Santander Rights Issue

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Important information

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The prospectus will give further details of the New Shares and the Pre-emptive Subscription Rights to be offered pursuant to the Rights Issue.

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The Share Securities Note and the Summary of the share capital increase of Banco Santander, S.A. with pre-emptive subscription rights through the issuance of ordinary shares of the Bank (the “Capital Increase”) are currently pending approval by the National Securities Market Commission (“CNMV”) in Spain. Once approved, the Share Securities Note and the Summary, together with the Share Registration Document approved and registered by the CNMV on October 29, 2008, will constitute the Prospectus of the Capital Increase, which will be made available to investors on the web sites of Santander (www.santander.com) and the CNMV (www.cnmv.es), at the registered offices of Santander, the relevant stock exchanges and the agent.

Proposed rights issue

Why we propose this rights issue

Conclusions

EUR 7.2bn capital increase

Amount	■ Capital increase of EUR 7.2bn with Preferential Subscription Rights ■ Number of shares: 1,599mm
Terms and Conditions*	■ 1 new share for 4 existing ones ■ Pricing: EUR 4.5 per share ■ Discount: 46.0% to previous day price or 40.6% to TERP ■ Theoretical value of each subscription right: EUR 0.77 ■ Merrill Lynch structured the transaction, which is fully underwritten ■ Merrill Lynch, Banc of America and Santander Investment are acting as global coordinators and joint bookrunners; Credit Suisse as joint bookrunner; Calyon as joint lead-manager; and Fox-Pitt Kelton as co-lead manager
Timetable	■ Subscription period: 13 Nov.-27 Nov. ■ Expected Listing of new shares: 4 Dic.
Financial impact**	■ Core Tier 1 impact: >100bp

(*) Calculated on the basis of the closing share price of 7 November 2008 of €8.34
(**) Calculated based on the average expected 2008E RWAs for UBS, KBW, Morgan Stanley, Merrill Lynch and Raymond James equity research estimates. Pro-forma for $61bn RWAs linked to Sovereign

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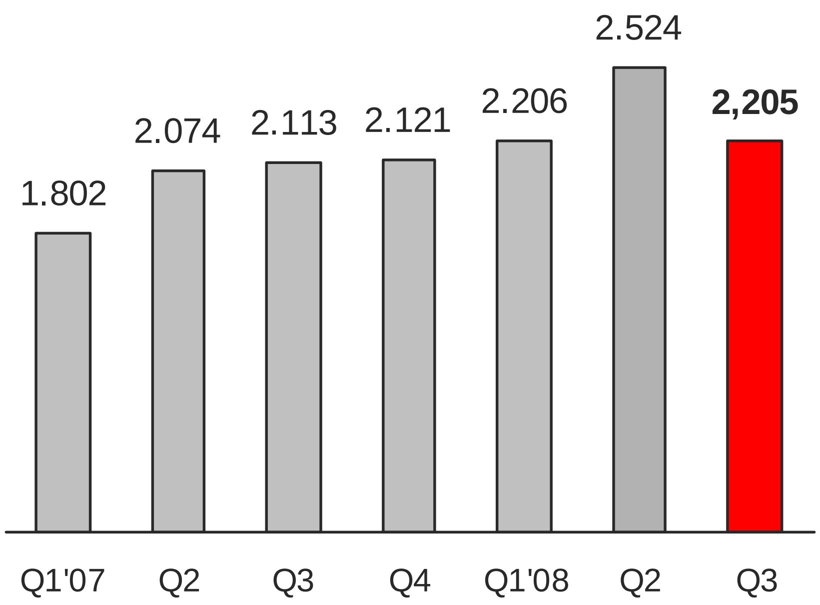
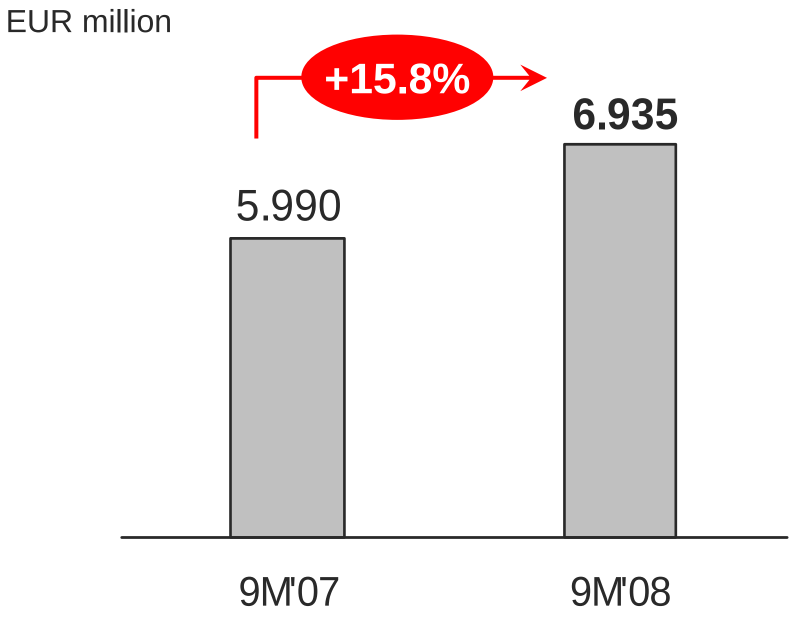
In Q3'08 Santander again did well in an extremely complex environment ...

