



London 29th & 30th September 2011

INVESTOR DAY

DELIVERING PROFITABLE GROWTH



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Retail Banking Spain

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1 Business evolution

2 Business environment

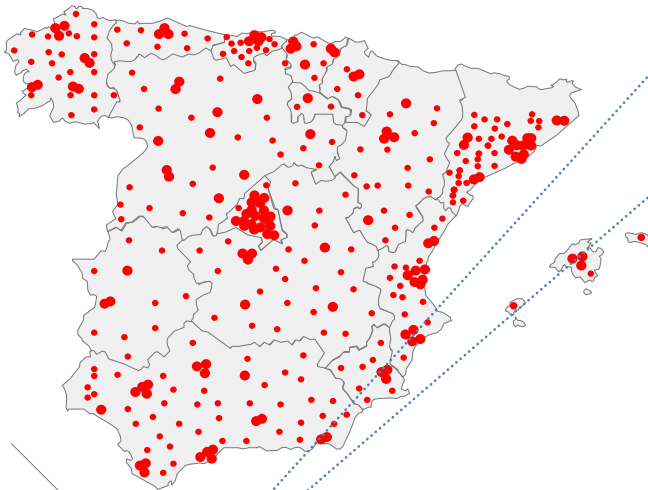
3 Strategy

4 Outlook 2011 / 2013

Track Record

Santander is the largest financial group in Spain by combined market share of assets, deposits and profit, with a multi-brand strategy: SAN Branch Network + Banesto + SGBM + SCF Spain+ Banif + Openbank

Grupo Santander in Spain



Santander Branch Network in Spain (*)

EUR million

Jun'11

| | |
|---------------------------|---------|
| Lending | 107,312 |
| Deposits | 80,037 |
| Total Assets | 110,390 |
| Attributable profit H1'11 | 500 |

| | |
|---------------------|--------|
| Branches | 2,914 |
| ATMs | 3,987 |
| Headcount | 18,845 |
| Customers (million) | 9.3 |



* Business activity in Retail and SMEs in branches, excluding Corporates, Treasury and ALCO

Track Record

2006-2008

Financial /
Economic
Crisis

2009-2011

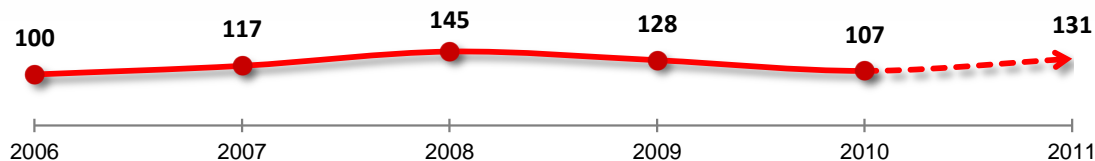
Focusing on customer management

- "Queremos ser tu Banco"
- Commercial Management
- Network strengthening
- Calidad Meta 100
- Risk quality

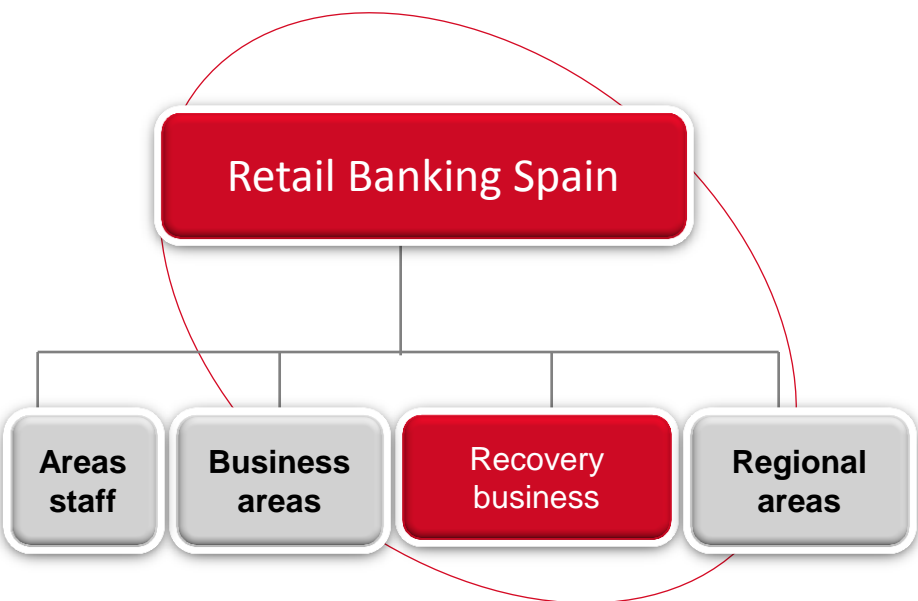
Management priorities during the crisis

- 1 Control of non-performing loans
- 2 Reduction of real estate risk
- 3 Spreads management
- 4 De-leveraging. Liquidity evolution
- 5 Flat costs
- 6 Customers and Quality
- 7 Income Statement

Net operating income (Base 100) (*)



1 Control of non-performing loans



In 2009, at the beginning of the crisis ...
... we were ahead

The Recovery area, initially within the Risk Dept., was integrated to Retail Banking and became a stand alone business

