

UK – At The Heart Of Santander's Success

Madrid, 17th September 2009



Bradford & Bingley



Disclaimer

Abbey & Santander

Abbey National plc (“Abbey”) is a wholly owned subsidiary of Banco Santander, S.A. (“Santander”) (SAN.MC, STD.N). Founded in 1857, Santander has more than 60 million customers, over 10,000 offices and a presence in over 40 countries. It is the largest financial group in Spain and is a major player in Latin America and elsewhere in Europe, including in the United Kingdom (through Abbey) and in Portugal. Through Santander Consumer it also operates a leading consumer finance franchise in Germany, Italy, Spain and ten other European countries.

Santander has a secondary listing of its ordinary shares on the London Stock Exchange and Abbey continues to have its preference shares listed on the London Stock Exchange. Nothing in this presentation constitutes or should be construed as constituting a profit forecast.

Disclaimer

Abbey and Santander both caution that this presentation may contain forward-looking statements. The US Private Securities Litigation Reform Act of 1995 contains a safe harbour for forward-looking statements on which we rely in making such statements in documents filed with the US Securities and Exchange Commission. Such forward looking statements are found in various places throughout this presentation. Words such as “believes”, “anticipates”, “expects”, “intends”, “aims” and “plans” and similar expressions are intended to identify forward looking statements, but they are not the exclusive means of identifying such statements. Forward-looking statements include, without limitation, statements concerning our future business development and economic performance. These forward looking statements are based on management’s current expectations, estimates and projections and both Abbey and Santander caution that these statements are not guarantees of future performance. We also caution readers that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, (1) inflation, interest rate, exchange rate, market and monetary fluctuations; (2) the effect of, and changes to, regulation and government policy; (3) the effects of competition in the geographic and business areas in which we conduct operations; (4) technological changes; and (5) our success at managing the risks of the foregoing. The foregoing list of important factors is not exhaustive. When relying on forward-looking statements to make decisions with respect to Abbey or Santander, investors and others should carefully consider the foregoing factors and other uncertainties and events. Such forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Statements as to historical performance, historical share price or financial accretion are not intended to mean that future performance, future share price or future earnings (including earnings per share) for any period will necessarily match or exceed those of any prior year.

This presentation is not a form of statutory accounts.

Contents

01. Overview of UK Market Environment

02. Santander UK Performance Drivers

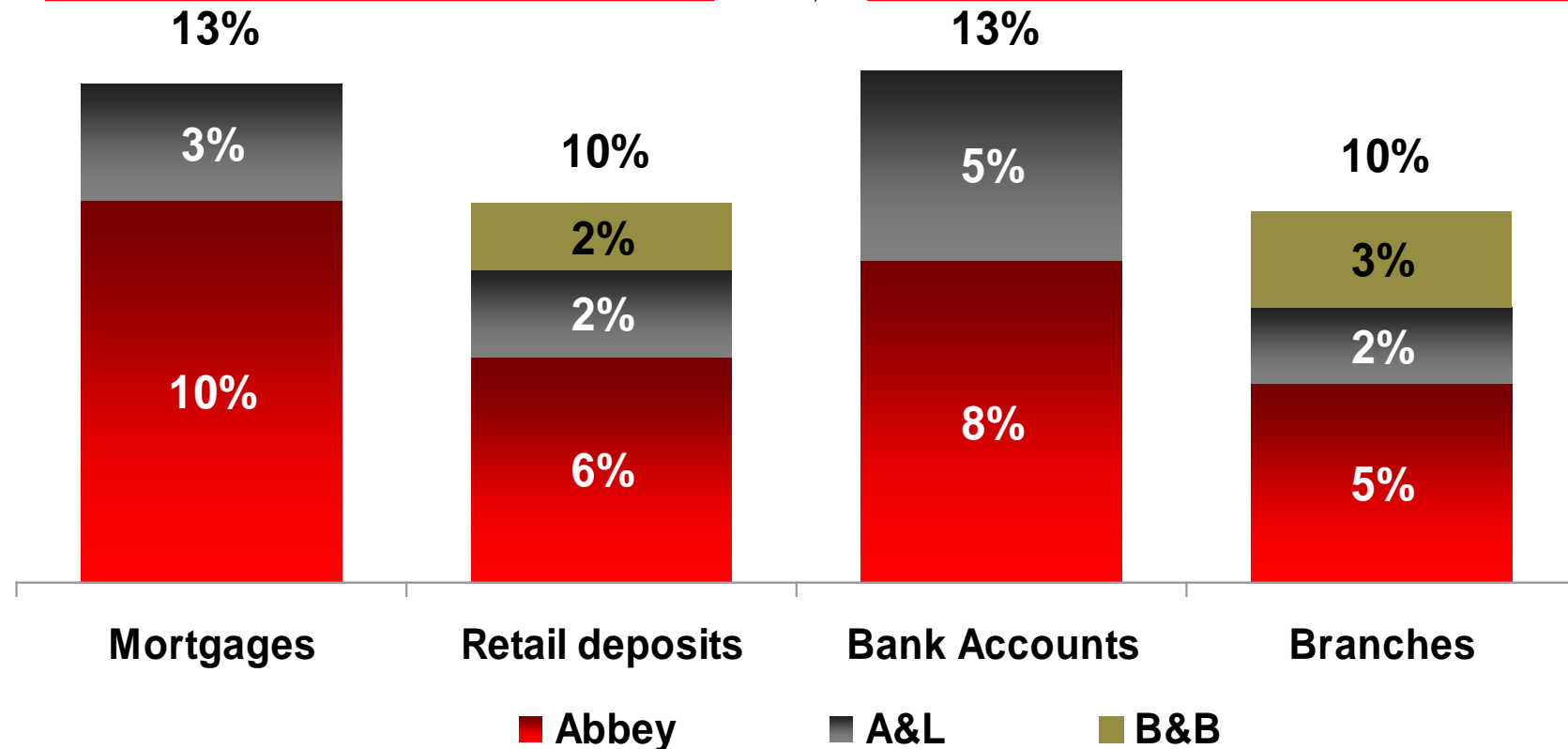
Overview of UK competitors

LBG	SAN UK	Barclays
<ul style="list-style-type: none">▪ Mortgages mark. share: 28.5%▪ Retail deposits mark. share: 18.2%▪ Retail Bank Acc.: c.22 million▪ Branches 2008: c.2,982▪ Main Businesses:<ul style="list-style-type: none">▪ Lloyds TSB▪ Cheltenham & Gloucester▪ Halifax▪ Bank of Scotland▪ Lloyds TSB Scotland▪ Scottish Widows▪ Intelligent Finance	<ul style="list-style-type: none">▪ Mortgages mark. share: 13.1%▪ Retail deposits mark. share: 10.1%▪ Retail Bank Acc.: c.7.3 million▪ Branches 2008: 1,328▪ Main Businesses:<ul style="list-style-type: none">▪ Abbey▪ A&L▪ B&B Savings	<ul style="list-style-type: none">▪ Mortgages mark. share: 6.9%▪ Retail deposits mark. share: 7.4%▪ Retail Bank Acc.: c.11.4 million▪ Branches 2008: 1,724▪ Main Businesses:<ul style="list-style-type: none">▪ Barclays▪ Woolwich
RBS	Nationwide	HSBC
<ul style="list-style-type: none">▪ Mortgages mark. share: 6.6%▪ Retail deposits mark. share: 6.9%▪ Retail Bank Acc.: c.12.6 million▪ Branches 2008: 2,279▪ Main Businesses:<ul style="list-style-type: none">▪ RBS▪ Natwest▪ Direct Line▪ Churchill	<ul style="list-style-type: none">▪ Mortgages mark. share: 10.6%▪ Retail deposits mark. share: 10.7%▪ Retail Bank Acc.: c.4.8 million▪ Branches 2008: c.900▪ Main Businesses:<ul style="list-style-type: none">▪ Nationwide▪ The Mortgage Works	<ul style="list-style-type: none">▪ Mortgages mark. share: 4.6%▪ Retail deposits mark. share: n.a.▪ Retail Bank Acc.: n.a.▪ Branches 2008: 1,444▪ Main Businesses:<ul style="list-style-type: none">▪ HSBC▪ First Direct▪ M&S Money▪ John Lewis (Finance)

Santander UK achieving a critical mass in core PFS markets through organic growth and acquisitions

Santander vertical strategy: Increasing our share of core markets

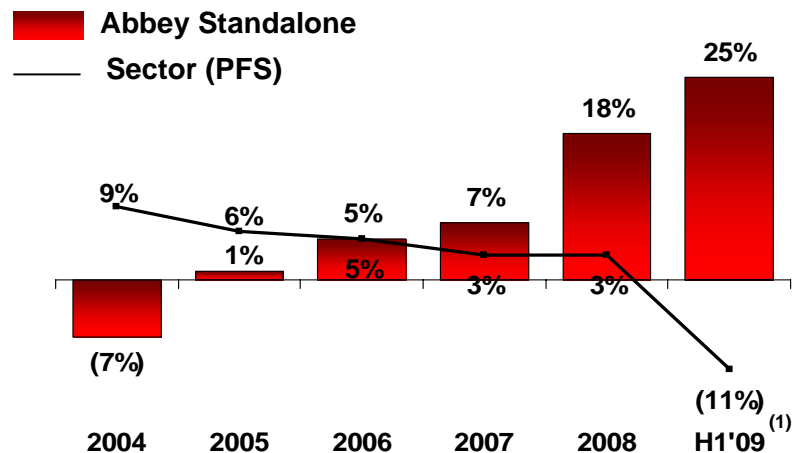
Abbey average share across markets c. 6% → Combined average share across markets c. 11%



