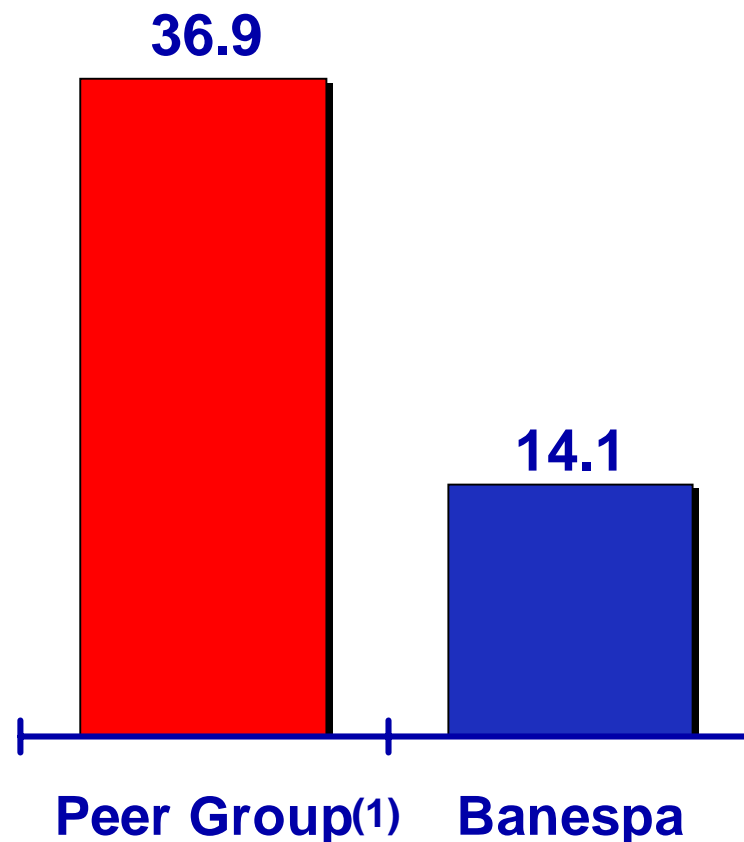
... with low risk profile ...

**Balance sheet mix:
small loan portfolio**

Loans/Assets (%)