Coverage of organisation structures throughout the management cycle

Specialising throughout the product cycle

MORE RECOVERIES

Avoid entries

Before

Faster

with evidence

irregular

non-performing

Live portfolio

I30

I60

I90

Simple NPLs

Pre-contingent

Contingent

Anticipate/
Analyse
(Live portfolio)

Anticipate/
Manage
(Irregular portfolio)

Execute
(NPLs portfolio)

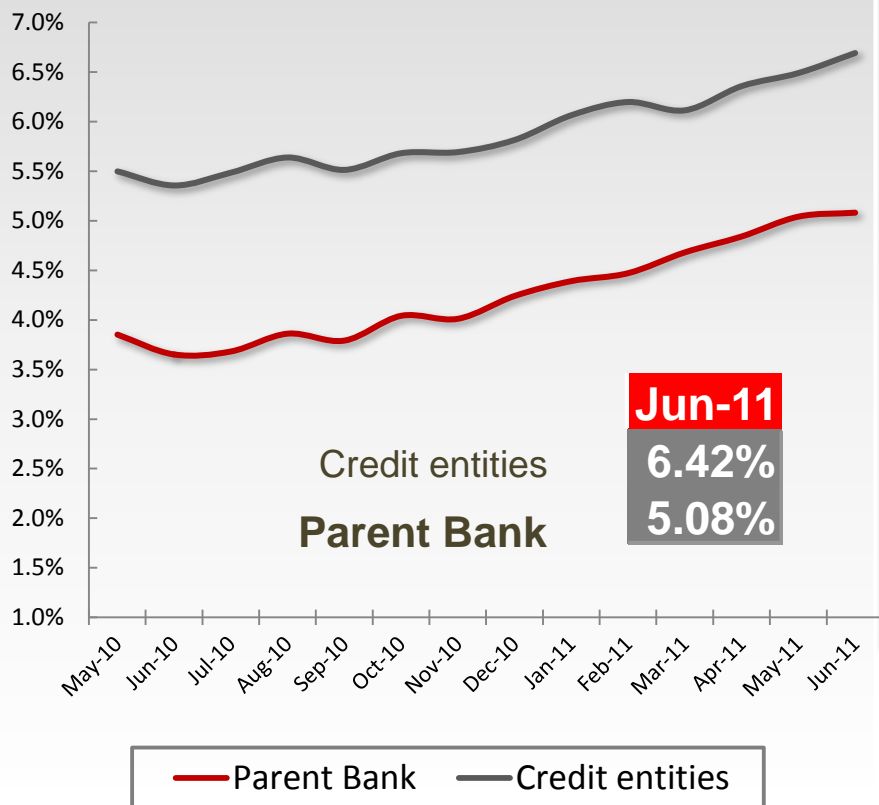
Commercial systems

Targets

Non-performing loans and real estate risk

Evolution

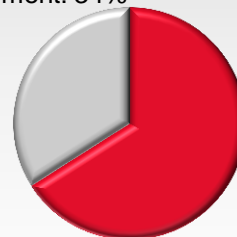
NPL rates continue to be below the system's



In an environment of high NPLs, we are achieving good recovery levels over net entries

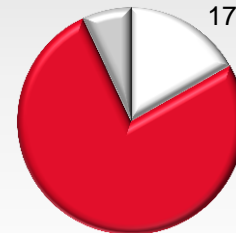
June 2011

Under management: 34%



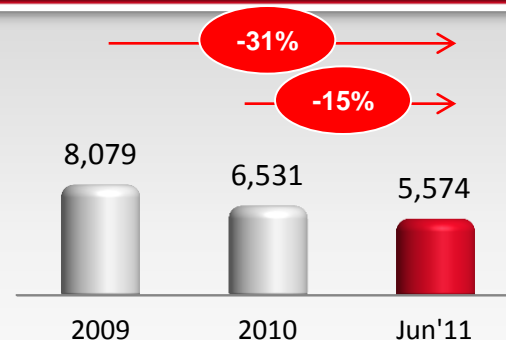
Recovered: 66%

Refinancing: 7% Guarantees: 17%



Cash: 76%

Reduced real estate developer's risk



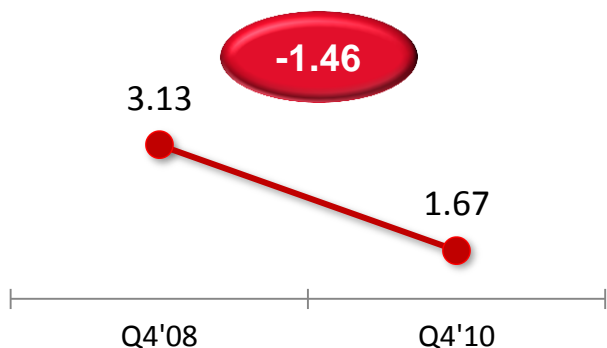
- Modest share, 7% of the lending portfolio.
- 95% in 1st residence.

3 Spreads management

In 2009-2010 there were 3 items adding downward pressure on spreads ...