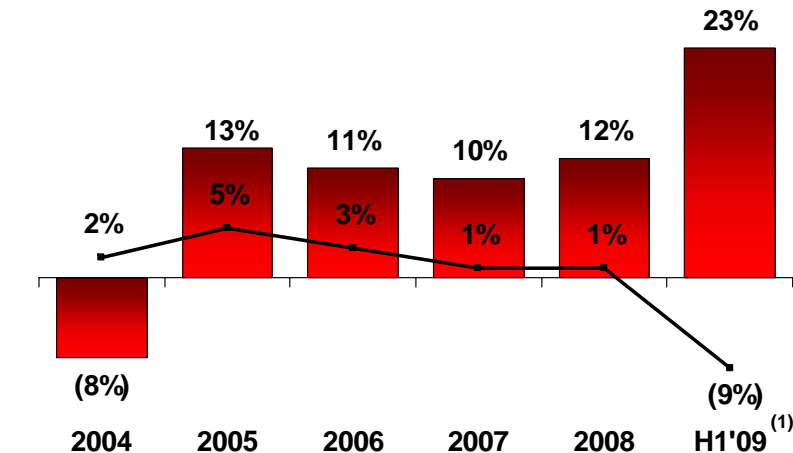
The UK business contributed more than 16% to Group revenues in H1'09 and by PAT is now ranked 12th in Europe

While earnings in the UK PFS sector are under pressure in the current environment, Santander UK continues to perform well...

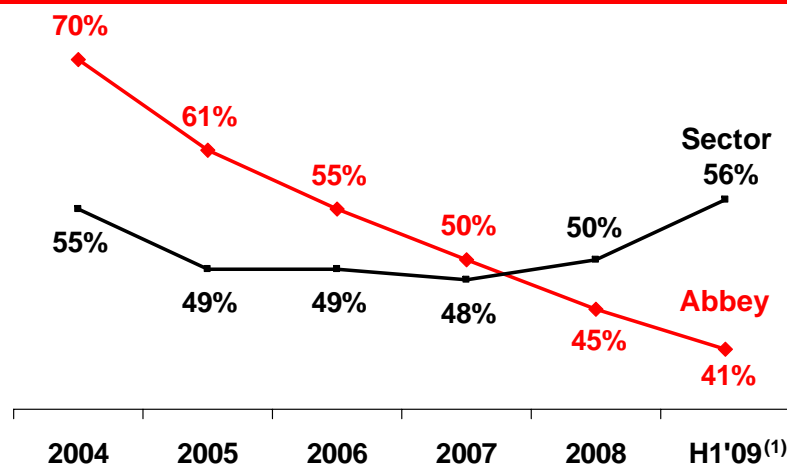
Revenue growth



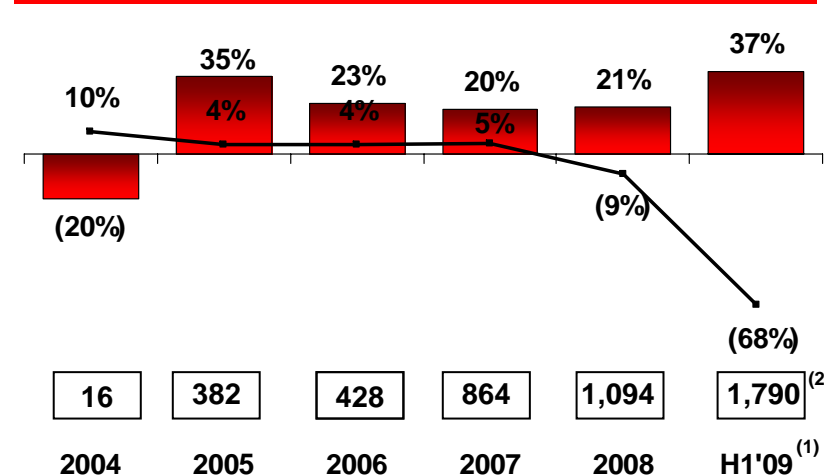
Jaws



Efficiency

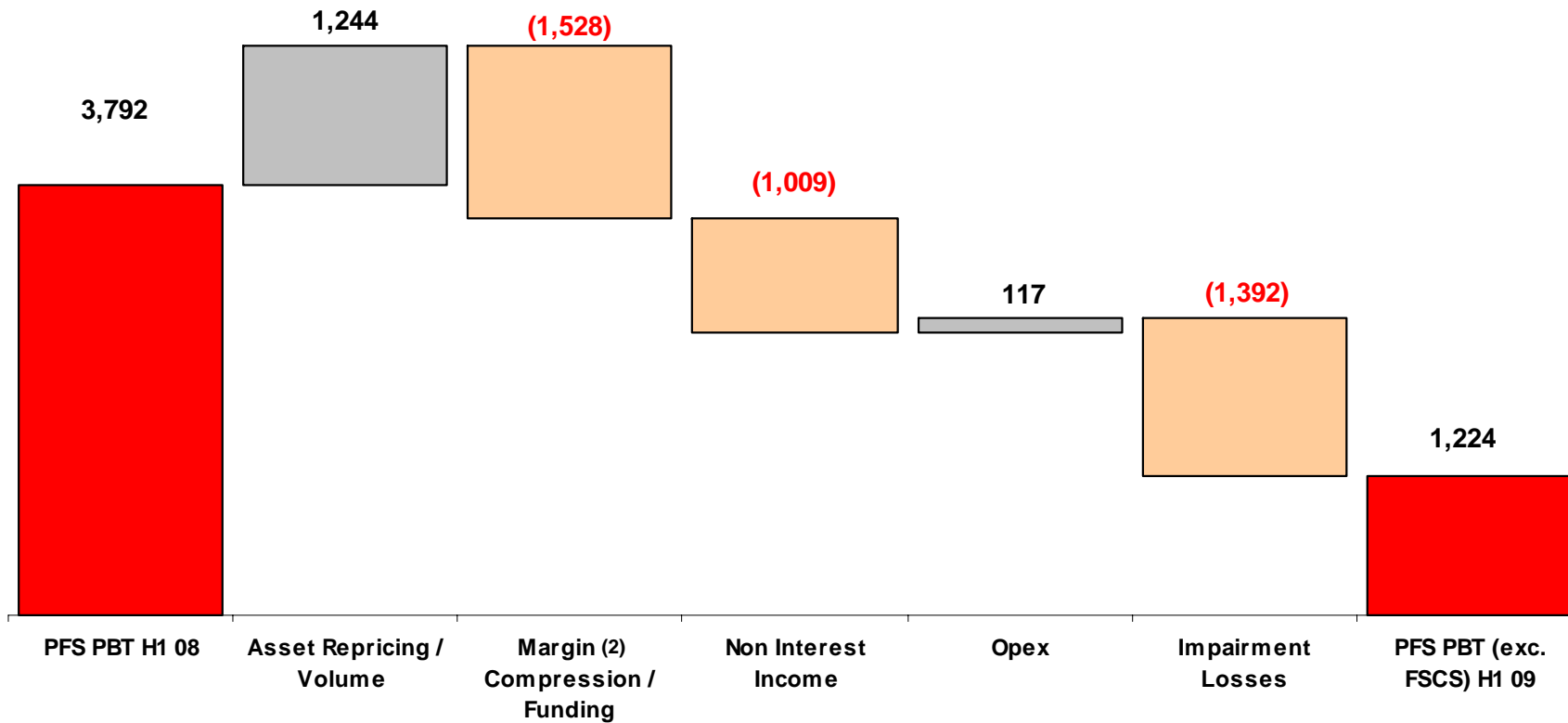


PBT



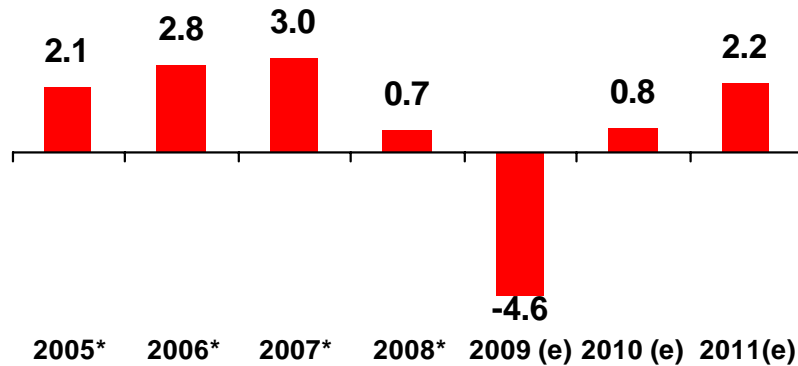
...with five key factors driving the performance differential

SAN UK						
Contribution to PBT change	>90%	<(10)%	<(20)%	>2% ⁽¹⁾	<(35)%	>22%
Sector						
Contribution to PBT change	33%	(40)%	(27)%	3%	(37)%	(68)%