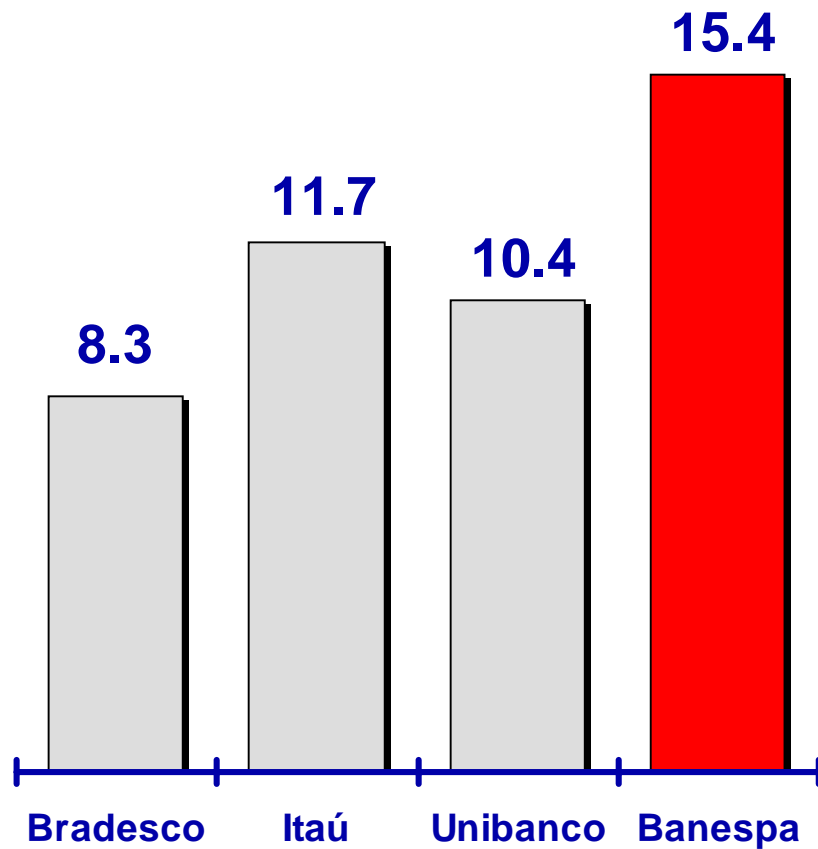


% over total assets

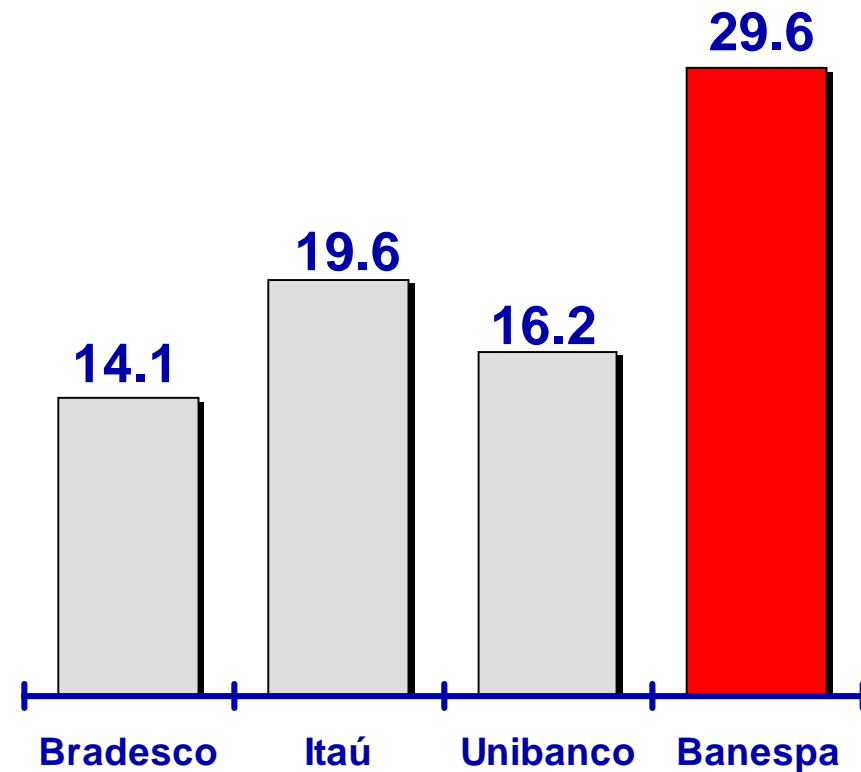


... and strong capitalization

Equity/Total assets (%)

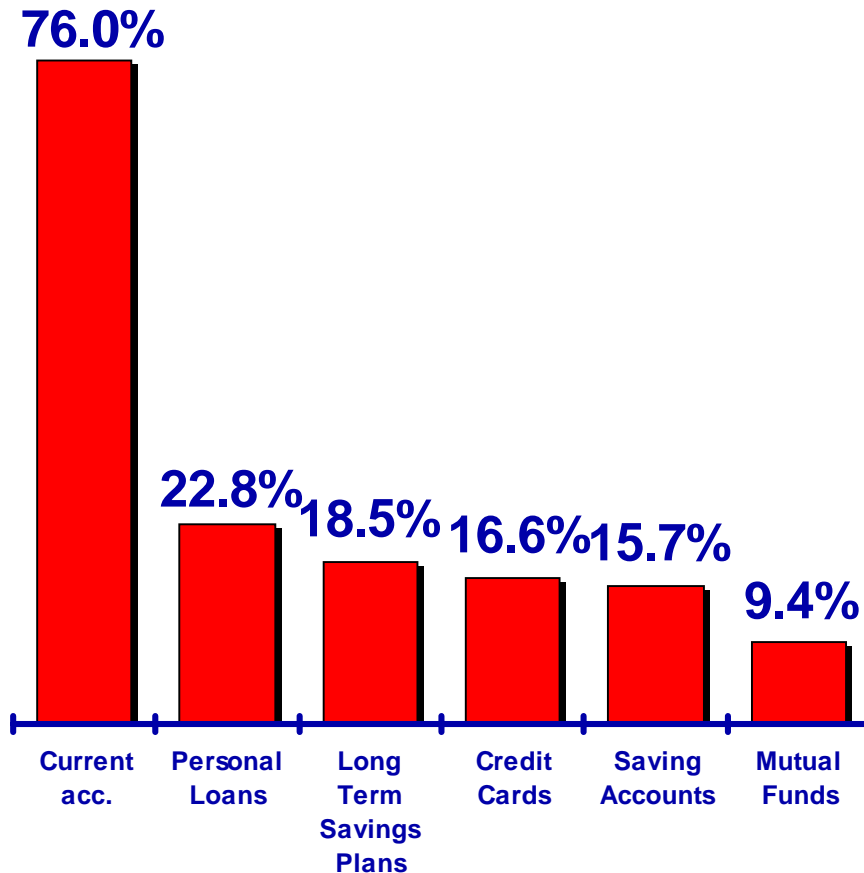


Risk weighted ratio (%)

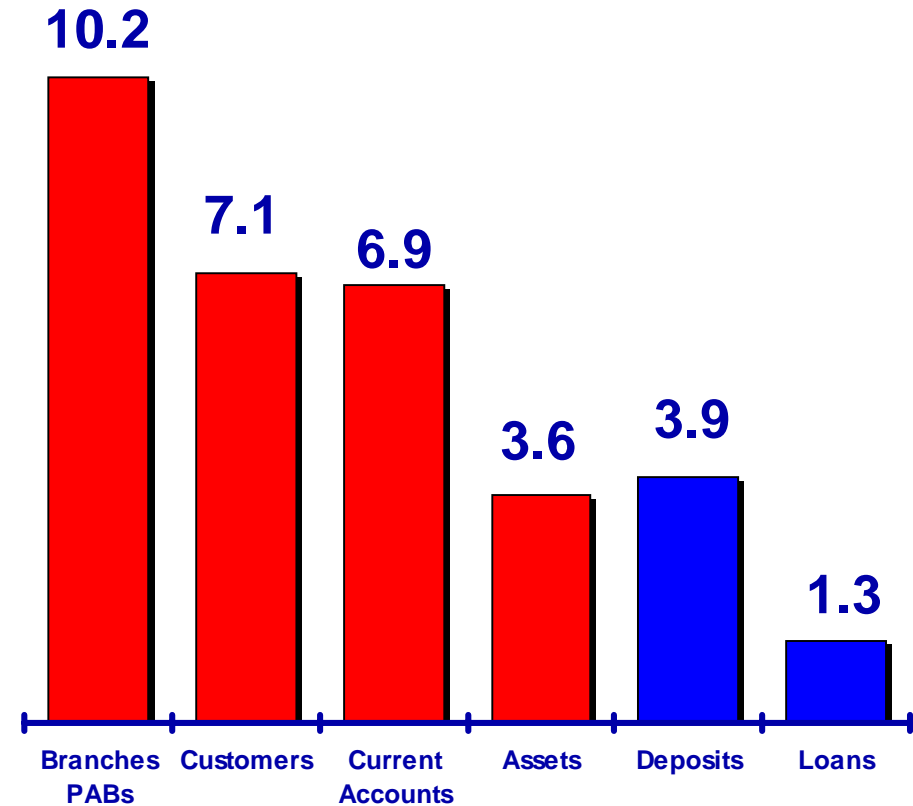


Business growth

Banespa: Product Penetration Index (1)