- 1 Sharp fall of Euribor
- 2 High competitive pressure
- 3 Non-performing loans impact

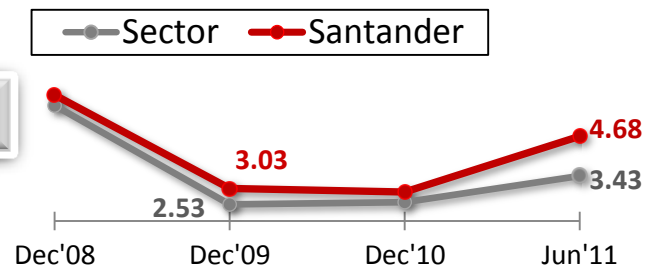
... which led to a generalised fall in customer spreads in the sector



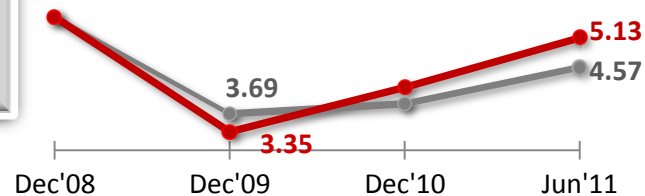
Santander Branch Network is leading the change of trend ...

Interest rates on new operations

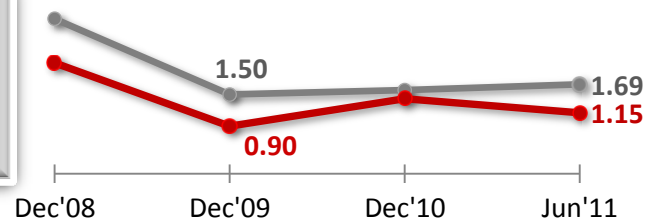
Mortgages



Loans to Companies



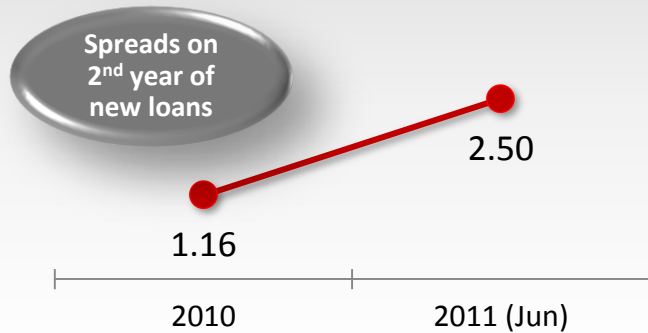
Cost of deposits



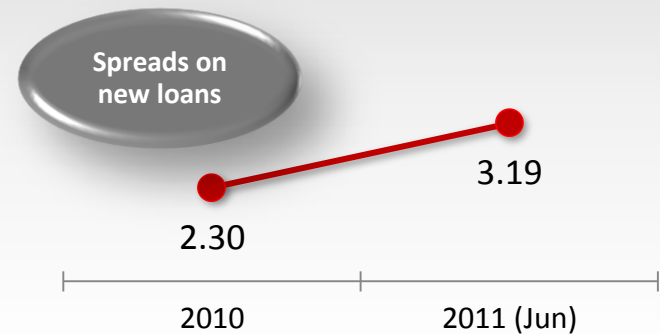
... aiming to widen customer spreads

Improving spreads on new loans

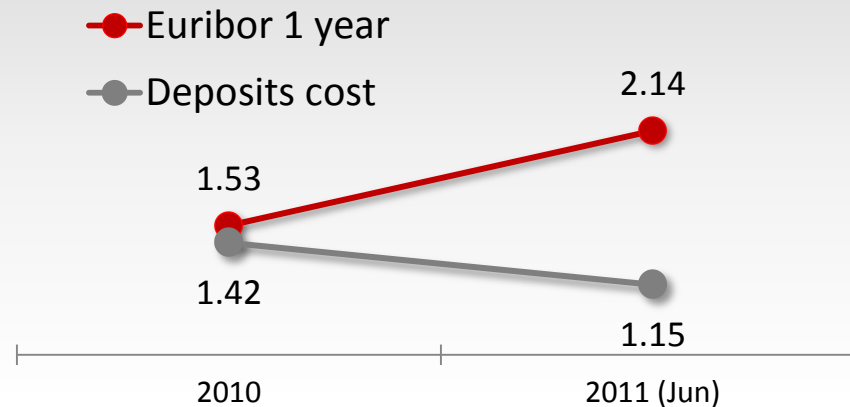
Mortgages



Loans to companies



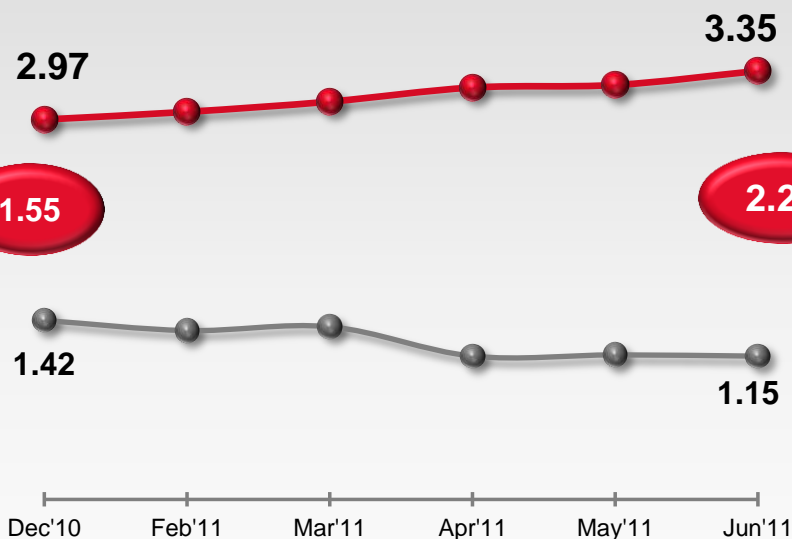
Also improving spreads on deposits



3 Spreads management

Improving both, our customer spreads and net interest income

Improved customer spreads (*)
o/ Dec'10: +0.65 p.p.