Quarterly ordinary attributable profit



EPS* (€ cents)	28.9	33.2	33.9	31.9	33.1	37.9	**33.0**

Group's ordinary attrib. profit



EPS* (€)	0.96	**+8.3%**	**1.04**

In Q3'08 capital gains of EUR 586 million from the sale of Santander Financial City are not included

(*) To calculate the EPS we are including the number of shares corresponding to Valores Santander issued in October 2007.

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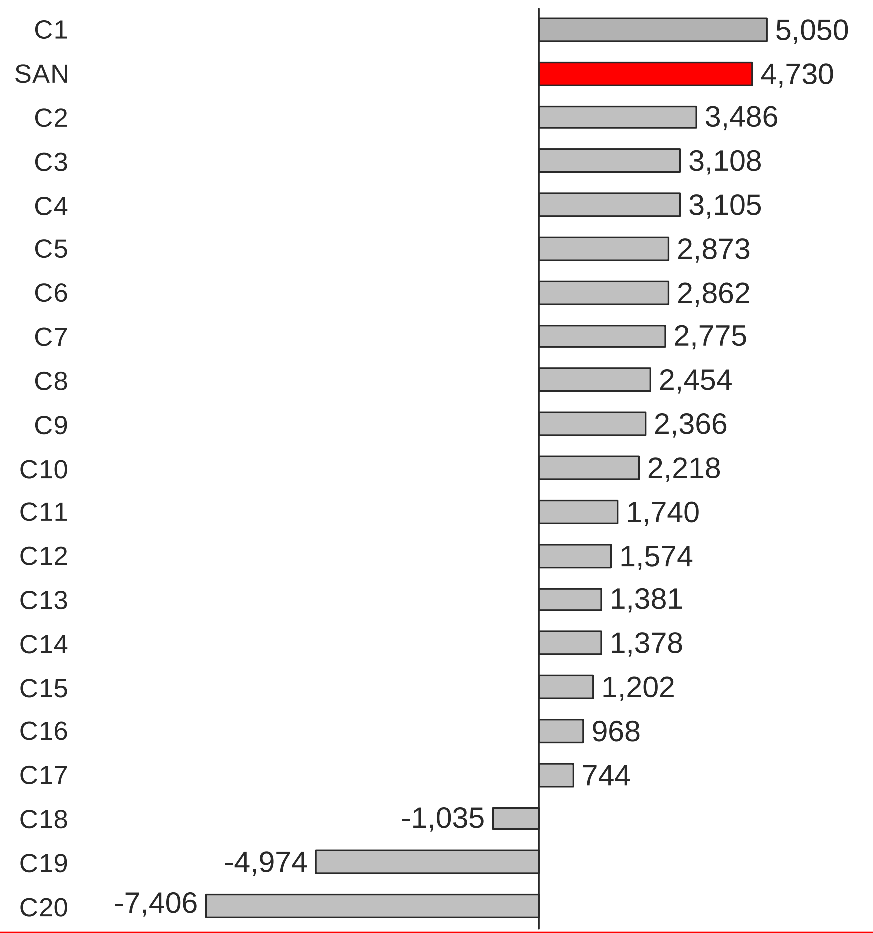
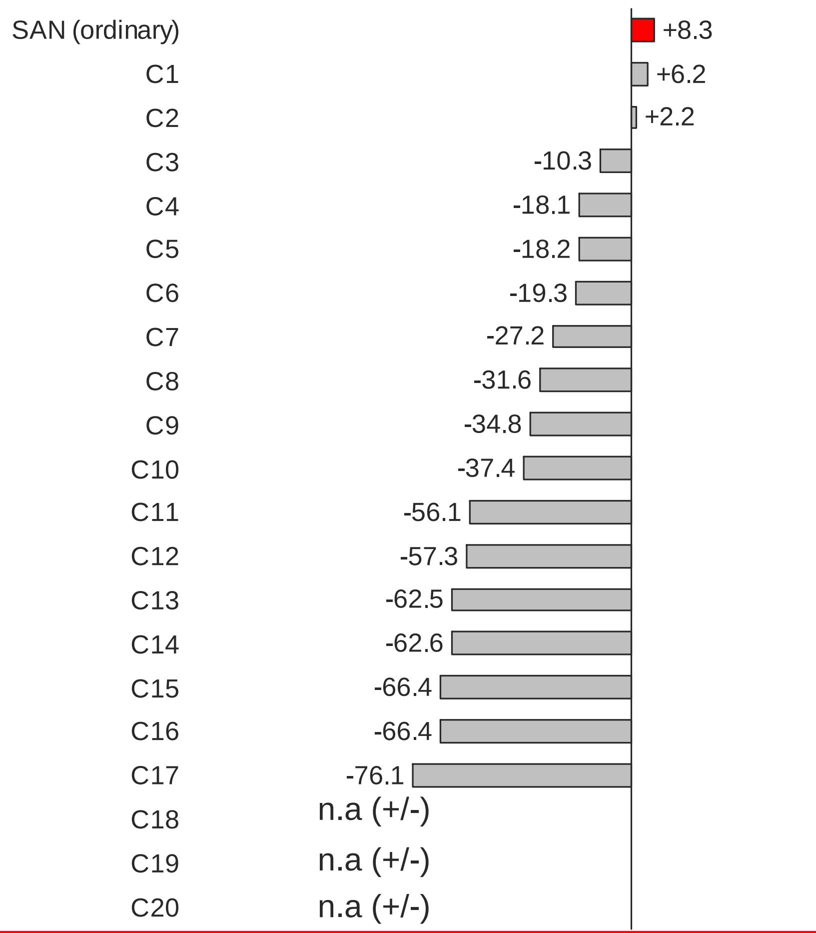
… which allows us to continue widening the gap with our competitors* ...

H1’08 profit (EUR mill.)



EPS (% chg 2007**)



Source: The banks’ quarterly reports

(**) Latest data available: 9M’08/9M’07 or H1’08/H1’07

(*) Large banks that due to their size, characteristics and /or degree of direct competition are the referenced banks to surpass: Banco Itaú, Bank of America, Barclays, BBVA, BNP Paribas, Citigroup, Credit Agricole, HBOS, HSBC, Intesa Sanpaolo, JP Morgan, Lloyds, Mitsubishi (Q4’07+Q1’08), Nordea, Royal Bank of Canada, RBS, Societe Generale, UBS, UniCredit, Wells Fargo.