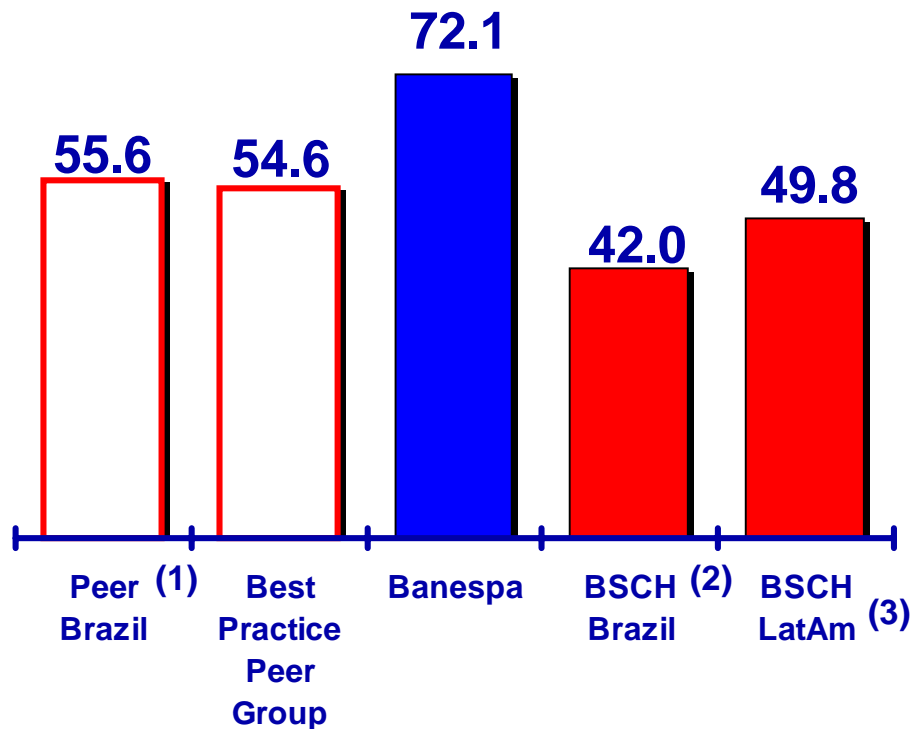
Market Share (%)



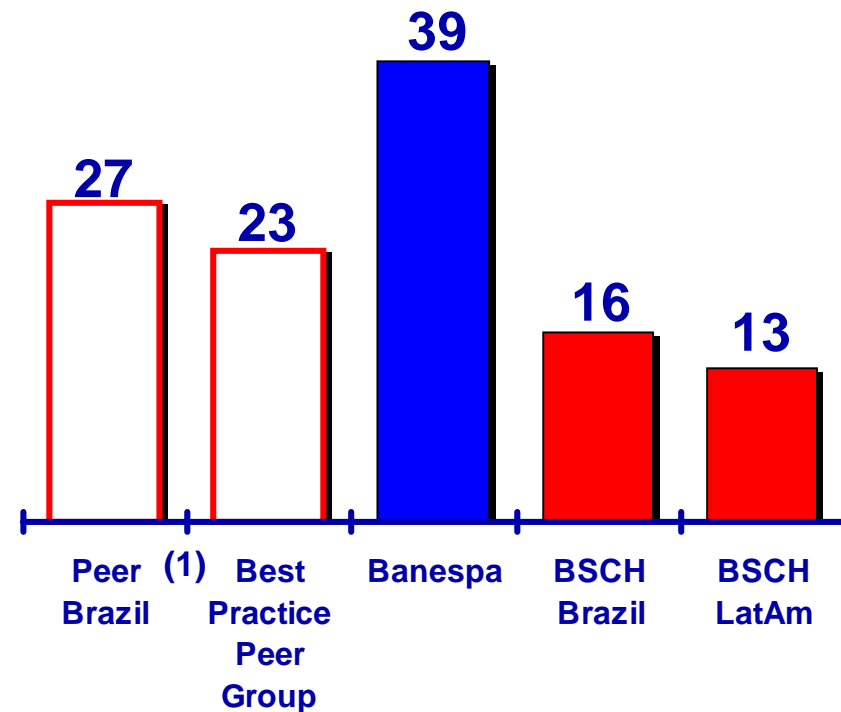
Banespa has a limited range of products and a low penetration index. This will be significantly improved under BSCH's management

Significant opportunities for efficiency improvement

Efficiency ratio (%)