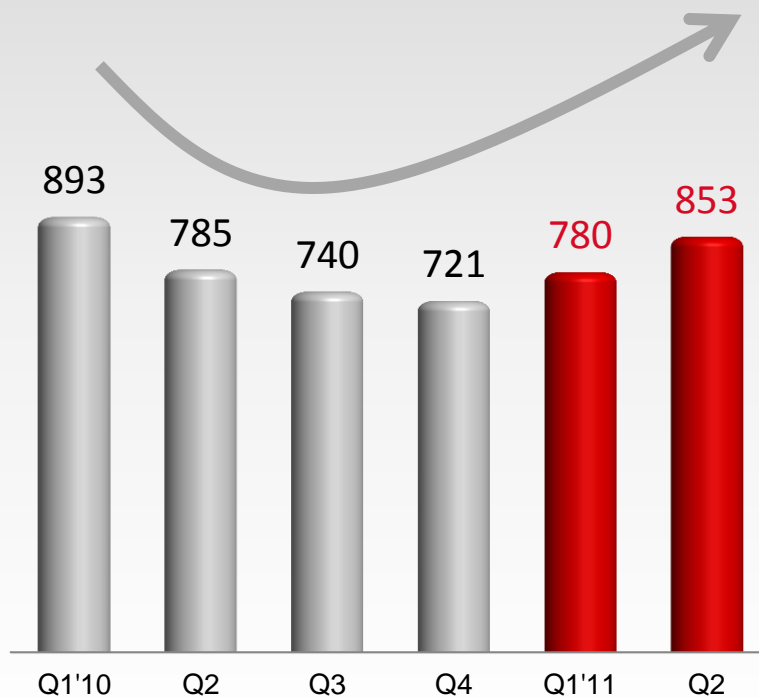


Var. / Dec'10:



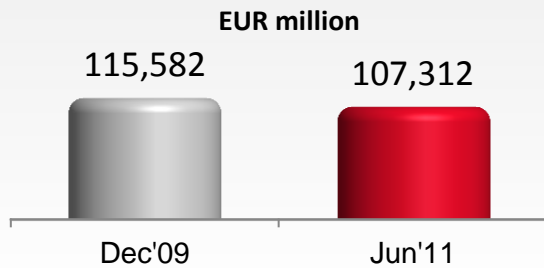
(*) Customer spreads: Return of Lending – Deposit cost