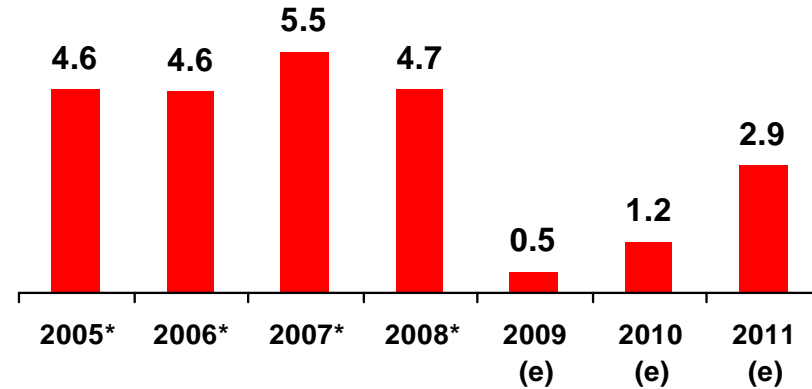


The outlook for the economic environment is showing signs of improvement 2009 onwards

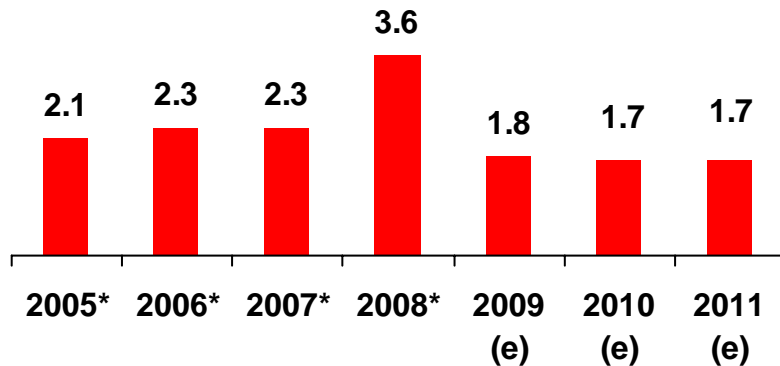
Annual GDP Growth (%, annual average)



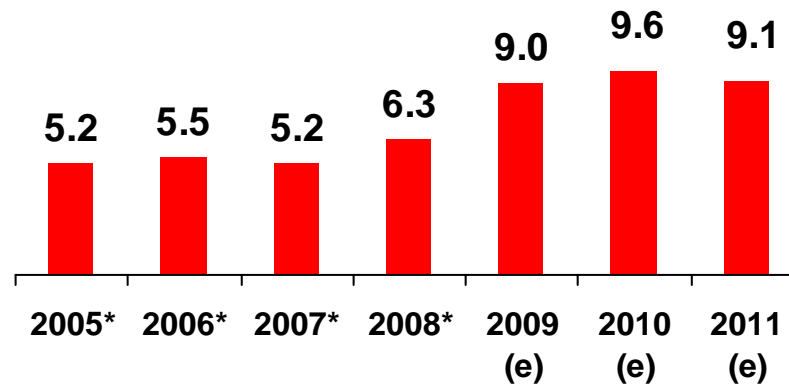
Interest Rates (% annual average)



Annual CPI inflation rate (%, annual average)



Unemployment Rate (ILO %)