Employees per branch



Data as of June 2000 with exception of BSCH Brazil, October 2000

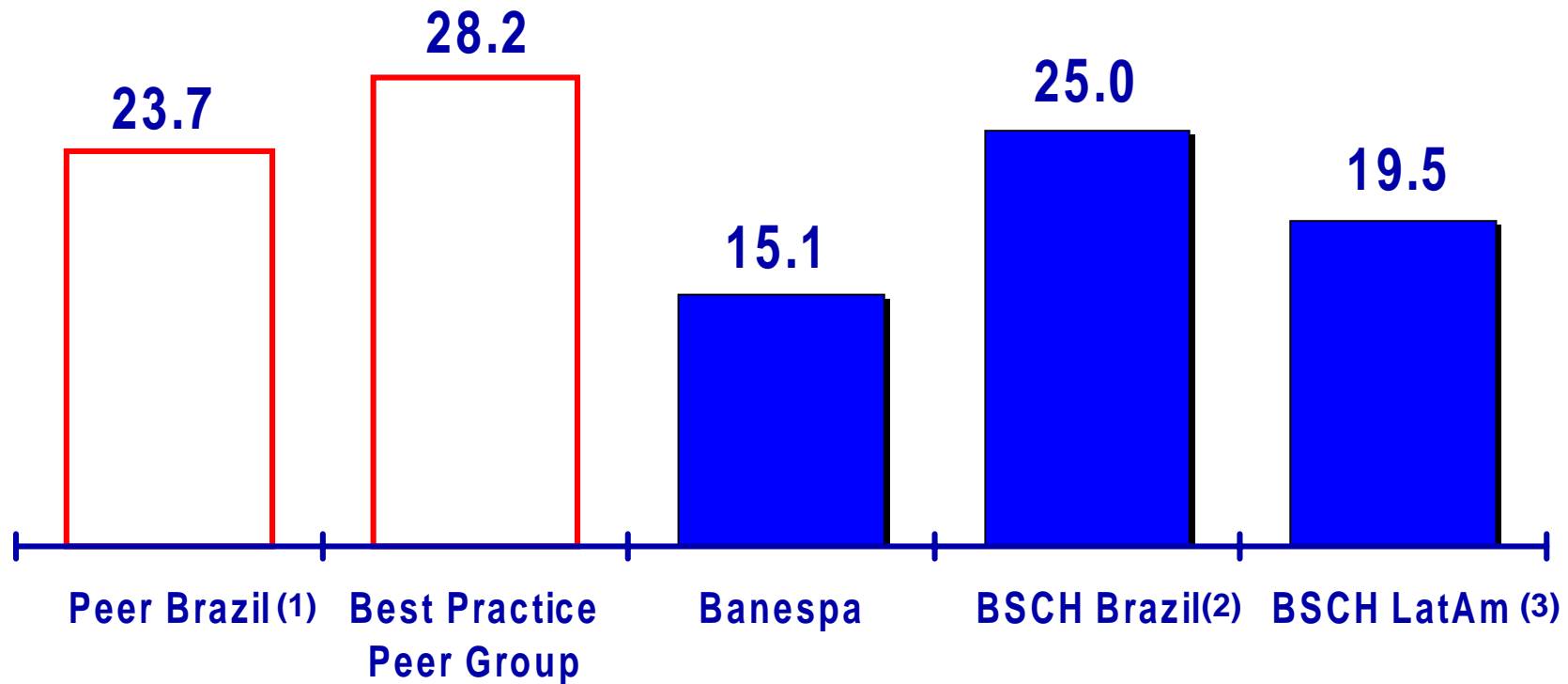
(1) Average of Bradesco, Itaú, Unibanco

(2) Estimated for year end 2000; excludes recent acquisition of Meridional; with Meridional the ratio would be 50.1%

(3) Estimated for year end 2000; excludes recent acquisition of Serfin and Meridional; with Serfin and Meridional the ratio would be 52.8%

Banespa has a wide margin for profitability improvement

ROE



Data as of June 2000

(1) Average of Bradesco, Itaú, Unibanco

(2) Estimated year end 2000; excludes recent acquisition of Meridional; with Meridional the ratio would be 17.5

(3) Estimated year end 2000; excludes recent acquisition of Serfin and Meridional; with Serfin and Meridional the ratio would be 19.2

Management drivers and objectives

Management drivers

Grow the business

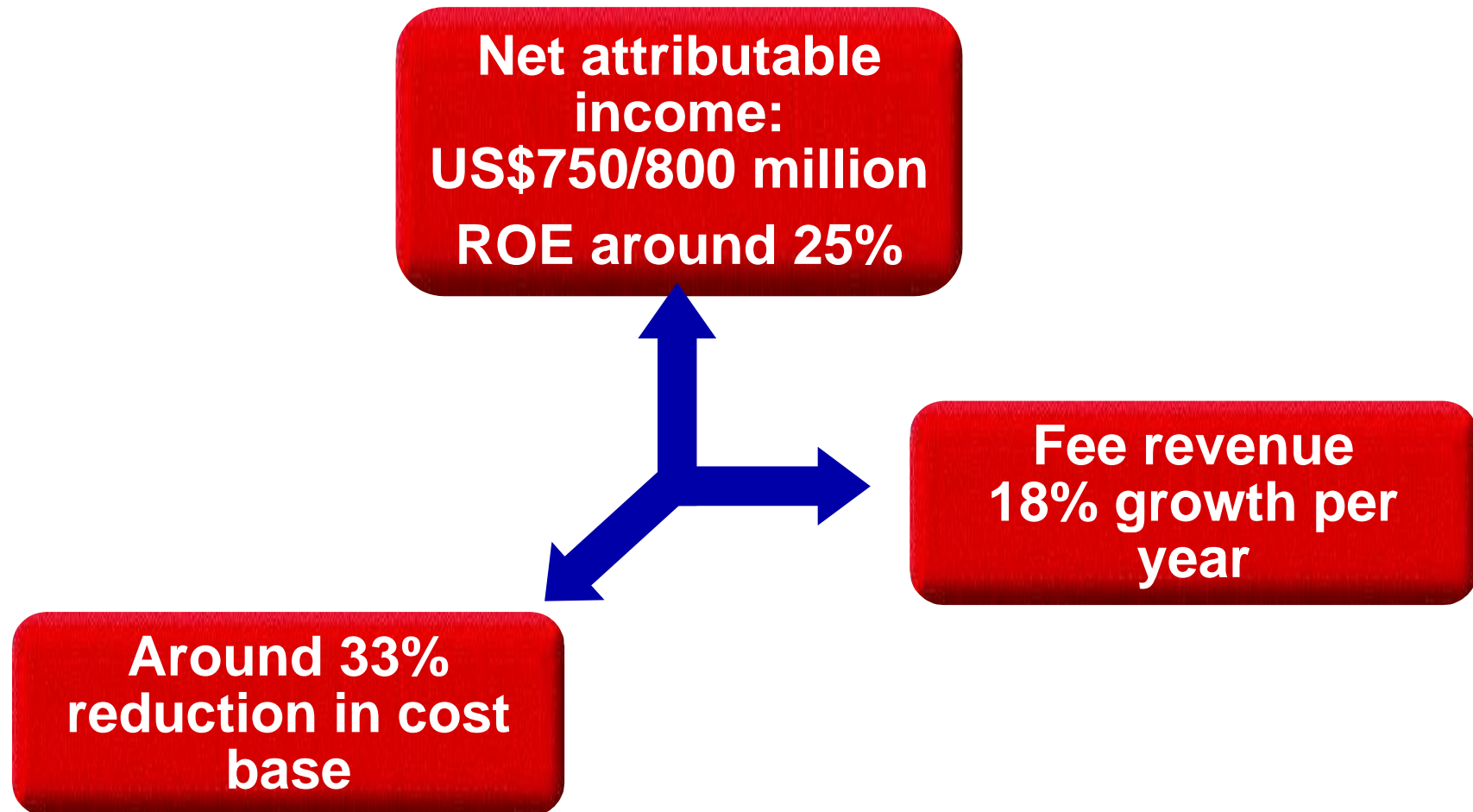
- Reactivate lending activities
- Focus on commission revenue
- Leverage product lines where Banespa has already critical mass:
 - Deposits
 - Mutual funds
 - Credit cards
- Introduction of new products
- Cross-selling