Change of trend in net interest income



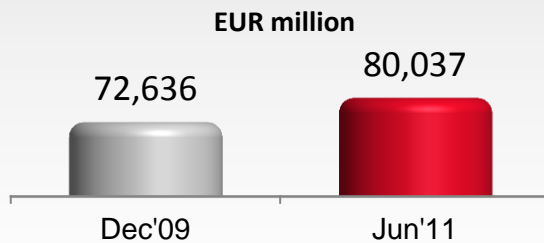
Lending

- Moderate deleveraging trend continues
- Defending profitability



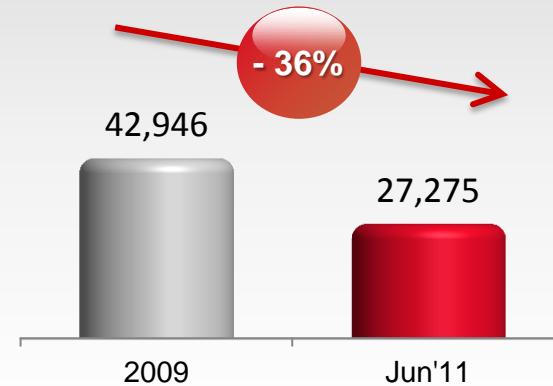
Deposits

- Focusing on balance sheet products

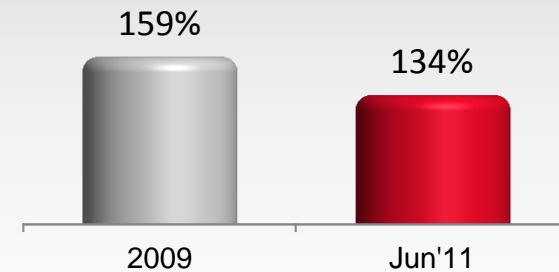


Improving liquidity gap

EUR million



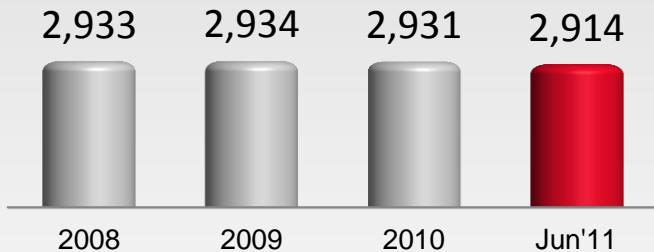
Loan to deposits ratio



Maintaining installed capacity

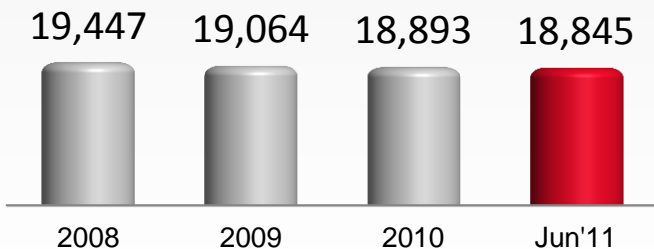
Branches

-0.6%



Headcount

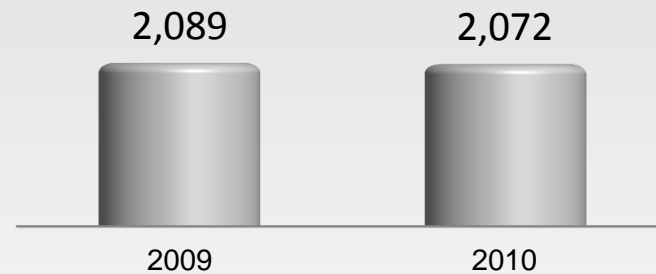
-3.1%



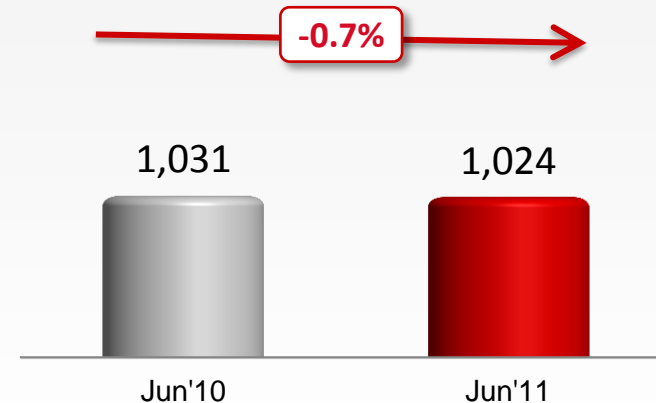
Costs policy continues

Costs evolution

-0.8%

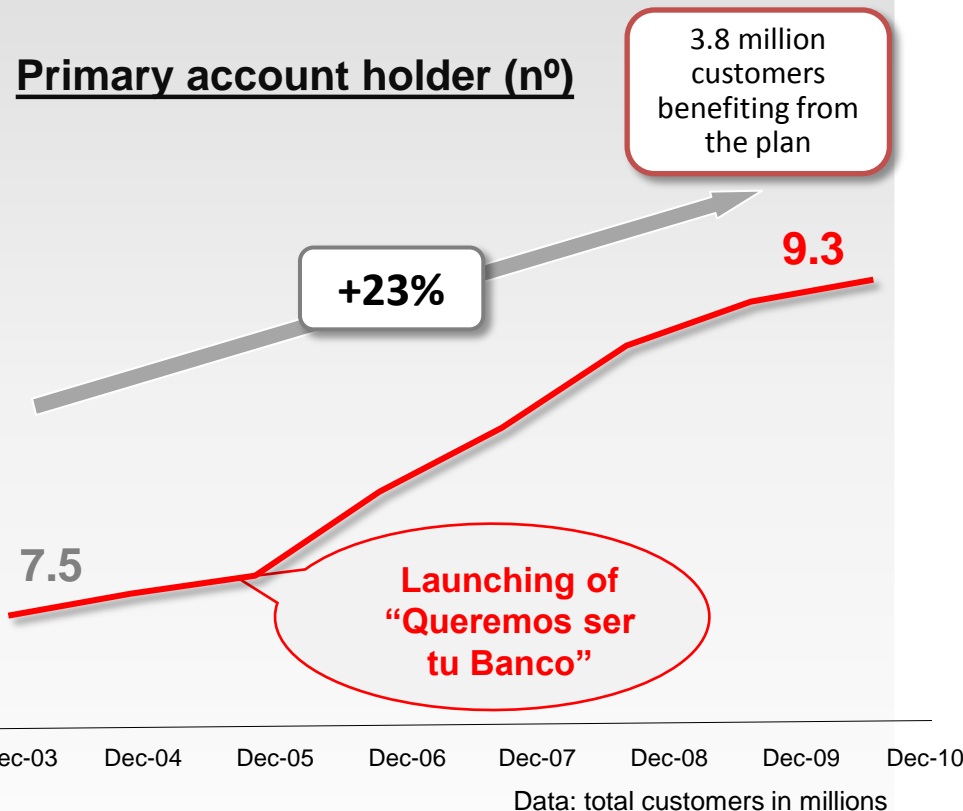


-0.7%



“Queremos ser tu Banco” continues to increase the customer base

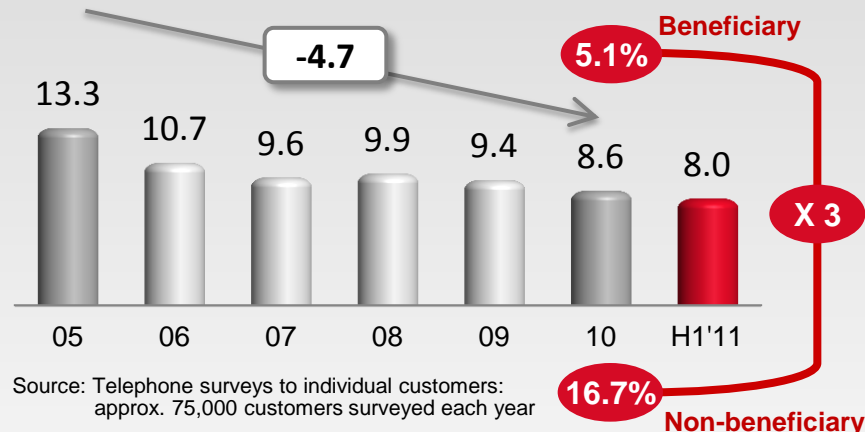
Primary account holder (nº)