*source - Office for National Statistics & Bank of England

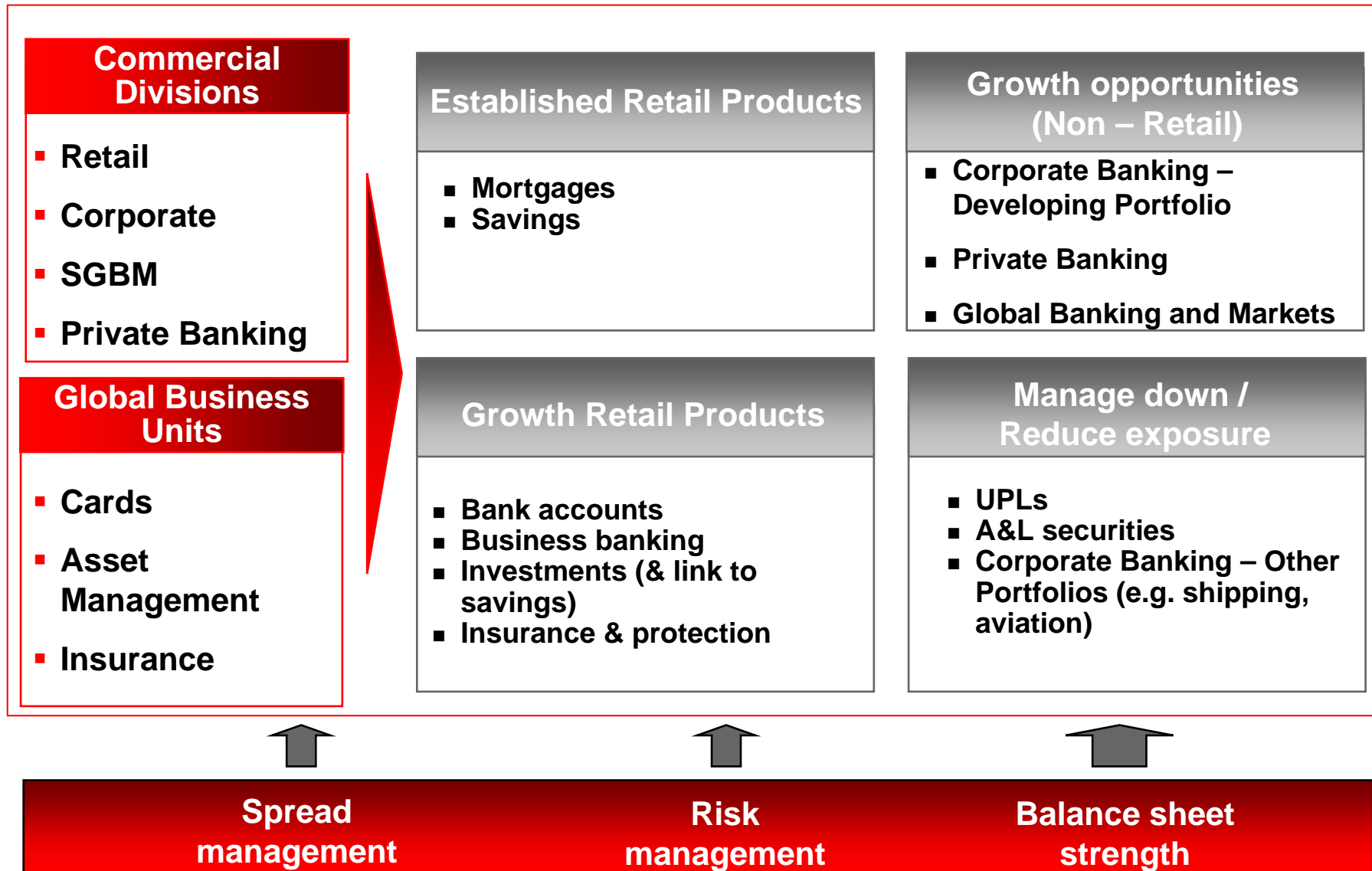
(e) estimated by Abbey

Contents

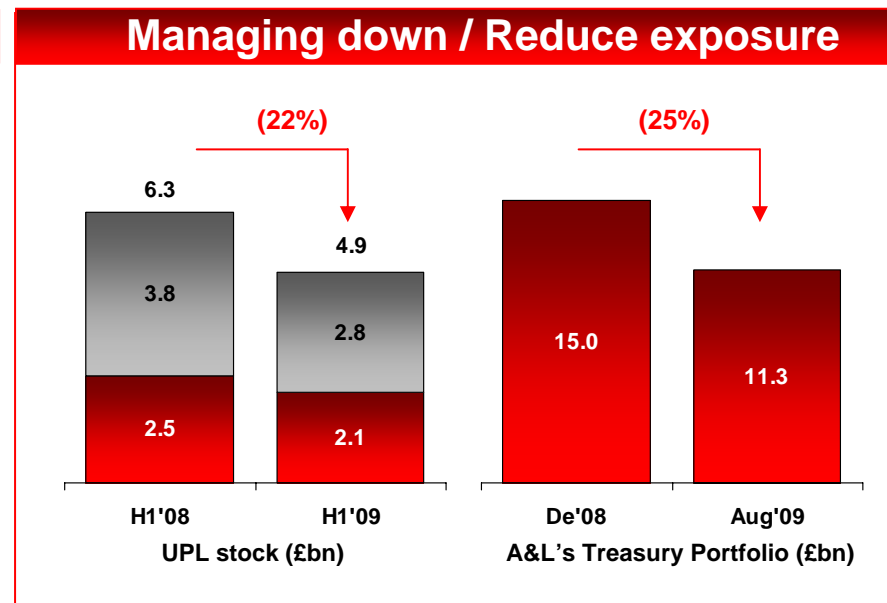
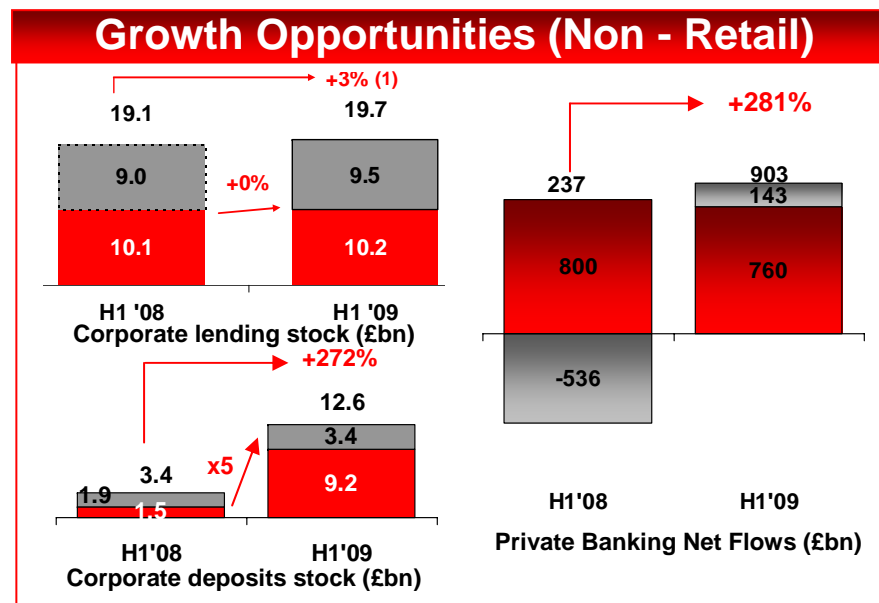
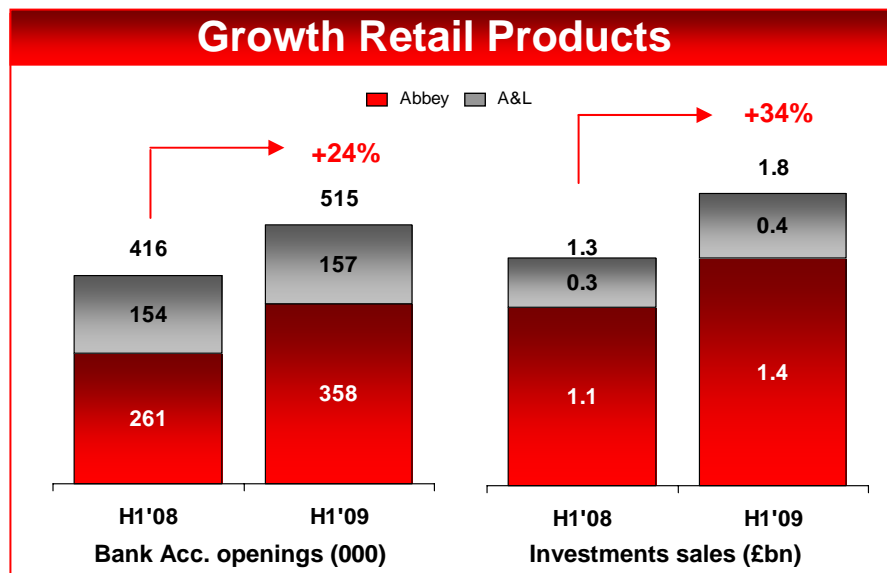
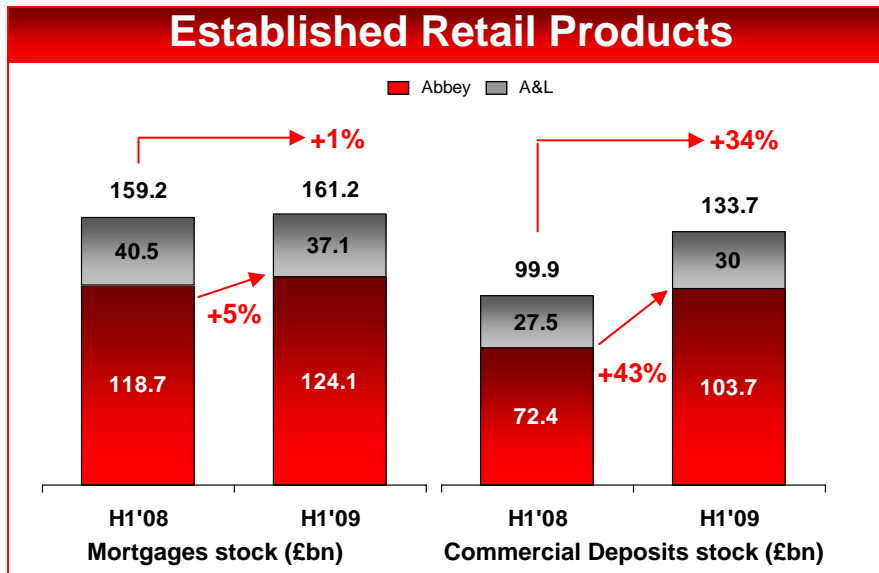
01. Overview of UK Market Environment

02. Santander UK Performance Drivers

Managing Santander UK's portfolio of businesses



Managing Santander UK's portfolio of businesses (cont.)



Consistent Results

1

Backed by the operating areas' performance...

2

...the income statement shows strong underlying business...

3

...and reflects the management priorities:

- Revenue increase
 - Mix management of volume/return
- Flat costs
 - Disciplines/ synergies
- Provisions according to forecast
 - Active management of risks / recoveries

Balance Sheet Strength

4

Low risk balance sheet

- Better portfolio quality in core markets...
- ...and larger provisions

5

Capital base and funding

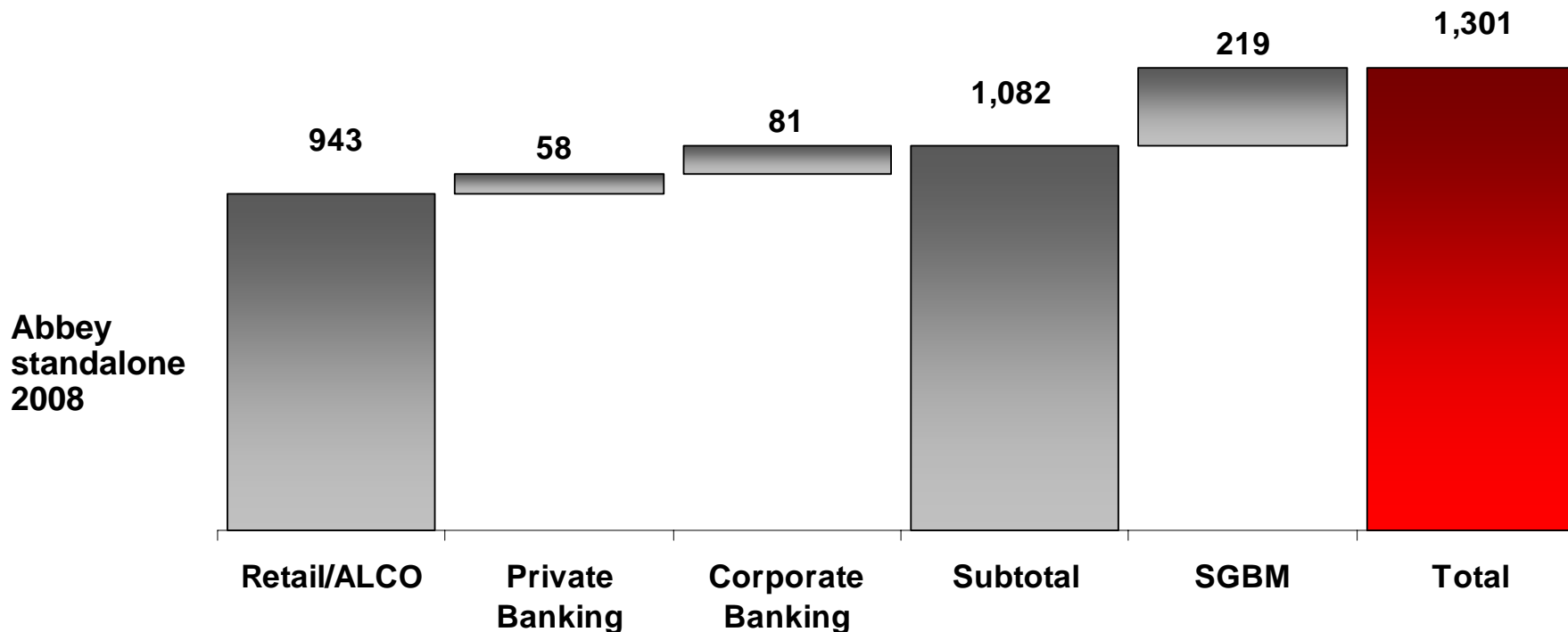
- Driving better Return on RWAs
- Improving LDR

Amid the global recession we maintain our capacity to generate higher earnings than our competitors