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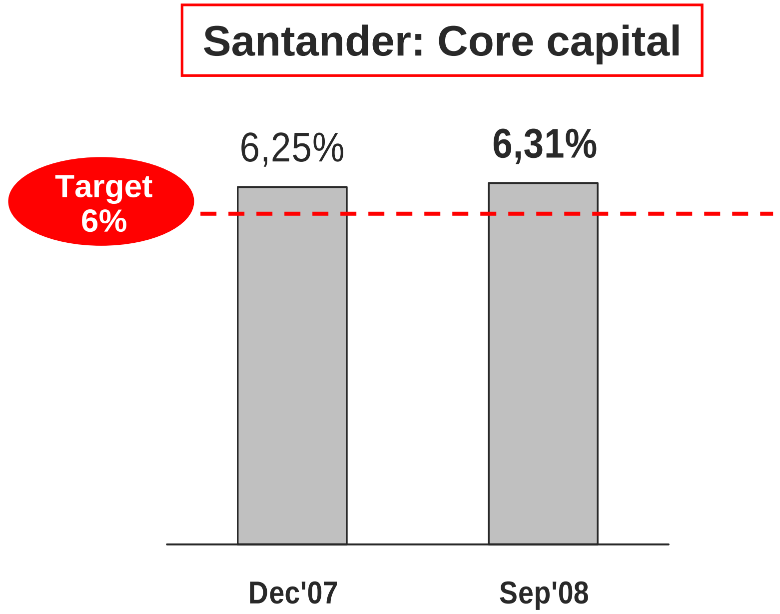
… not only in profits but also in capital and dividends ...

Strong profit generation + sound balance sheet (no Structured credit products)…

… surpassing our target core capital of 6% ...



Additionally, EUR 6.3 bill. on-balance sheet generic funds

We think a > 6% CT1 ratio is enough in economic terms for our business model...

- CT1 + generic provisions above 7% CT1
- A largely plain vanilla balance sheet
- …with a high conversion ratio of RWA / Assets
- A strong recurrent profit > 2 bn per quarter

Note: Data at Dec'07, under BIS I. At Sep'08 under BIS II

A very challenging environment that has changed the rules of the game of the banking industry

- Economic downturn
- Volatility of financial markets
- Scarcity and greater cost of liquidity
- Government intervention
- Excess leverage

→ **Drastic change in the banking sector**

Greater solvency demand

- Change in industry standards
- Higher quality capital
- Government recapitalisation processes that change the playing field
- Market perception of higher capital needs

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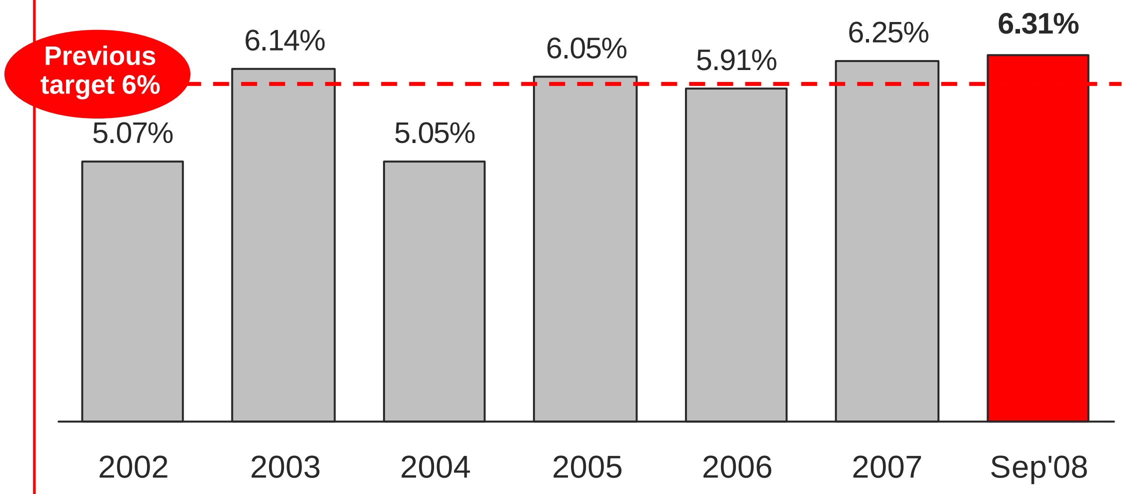
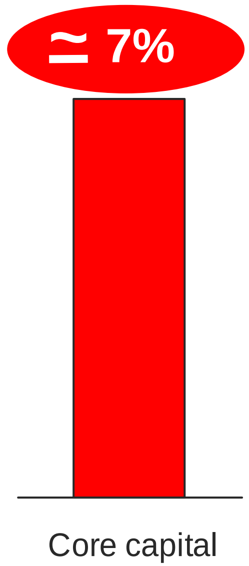
Higher capital ratios