Improve efficiency

- Streamline operations
- Rationalize processes
- Improve quality standards
- Migrate customer transactions to alternative channels

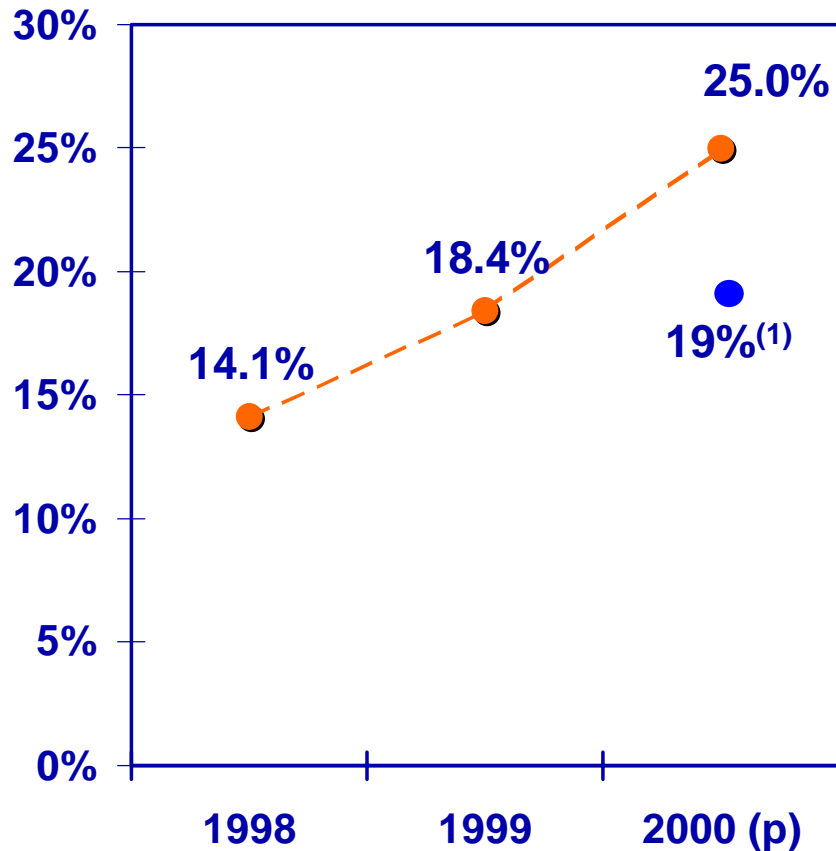
Increase profitability per customer, bringing Banespa up to our standards in Latin America