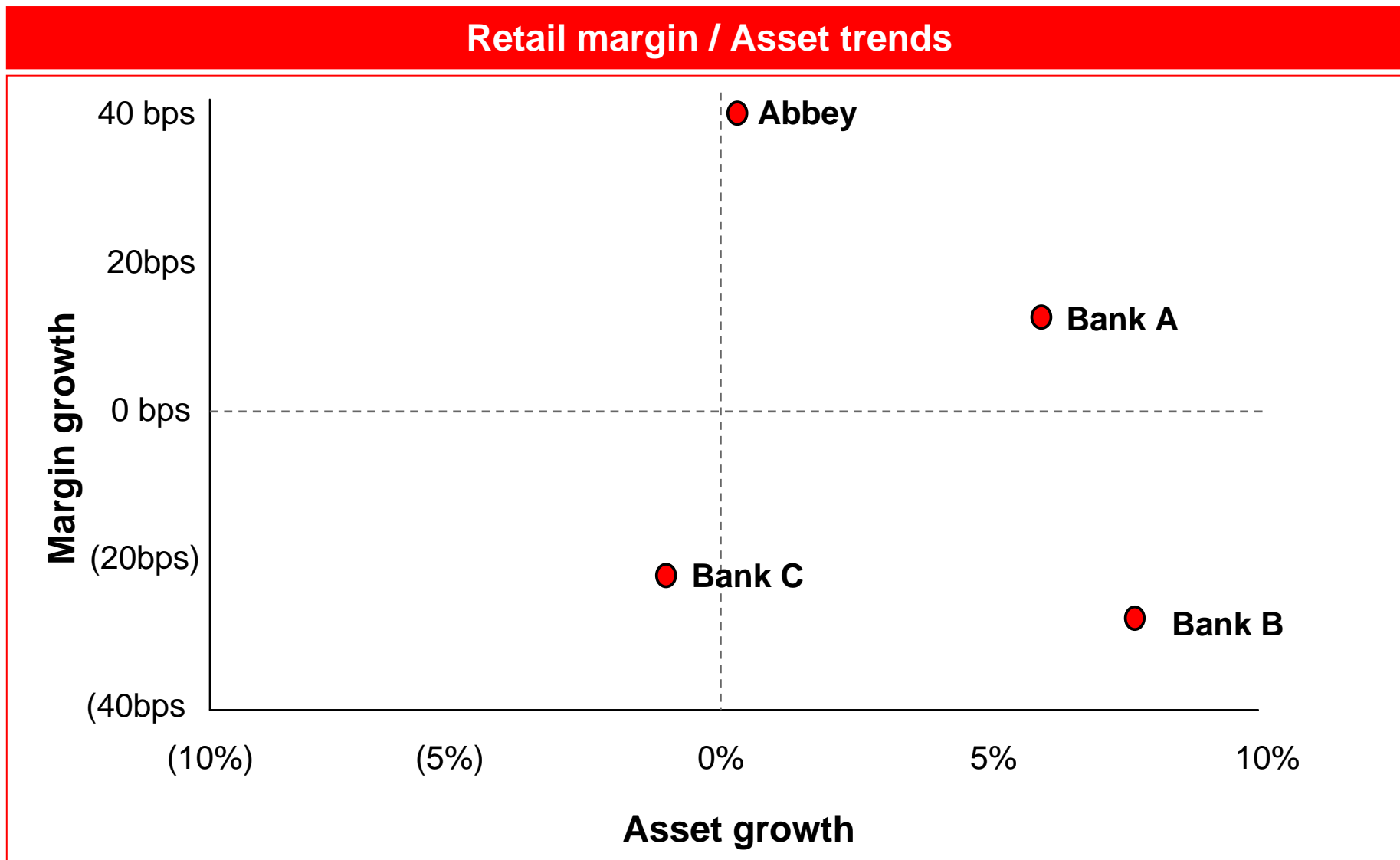
1 & 2 PFS PBT growth in all businesses and on track to deliver 5th successive year of double digit PBT growth



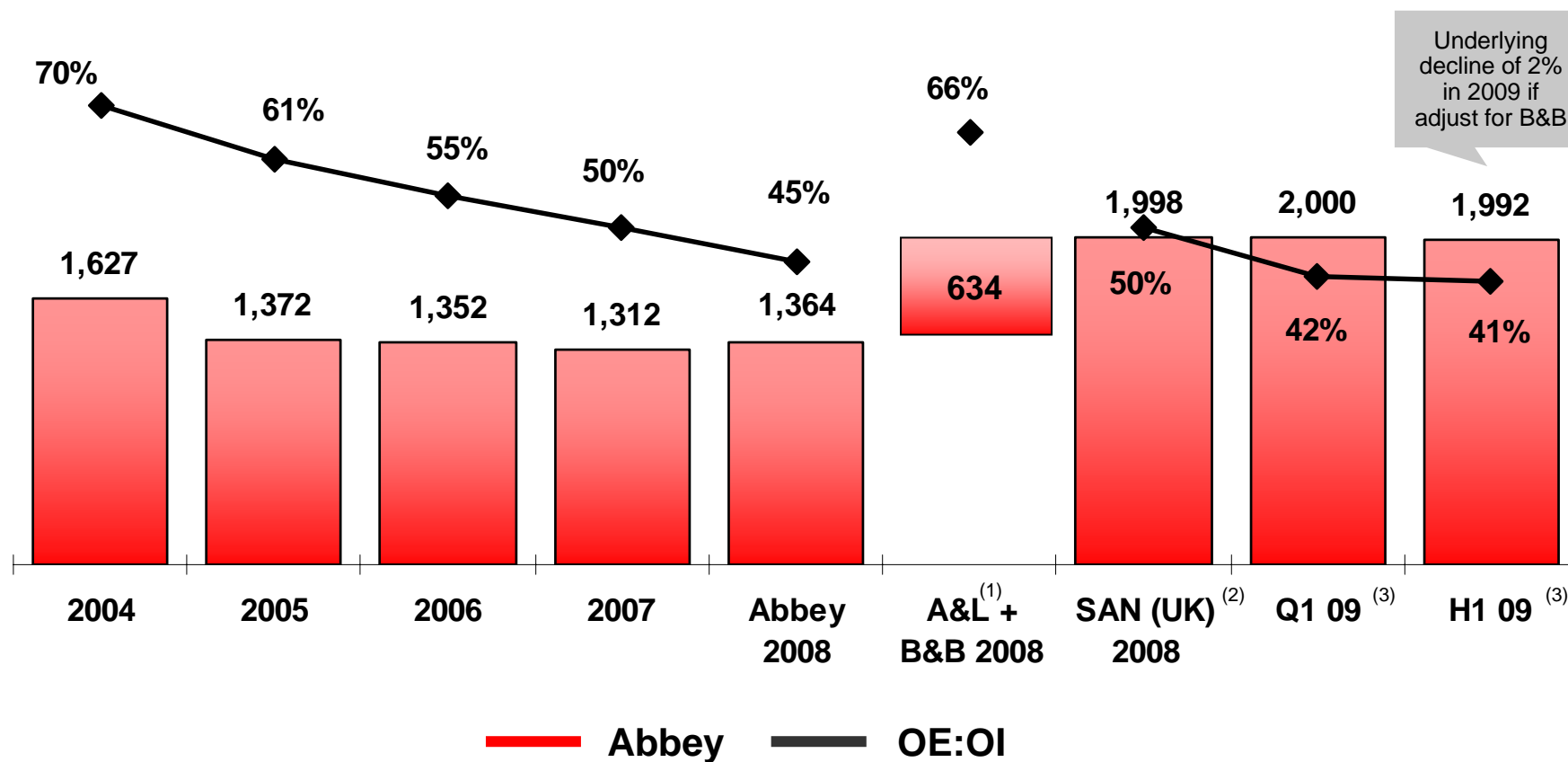
Abbey 2005	£520m	£8m	£31m	£559m	£115m	£674m
CAGR	22%	94%	38%	25%	24%	25%
Assets ⁽¹⁾	£163.4bn	-	£19.9bn	£185.3bn	£35.0bn	£218.3bn ⁽¹⁾
Deposits	£107.1bn	£13.4bn	£10.9bn	£134.3bn	£32.3bn	£161.4bn



3 Active balance sheet growth and margin management



3 Strict cost management



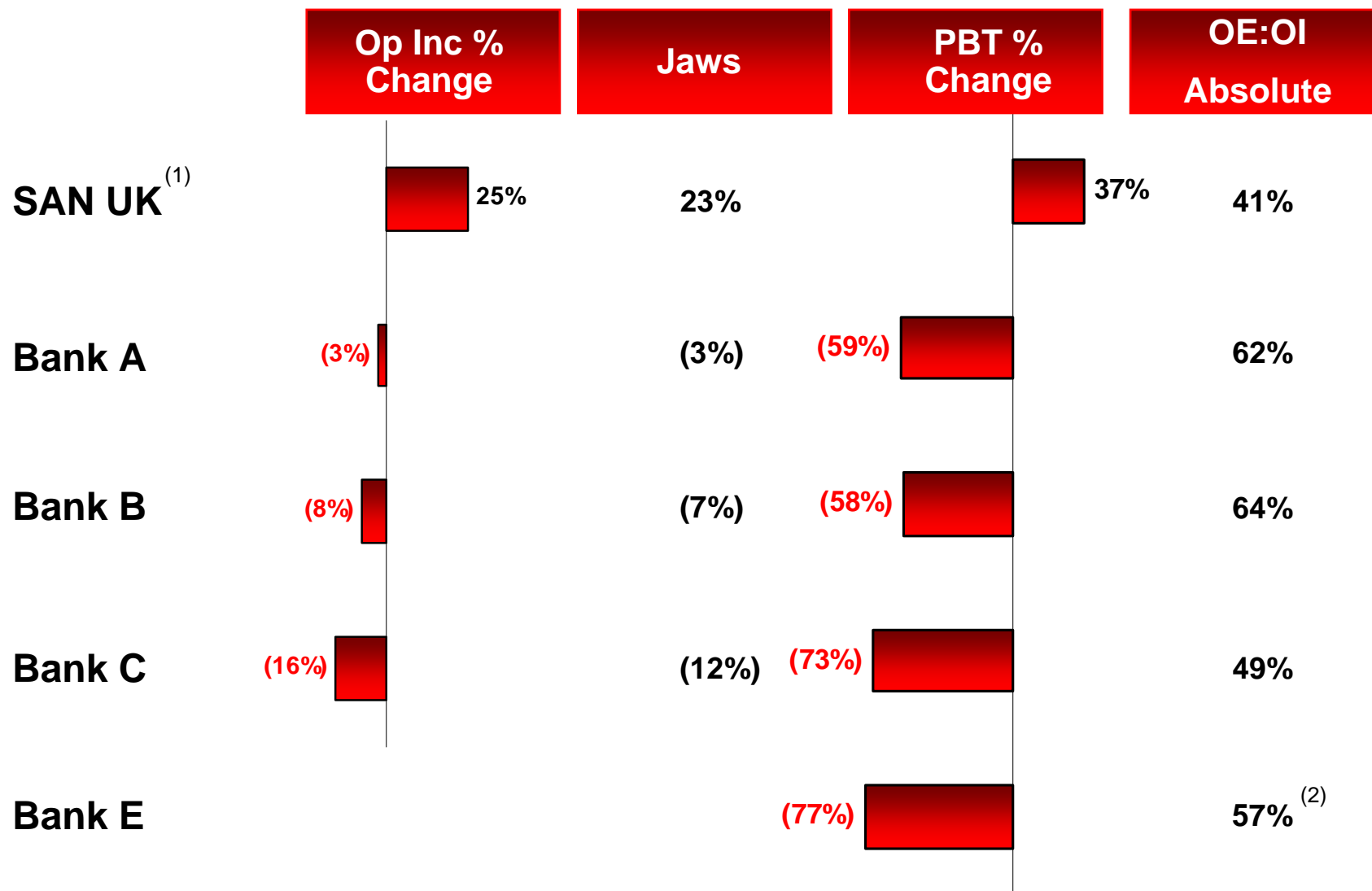
Notes:

(1) Based on proforma underlying costs and earning for A&L

(2) On a proforma basis

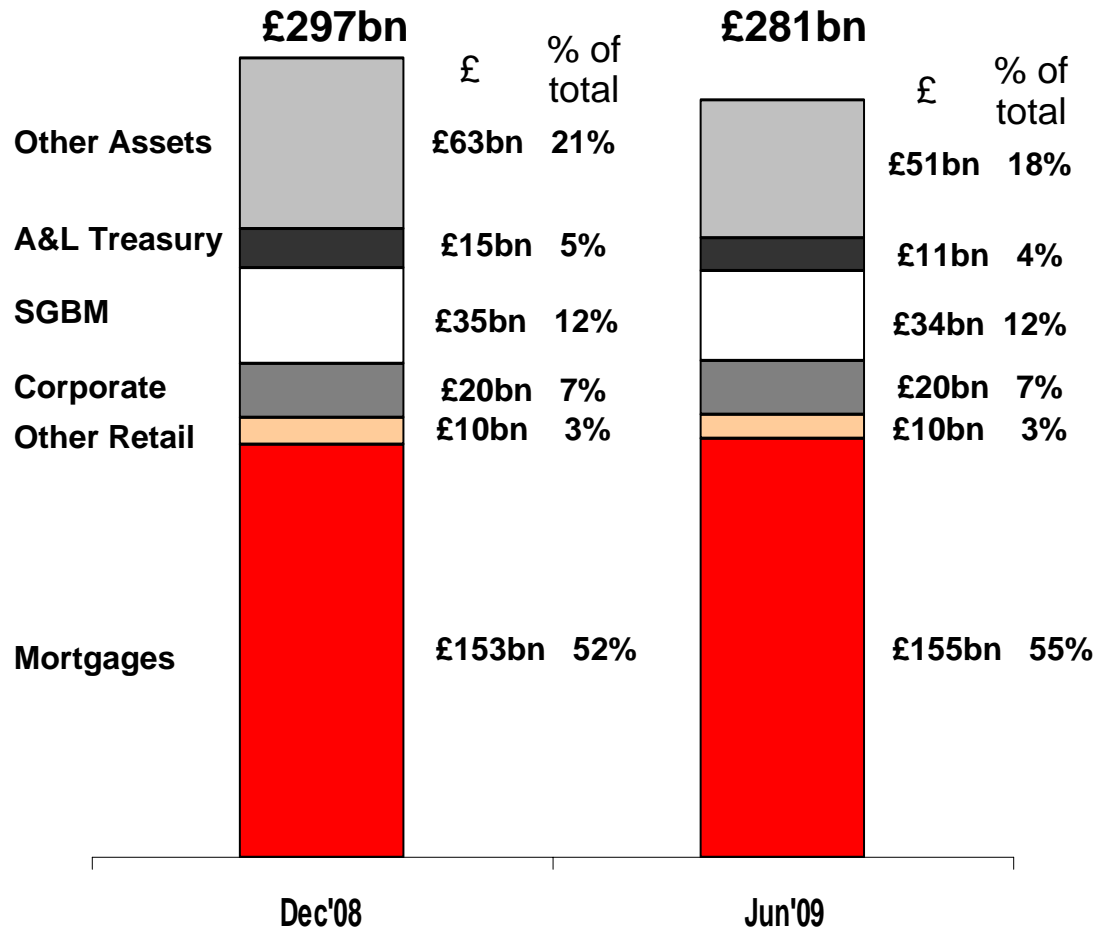
(3) Q1 and H1 costs and income annualised. Underlying decline in 2009 excluding B&B costs

3 Driving differential to other UK banks



Figures displayed represent H1 2009 absolute or H1 2009 growth versus H1 2008

4 High quality, transparent and low risk balance sheet



High quality

- Over half the balance sheet comprises high quality mortgage lending with average LTV of stock 53%. Other Retail is mainly comprised of £3.8bn commercial mortgages and £4.6bn UPLs

Transparent

- Corporate contains £6.3bn of Social Housing and £13.4bn other Corporate (£9.5bn A&L Corporate and £3.4bn Abbey Corporate)
- A&L Treasury assets being deleveraged

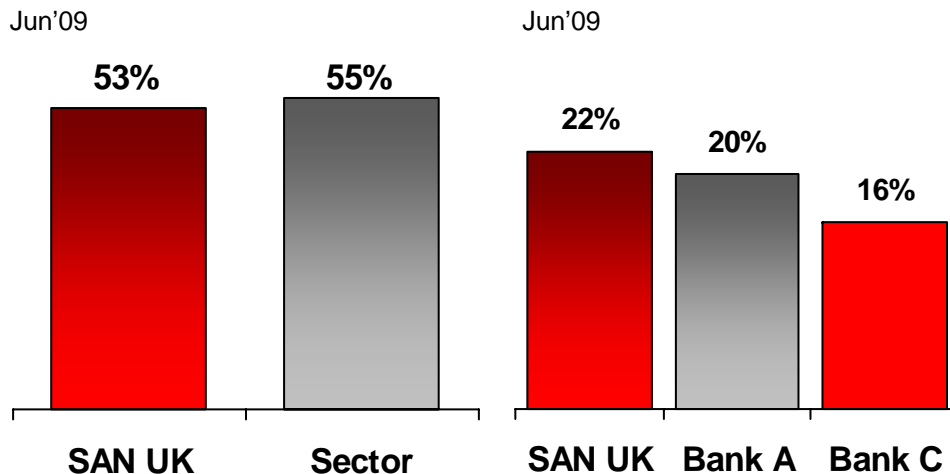
Low Risk

- Other assets contain low risk Group Assets, Government securities and Cash held for liquidity purposes.