We have decided to raise our core Tier 1 target from 6% to 7%

Santander's core capital has recurrently been around 6% ...



New target (after integrations)



... consistent with sustained growth of the cash dividend
CAGR (02–07) = +18%

Maintaining approx. 50% pay-out in cash

To attain the new target core capital we propose …

… a capital increase with rights aimed to our shareholders.
A differential transaction vs. our competitors ...

- We continue to deliver solid results …
- With a low risk balance sheet
- We aim to keep our Dividend per Share flat in 2009 relative to 2008

A rights issue alternative is the most fair alternative to our Shareholders

We have additional capacity to strengthen our core capital over time…

... with an efficient capital management

Ordinary generation of free capital	■ Approx. 40 - 50 b.p. /year
Deleverage of non-core assets in new acquisitions	■ In Abbey + A&L: £ 20-30 Bill. ■ In Sovereign: US$ 10 Bill.
Potential sales of non-core assets	■ Financial City ■ Banco Venezuela ■ ABN shared assets **Accomplished and /or underway** ■ Industrial equity stakes (Cepsa) ■ Product factories (AM, insurance)

Any sale will be realised only at attractive prices for our shareholders

Transaction rationale

A drastic change in the banking sector

- We have taken the strategic **decision to operate with higher capital ratios** within an environment of greater uncertainty and a market demand for higher capital ratios in the financial industry

It is NOT related to acquisitions

- We do not have acquisition plans

It is NOT related to hidden losses

- **No hidden losses:** credit quality evolution better than the market
  - We have EUR 6.3 billion of generic provisions

It does NOT reflect a deterioration trend of the business

- **Businesses maintain a good performance**
  - Lower business volume than what we envisaged at the beginning of the year, but higher spreads, and better cost control

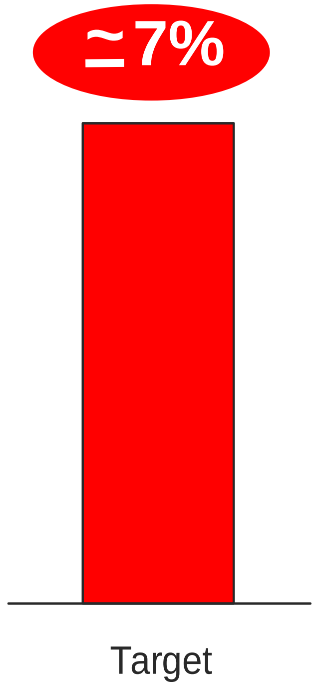
In short, a transaction to further strengthen our solvency relative to the sector

We are ahead of our competitors …

- “Quality” balance sheet / structure credit assets
- High NPL coverage
- Maximum quality capital
- Two digit profit increases
- We turn to our shareholders…
- …without cutting the cash dividend per share in 2009

+

…and benefit from a higher core capital



Dividend Policy

DPS impact

- We aim to keep our Dividend per Share flat in 2009 relative to 2008 (with payout remaining around the 45-55% level), paid fully in cash

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A transaction to further strengthen our solvency relative to the sector

- In the new environment, we have decided to increase our Core Tier 1 target from ca. 6% to ca. 7%
- In this context, a EUR 7bn rights issue allows us to reach the best balance between earnings and capital
- We have additional capacity to strengthen our core capital through profit retention, selective de-leverage and disposals. However, we will only sell non-core assets if the price is right for our shareholders
- We aim to keep our DPS flat, fully paid in cash, in 2009, with our payout around the 45-55% level. This continues to translate into a very attractive yield for our shareholders.

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