Management objectives for 2003

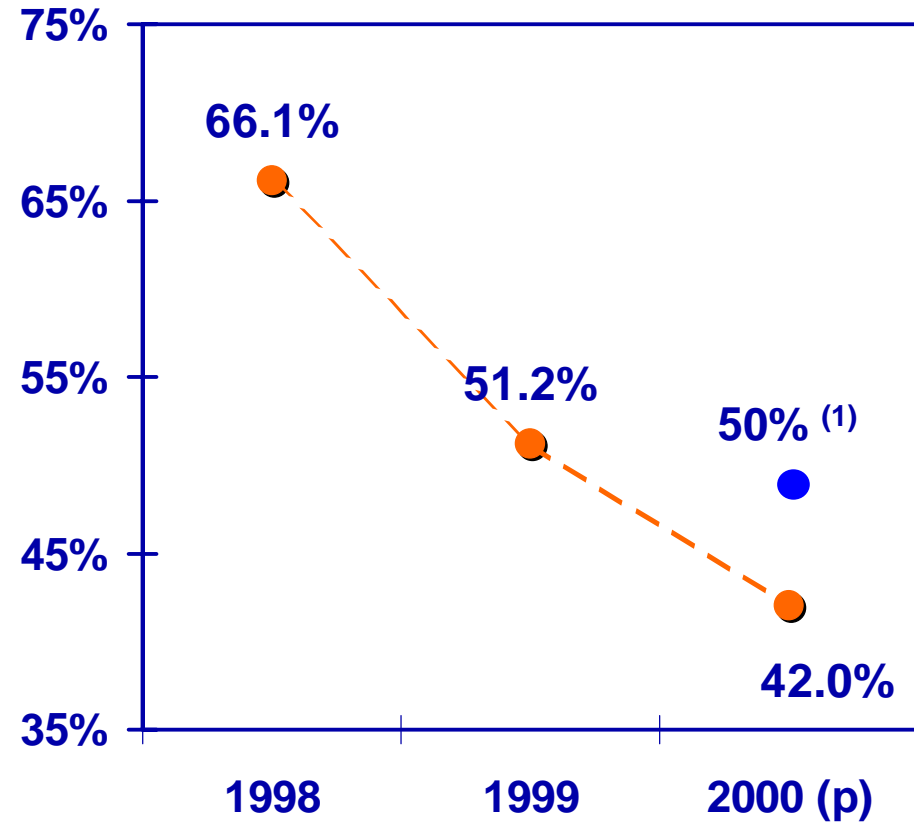


BSCH's track record in Brazil

ROE



Cost/Income Ratio



(1) With Meridional

BSCH's track record in Brazil

Summary of achievements of Banco Santander Brazil/Meridional

- **Focus South - Southeast**
 - 1st private bank Rio Grande do Sul; 95% branches in target market
- **Best wholesale bank**
 - Santander Investment + Bozano Simonsen
- **Capacity of absorption and transformation**
 - Most efficient bank in the market
 - Successful track record. Four banks integrated so far
- **Discipline and control**
 - High asset quality
 - High level of efficiency
- **One of the best management team of the country**

Pro-forma positioning - BSCH in Brazil

Main figures in Brazil: BSCH + Banespa

Mill. US\$	Banespa	BSCH	Pro-forma BSCH+Banespa
Assets	15,500	14,431	29,931
Customer funds	6,100	3,768	9,868
Loans	2,400	3,021	5,421
Mutual funds	3,600	2,764	6,364
Customers (thousands)	2,800	1,200	4,000
Branches	573	349	922
PABs (mini-branches)	742	231	973
Employees	22,620	6,244	28,864
ATMs	598	2,002	2,600
Cards (thousands)	500	956	1,456

Market shares: BSCH + Banespa

We achieve a leading position in Sao Paulo, Río Grande do Sul and the South/Southeast corridor

	Assets	Deposits	Loans	Mutual Funds
BSCH	3.3%	2.0%	2.2%	2.1%
Banespa	3.6%	3.9%	1.3%	2.5%
TOTAL BRAZIL	6.9%	5.9%	3.5%	4.6%
SUL / SUDESTE	9.0%	7.2%	5.0%	6.0%
SAO PAULO	9.4%	11.2%	4.8%	10.1%

- Leadership in Sao Paulo⁽¹⁾: 1st Bradesco, 2nd BSCH
- Leadership in Rio Grande do Sul⁽¹⁾: 1st BSCH
- Leadership in South/Southeast⁽¹⁾: 1st Bradesco, 2nd Itaú, 3rd BSCH