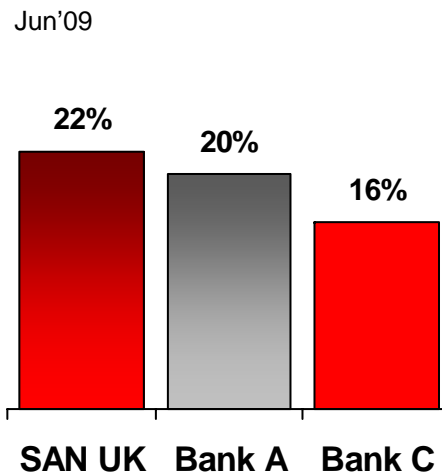
4 Low risk secured portfolio



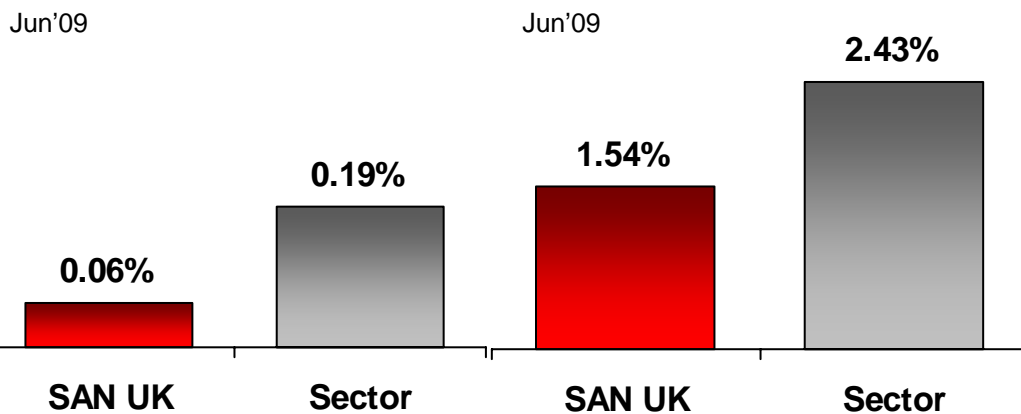
Avg. LTV stock



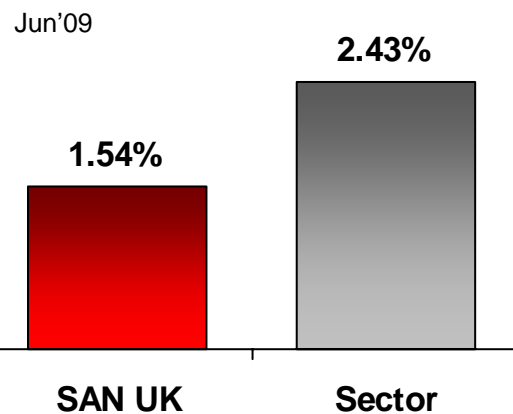
Sec. Coverage ratio



PIPs



NPLs



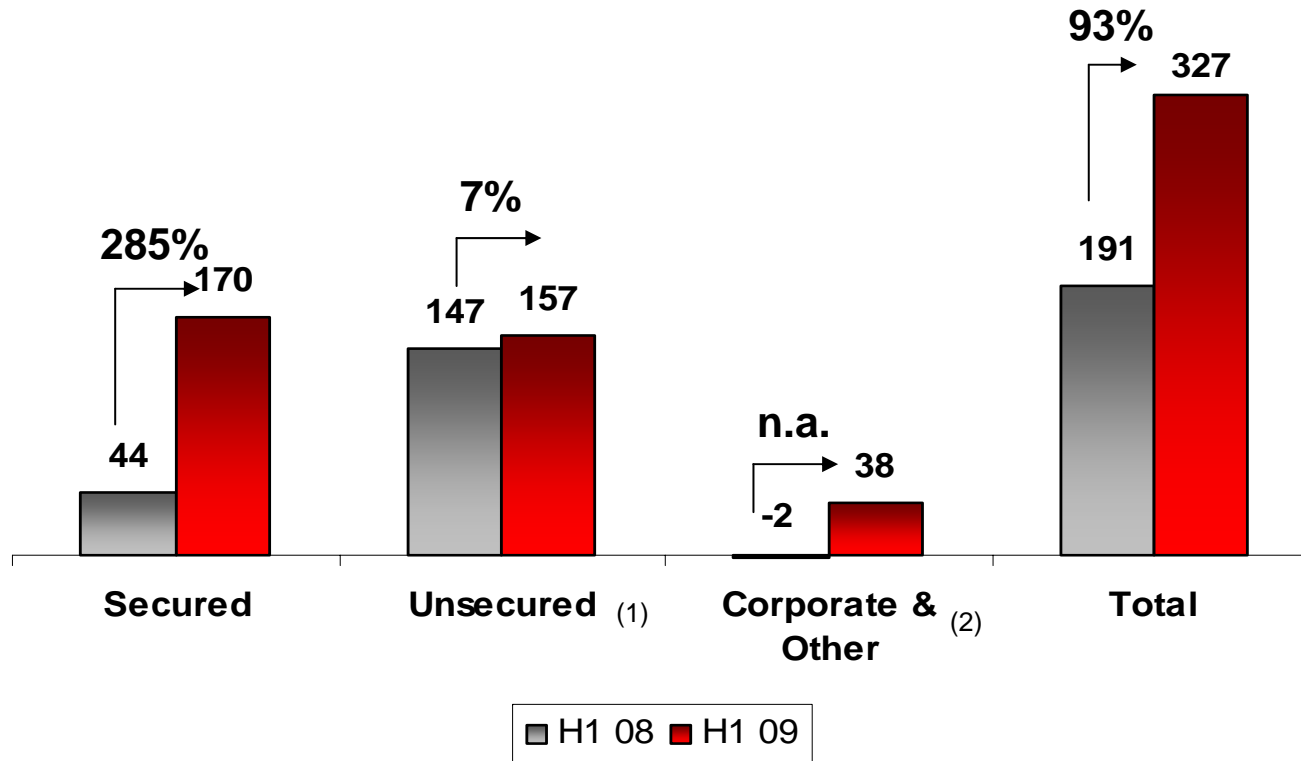
Sectors Source: Council Mortgage Lenders

- In preparation of the worsening economic environment, Abbey tightened credit criteria during Q4 '07 and has continued tightening during 2008 and into H1 '09 with currently no new lending >90% LTV
- Abbey maintained conservative coverage of both the high quality secured portfolio (secured coverage ratio 22% vs. main peers less than 20%) and the reducing unsecured portfolio (unsecured coverage ratio >100% vs. peers no bigger than 75%)
- High quality prime residential nature of the portfolio and reduced exposure to unsecured lending, puts Abbey in a robust position given the economic environment
- The stock of properties in possession has decreased by 27 properties by June 2009 from the year end position of 969



4 Provisions charges in line with expectations

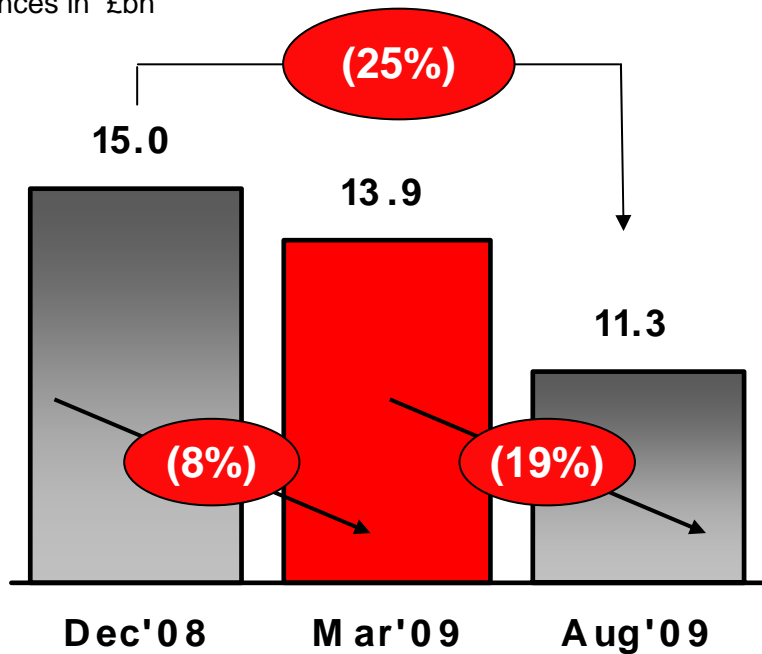
NPLs	2,294	245	480	3,199
Coverage	21.5%	125.3%	67.0%	45.4%



4 A&L deleveraged

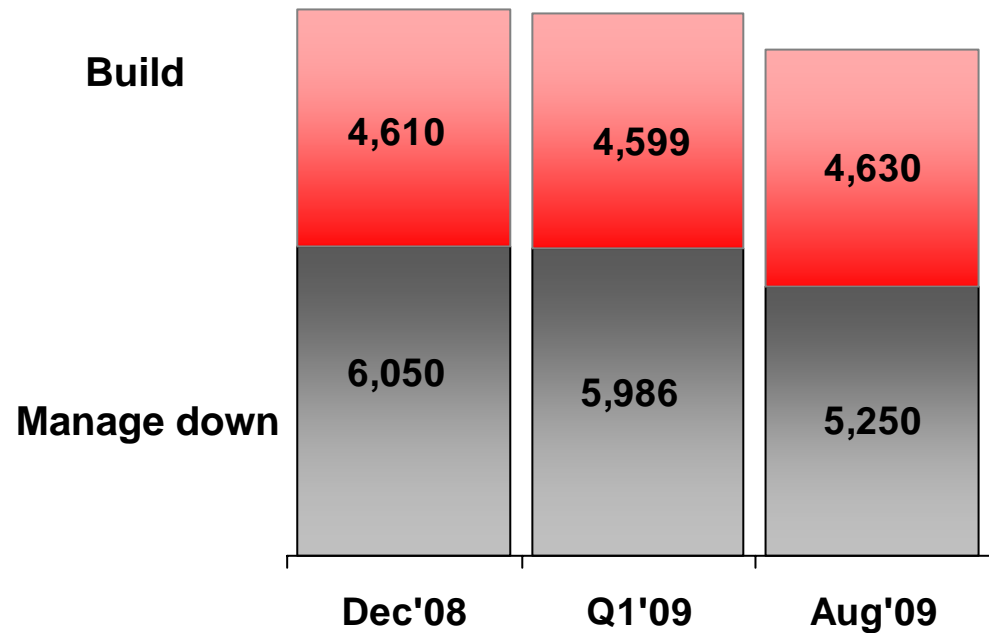
Securities portfolio

Balances in £bn



- business being run down taking advantage of market evolution as opportunities appear
- portfolio performing in line with expectations, consistent with the level of provisions raised at the time of its acquisition by Santander

Corporate portfolio



- Build**
 - portfolio aligned to commercial strategy
 - risk profile consistent with Santander / Abbey
- Manage down**
 - collateral offsets c. £2.1bn
 - actively manage down