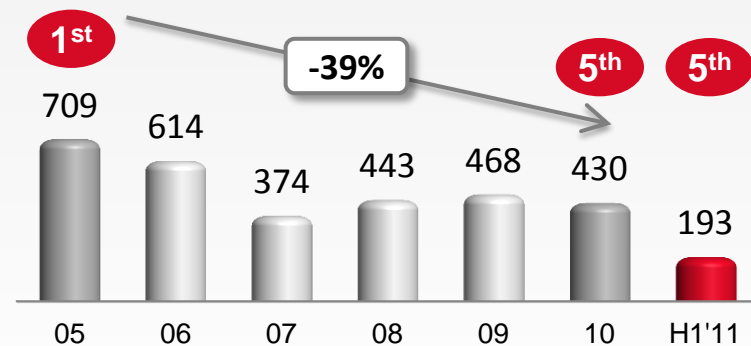
In 2011 redefining the criteria to be eligible as a *QSTB* customer, increasing requirements

Satisfaction and Complaints impact

% of unsatisfied customers



% reduction of complaints



7 Income statement

With the financial sector facing difficulties, the Santander Branch Network maintains its capacity to generate recurring profits

Gross income

EUR million

SECTOR H1: -11.6%

-2.1%

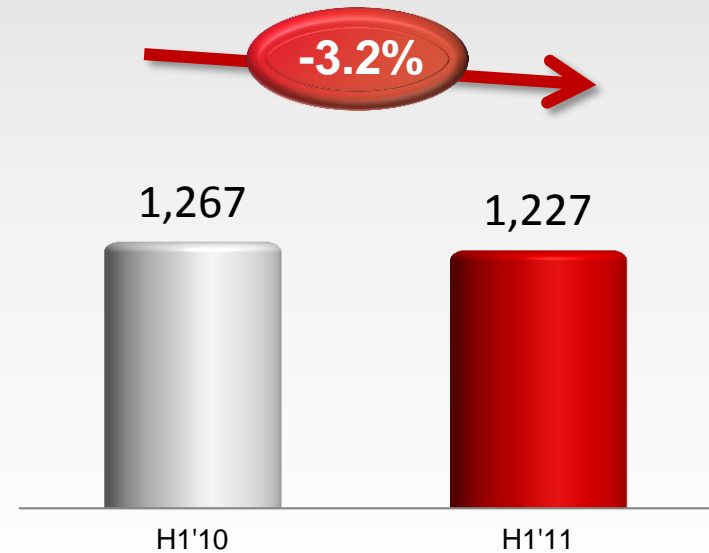


Net operating income*

EUR million

SECTOR H1: -21.1%

-3.2%



We expect to maintain the growth trend in the second half of the year

Achieving the targets established:



Improved customers' spreads and recurring revenues



Flat costs maintaining installed capacity



Narrowing the liquidity GAP and improving market share in activity



Non-performing loans below the system's



The effort in capturing and retaining customers continues

1 Business evolution

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Economic and financial environment

For the next three years, the financial sector will compete in a market characterised by:

- A weak and leveraged economy resulting in lower activity volumes.
- Fiscal adjustment. Achieve targets on fiscal deficit.
- Financial system undergoing restructuring. Opportunity for large and solvent entities to gain market share.
- Lower interest rates for longer periods of time will put pressure on spreads.
- More non-performing loans in 2011 and 2012, around current levels.

| | Dec-11 | Dec-12 | Dec-13 | Dec-14 |
|----------------|--------|--------|--------|--------|
| GDP | 0.8% | 1.1% | 1.8% | 1.9% |
| Unemployment | 20.7% | 19.7% | 18.5% | 17.5% |
| Inflation | 2.9% | 1.5% | 1.5% | 1.6% |
| Public Debt | 67.4% | 70.2% | 72.8% | 74.9% |
| Fiscal Deficit | -6.1% | -5.2% | -4.4% | -4.1% |

Source: IMF September 2011

| | Jul-11 | Dec-11 | Dec-12 | Dec-13 | Dec-14 |
|------------------------------|--------|--------|--------|--------|--------|
| Lending to Private Sector | -2.3% | -4% | -4% | 1% | 2% |
| Deposits from Private Sector | 1.7% | 1% | 1% | 3% | 4% |

Source: Research Dept. Santander.