New positioning of the BSCH Group in Latam

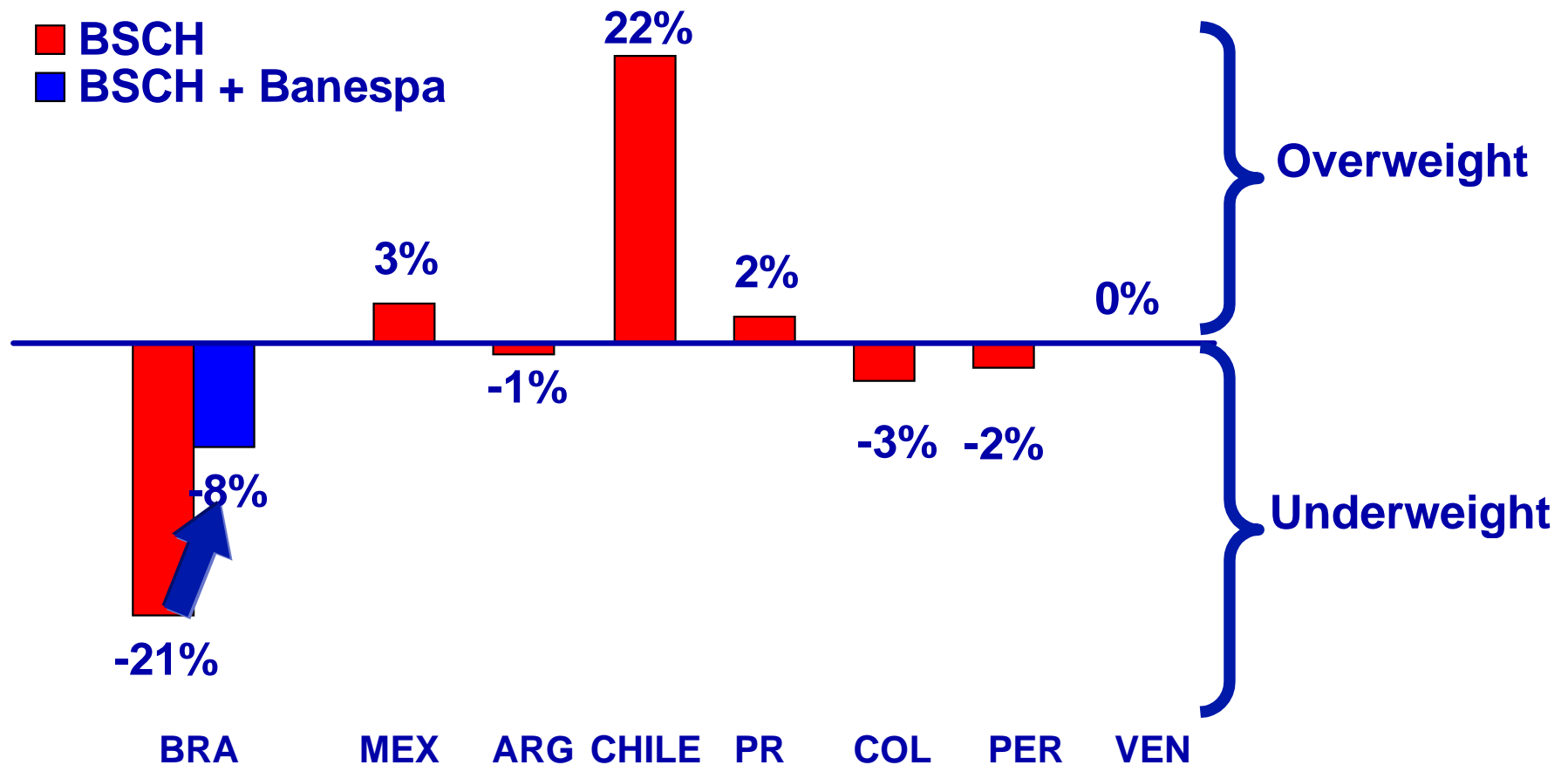
Market shares: BSCH + Banespa

TOTAL LATIN AMERICA

	Assets	Deposits	Loans	Mutual Funds
BSCH	8.9%	8.8%	9.8%	5.6%
Banespa	1.7%	1.5%	0.8%	1.9%
TOTAL	10.6%	10.3%	10.6%	7.5%

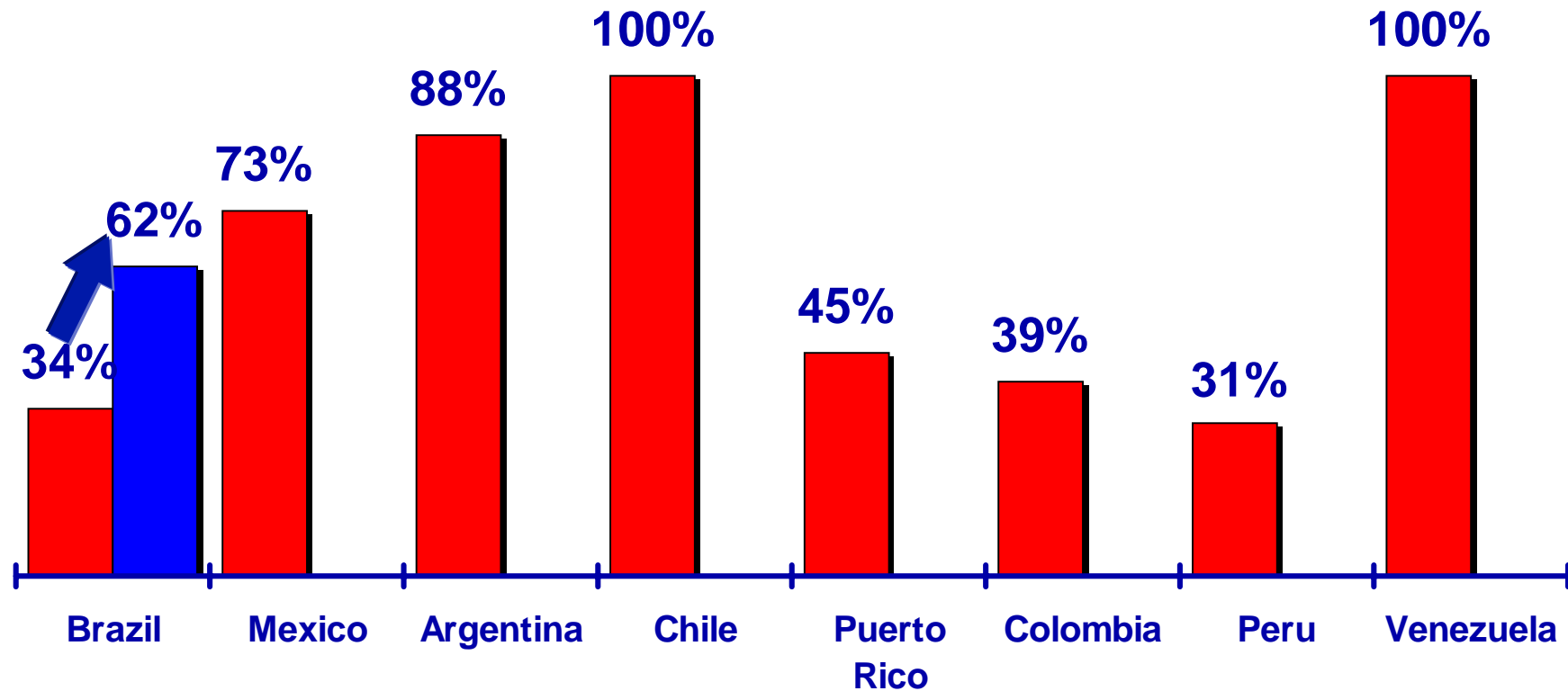
Balance the weight of Brazil in the Latin American franchise

BSCH assets weighting by country vs. "Regional Index"(1)