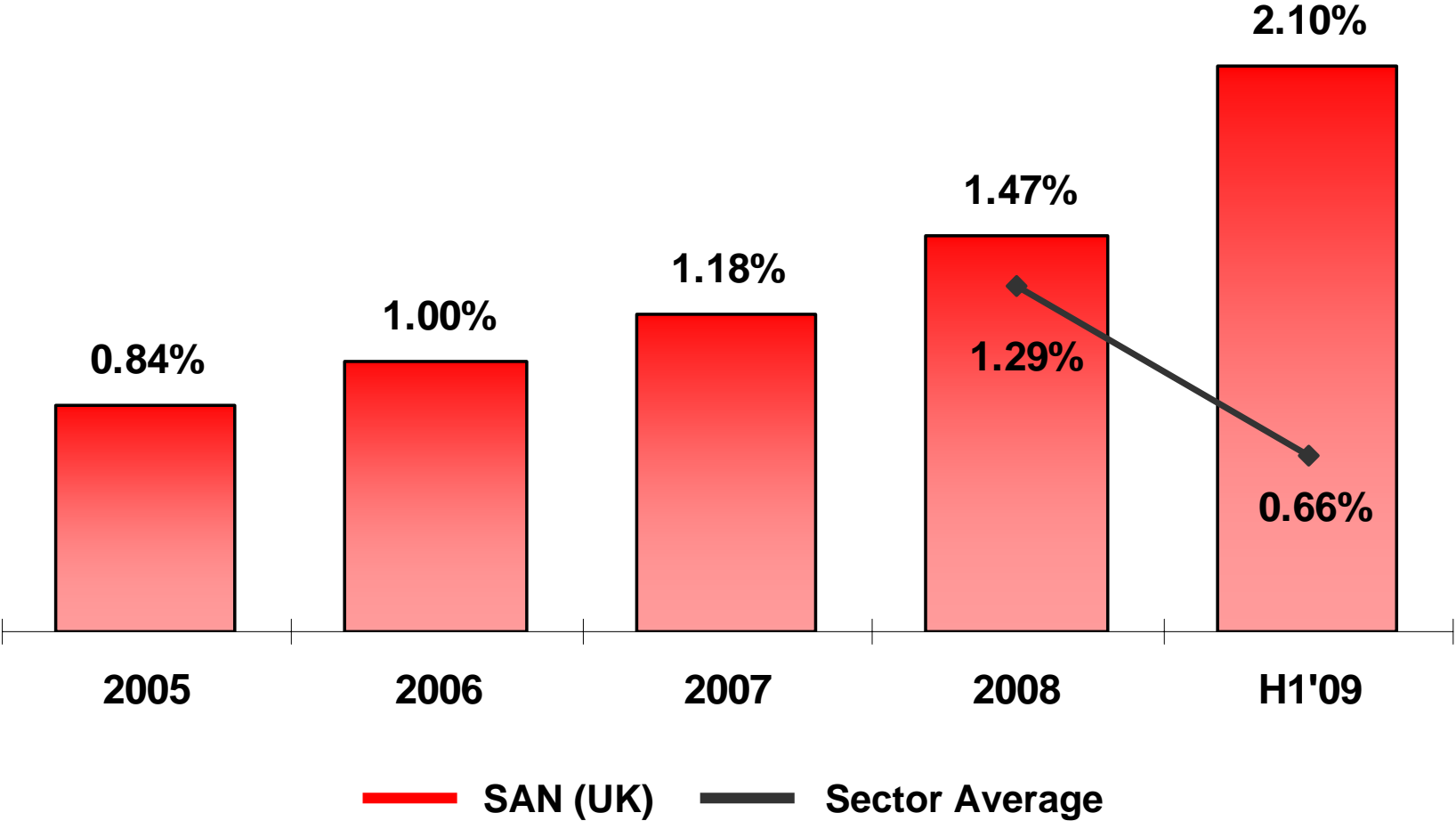
5 Funding strategy improving loan to deposit ratio



	Dec 2007	June 2009	Key Comments
SAN UK	199%	138%	<ul style="list-style-type: none"> Acquisitions of A&L and B&B have strengthened the funding of the balance sheet and created a platform for future growth.
Bank A	115%	121%	<ul style="list-style-type: none"> Focus on driving growth in savings and investments <ul style="list-style-type: none"> - £4.7bn net commercial deposit flow in H1'09 - API grown by 34% over the past year compared to market decline of c23%
Bank B	103%	115%	<ul style="list-style-type: none"> Growing bank account base – on track to achieve 2009 target of opening 1 million new current accounts
Bank C	174%	183%	<ul style="list-style-type: none"> Developing deeper multi product relationships with corporate clients through full service banking proposition

5

Driving a better return on RWA's



Santander UK's performance and model differentiation continuing to be recognised by rating agencies

	SAN UK	
	Jun'08	Jun'09
Moody's	Aa3	Aa3
S&P	AA	AA
Fitch	AA-	AA-

“Moody’s confirmed the Aa3 senior debt and deposit ratings for Abbey and A&L... the ratings confirmations reflect Moody’s view supported by the accelerated pace of engagement between Abbey and A&L, as evidenced by rapid developments in organization combinations, operational coordination, network consolidation and common branding.... Gains from centralized funding, cost and margin management are already apparent in notably stronger net interest margins for A&L which have improved considerably from FY08...”

(Moody’s Investor Service press release 26th August)

Investor Relations

Abbey House

Level 5

2 Triton Square

Regents Place

London NW1 3AN

e-mail: ir@abbey.com

www.abbey.com

Julian Brown

Tel. +44 (0) 20 7756 4275

Simon Donovan

Tel. +44 (0) 20 7756 4476



Investor Relations

Ciudad Grupo Santander

Edificio Pereda, 1st floor

Avda de Cantabria, s/n

**28660 Boadilla del Monte, Madrid
(Spain)**

**Tel.: +34 91 259 65 14 - +34 91 259
65 20**

Fax: +34 91 257 02 45

e-mail:

investor@gruposantander.com

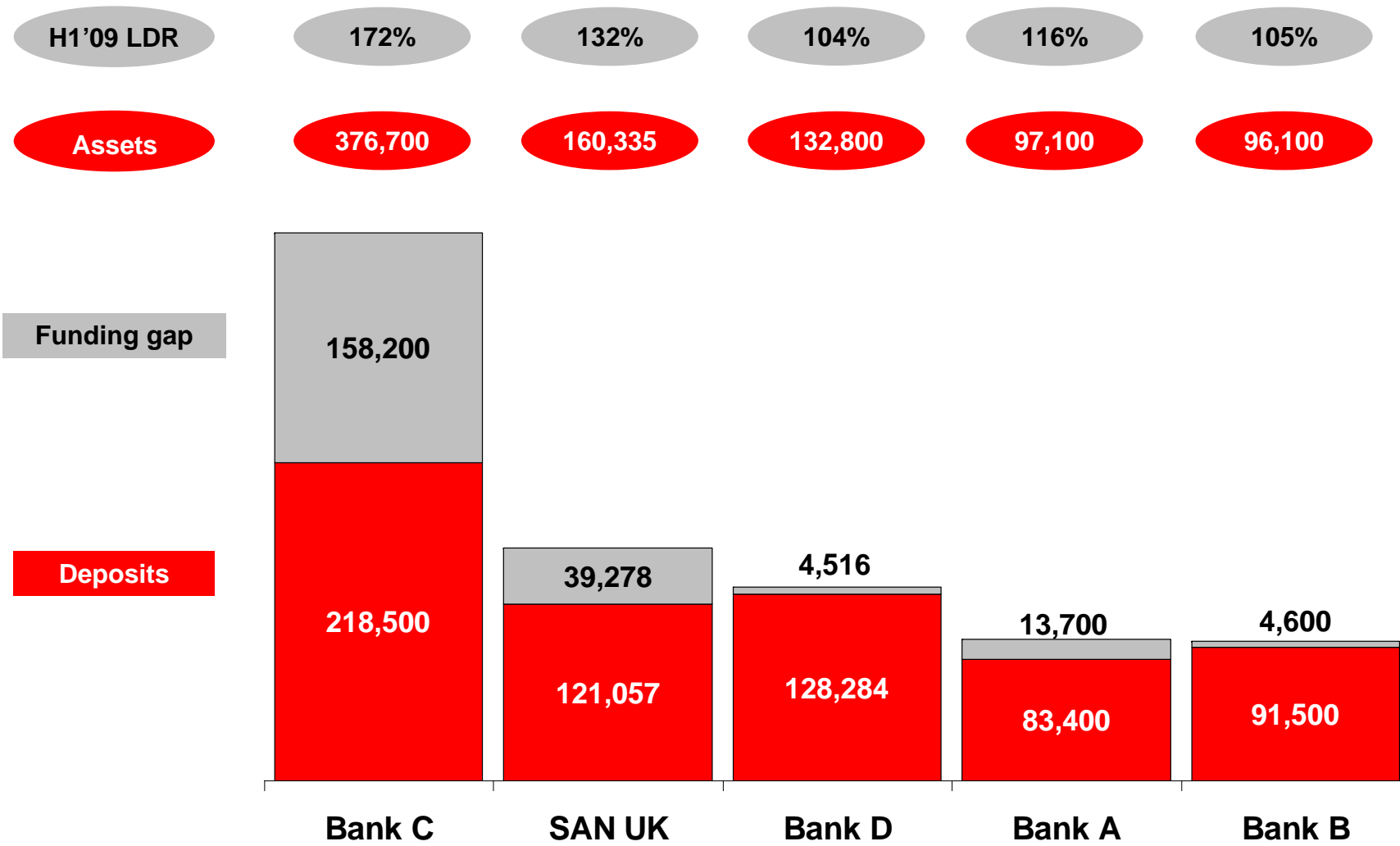
www.santander.com



Appendix

Recent consolidations have left 5 major PFS players in the UK... 26

Retail Deposits and Assets – UK sector (£bn)



...a dramatic change over the last two years

Commercial Deposits and Assets – UK sector (£bn)

H2'07 LDR	174%	115%	199%	103%	125%
H1'09 LDR	183%	121%	138%	115%	121%
Assets	574,500	203,100	184,314	170,600	155,200