To face these challenges, the strength of our brand and the value of our commercial network, will enable the Bank to "monetise" opportunities

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Strategy

1

Increasing profitable market share

2

Linking transactional business

3

Companies and businesses with potential

4

Being leaders in private and personal banking

5

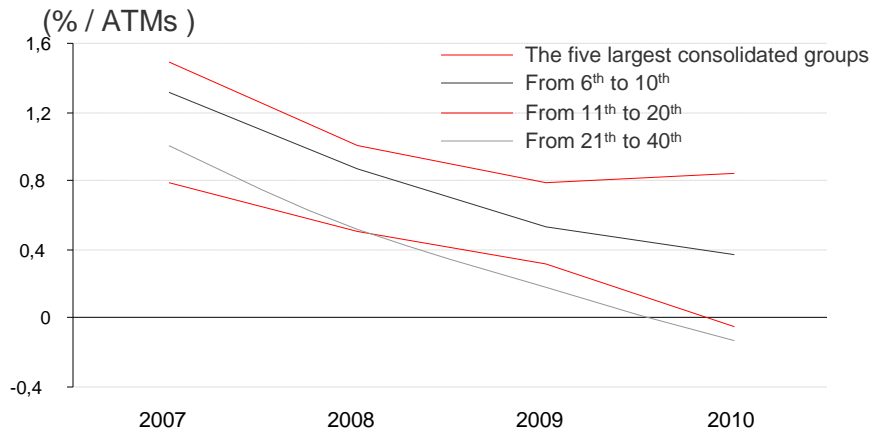
Individual customers multi-channelling

6

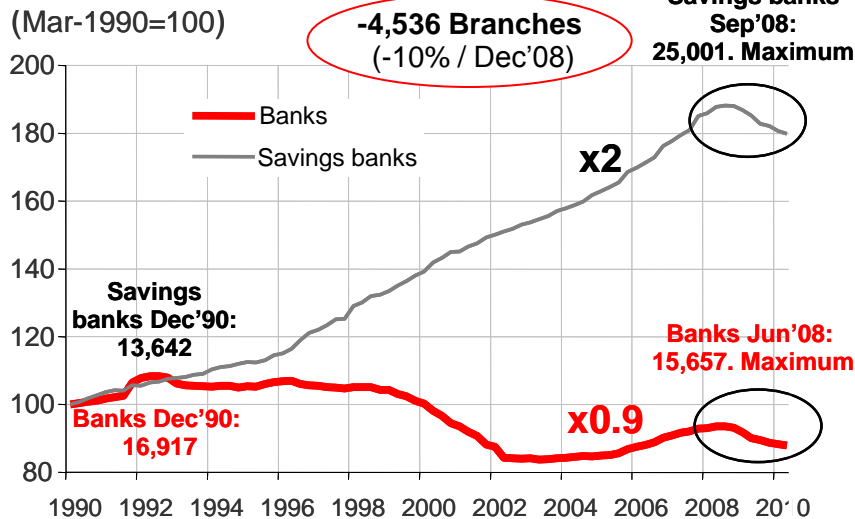
Focusing on managing priorities: spreads, costs, liquidity and non-performing loans

1 Increasing profitable market share

Spain: Profit before tax of consolidated groups



Branches in Spain



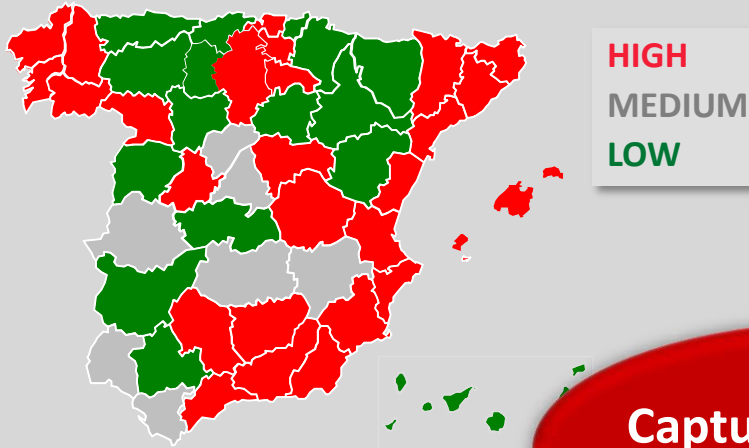
Many financial institutions are currently facing problems:

- Excessive installed capacity
- Greater share of "troubled" sectors (real estate)
- Worse risk quality
- Lower results because of provisions

It's the right time to take advantage of this restructuring in order to gain market share in business and profits

1 Increasing profitable market share

Potential for capturing organic mkt. share



Specific Commercial Plan

- Specific value offer by segment
- Backed by brand value
- Intensive use of CRM and ODVs (Sales Opportunity-related Information)

Capturing profitable customers

Action Plan

- "Anchor" products
- "Specific" commercial support
- Direct marketing



Centralised Targets and Monitoring

- Through Information System / Scorecard
- Success rate of ODVs
- Periodic meetings in Regional areas

2 Linking transactional business

In 2006 we were the first to focus on the importance of customers ...