Achieving critical mass in Brazil

BSCH total assets as a % of market leader



#4

#3

#2

#1

#2

#4

#4

#1

Ranking⁽¹⁾

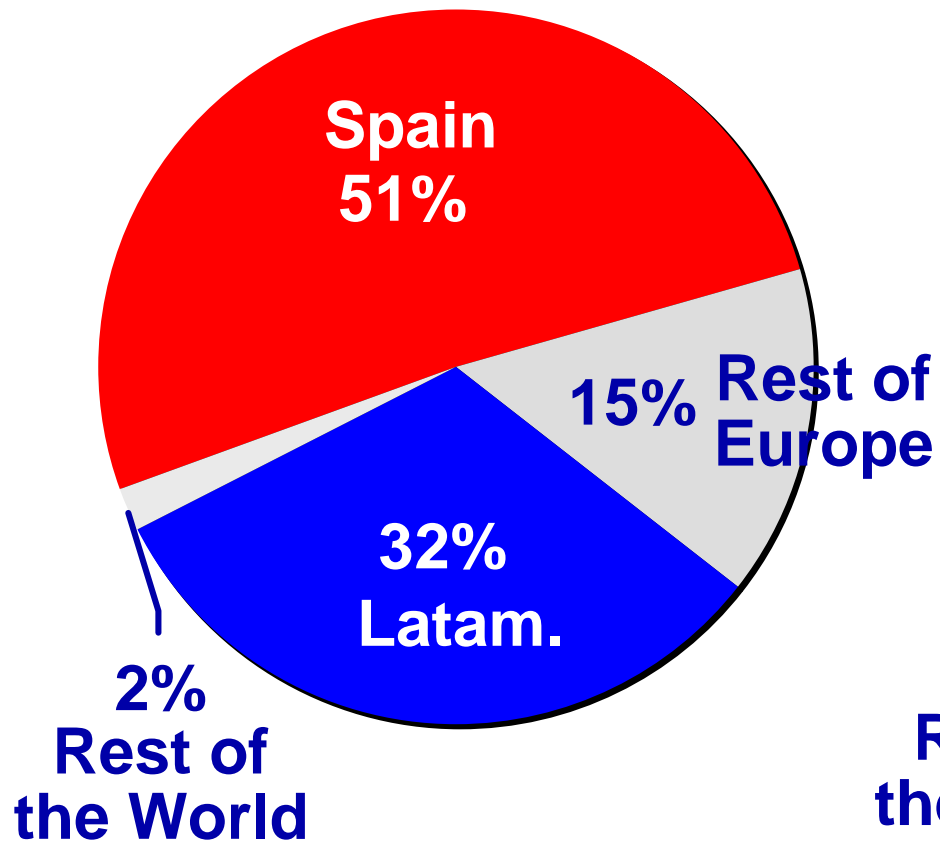
Latin America as part of BSCH Group

Mill. US\$	BSCH + Banespa	Banespa as a % of BSCH Group	Pro-forma BSCH America + Banespa	BSCH America as a % of BSCH Group
Assets	304,795	5%	110,021	36%
Loans	148,993	2%	49,394	33%
Customer funds	188,697	3%	66,493	35%
Mutual Funds	58,999	6%	14,600	25%
Pension Funds	14,606	--	10,043	69%
Branches (*)	10,935	12%	4,464	41%
Employees	128,556	18%	73,073	57%

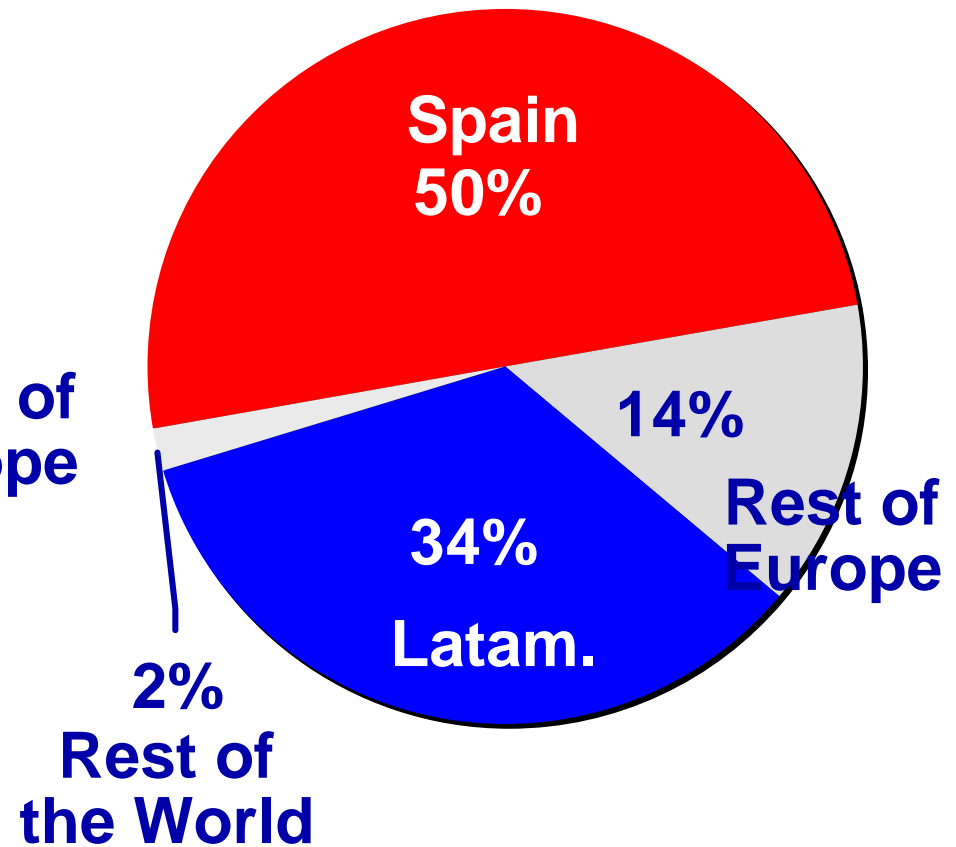
(*) PABs included

Minimum impact of the acquisition of Banespa in loans

Before Banespa's acquisition



After Banespa's acquisition



Conclusion

Conclusion

- **Achieve critical mass in Brazil in terms of customer base and distribution network**
- **Leading position in South-Southeast and Sao Paulo, the most attractive markets**
- **Banespa balances and completes BSCH's regional presence in Latin America, allowing greater diversification and a lower risk profile in aggregate terms and consolidates BSCH's position as leading financial institution in Latin America**
- **Attractive Internal Rate of Return on the Investment. Apart from its strategic importance, this operation has clear economic value**



Banco

Santander Central Hispano