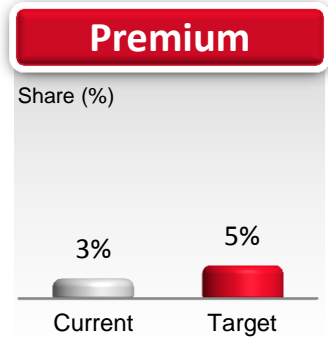
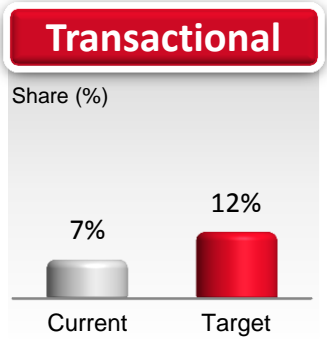
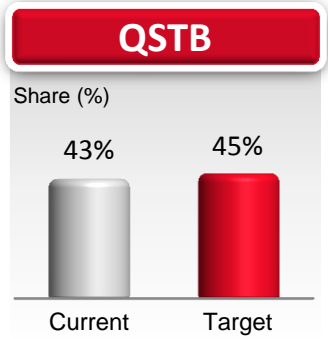
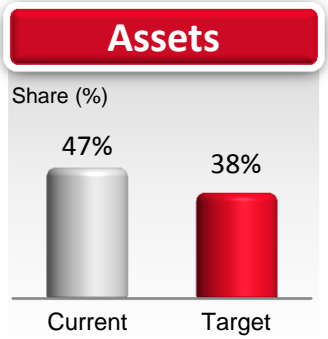
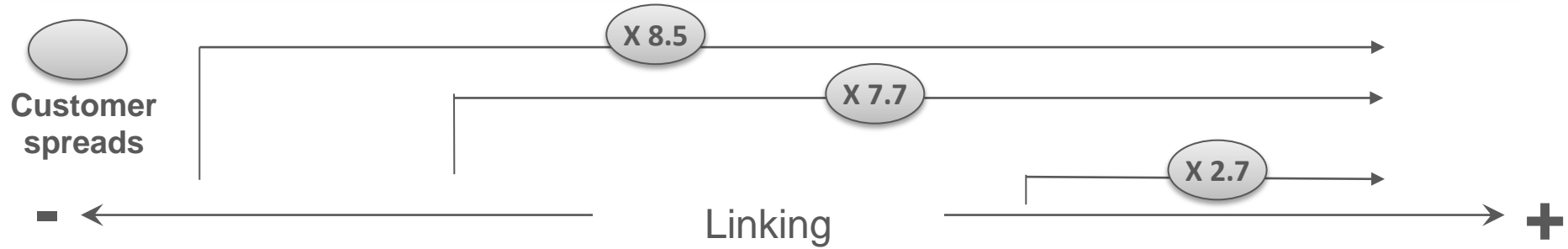
... after 5 years, once again we are first focusing on transactional linkage of customers

Queremos ser tu banco



Queremos ser tu primer banco

In a low activity environment, linkage is the key



1,100,000 SMEs contribute 55% of the balance sheet and 45% of revenues

Courses of Action

- Increase customer capturing
- Increase customer funds
- Foster international expansion of companies
- Retaining customers to increase linking and generate higher revenues
- Innovative solutions
 - Focusing on value offer by sector
 - Foster multi-channelling relationships
 - Products focused on “added value”
- Internal targets
 - Universal branches Plan
 - Plan to improve effectiveness of sales teams



2013 Targets

- To be known as the most trusted entity
- Capturing 55,000 new customers
- Capturing 5,000 new export companies
- Gain 1 p.p. in customer market share ⇨ 13%

4 Private and personal banking



Santander

SELECT

"Our Personal Banking"

- 235,000 customers worth > EUR 100,000 to 500,000
- 23% of the Division customer funds



Santander

BANCA PRIVADA

"Leader in Spain"

- 27,000 customers (> EUR 500,000 in resources)
- EUR 31 bn in business

Targets

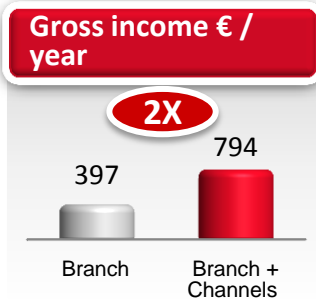
- Consolidate leadership in the affluent clients segment
- Increase quality customers base: "100,000 customers in 4 years"

Targets

- Strengthen our leadership
- Recover double-digit growth in gross income in 2010-2013

5 Multi-channeling individual customers

Our best customers are multi-channel



- **Sharp migration of basic operations to channels**
(* *On-line banking will grow 18% annually*)
- **Branches are the key in our multi-channel strategy**
- **In 2011 we'll reach one million multi-channel customers**

53% of premium customers use internet and phone banking

40% of bank transfers are done via internet and phone banking

We want to be the multi-channel universal bank of reference in Spain

2013 Targets

- 1 **Double the number of customers using internet only to view their account**
- 2 **Multiply by 3.5X the number of customers using online banking**
- 3 **Internet: Commercial channel for basic products. Market share (5-10%)**

6 Management priorities

Challenges

Spreads

- Moderate growth of assets profitability
- Control liabilities cost

Improve customer spreads

Costs

- Adequate structure
- Positive "jaws"

Flat costs

Liquidity

- Moderate deleveraging on the assets side
- Focusing on capturing on the liabilities side

Reduce liquidity GAP by 20%

Non-performing loans

- Stand out from the sector on credit quality
- Lower need for specific provisions from 2012 on

Reduce credit cost

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2011 / 2013 Targets



In an adverse scenario, the strength of our Brand and priority focus on these management drivers ...

Management drivers

- **Spreads**
- **Costs**
- **Liquidity**
- **NPLs**
- **Sector opportunities**



Brand strengths

- **Customer base**
- **Strength of retail network**
- **Leading team**

... will enable the Bank to improve its results

