

Santander Retail Banking

Year 2006

Press meeting

Madrid, January 17th, 2007

Queremos
ser tu banco

 Santander

150
AÑOS

Important information

Santander cautions that this presentation contains forward looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. These forward looking statements are found in various places throughout this presentation and include, without limitation, statements concerning our future business development and economic performance. While these forward looking statements represent our judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to: (1) general market, macro-economic, governmental and regulatory trends; (2) movements in local and international securities markets, currency exchange rates, and interest rates; (3) competitive pressures; (4) technological developments; and (5) changes in the financial position or credit worthiness of our customers, obligors and counterparties. The risk factors and other key factors that we have indicated in our past and future filings and reports, including those with the Securities and Exchange Commission of the United States of America, could adversely affect our business and financial performance.

Nothing contained in this presentation is intended to constitute an invitation or inducement to engage in investment activity for the purposes of the prohibition on financial promotion in the Financial Services and Markets Act 2000. In making this presentation available, Santander makes no recommendation to buy, sell or otherwise deal in shares in Santander or in any other securities or investments whatsoever and you should neither rely nor act upon, directly or indirectly, any of the information contained in this presentation in respect of any such investment activity.

Note: Statements as to historical performance, historical share price or financial accretion are not intended to mean that future performance, historical share price or future earnings (including earnings per share) for any period will necessarily match or exceed those of any prior year. Nothing in this presentation should be construed as a profit forecast.

Agenda

- **Santander Retail Banking in Grupo Santander**
- 2006 Objectives
- 2006 Results
- 2007 Lines of action

Grupo Santander, the largest retail network worldwide and leader in Spain

Spanish* Ranking

EUR Billion

1. Grupo SAN 411

2. Bank 1 325

3. Bank 2 209

4. Bank 3 131

5. Bank 4 87

... ..

We are part of the main Spanish banking group

Loans 1°

Customer funds 1°

Mutual funds 1°

Individual pension plans 1°

Gross operating income 1°

Net operating income 1°

Income before taxes 1°

(* Source: AEB, CECA, Inverco and banks. Data as of September 2006)

Queremos
ser tu banco

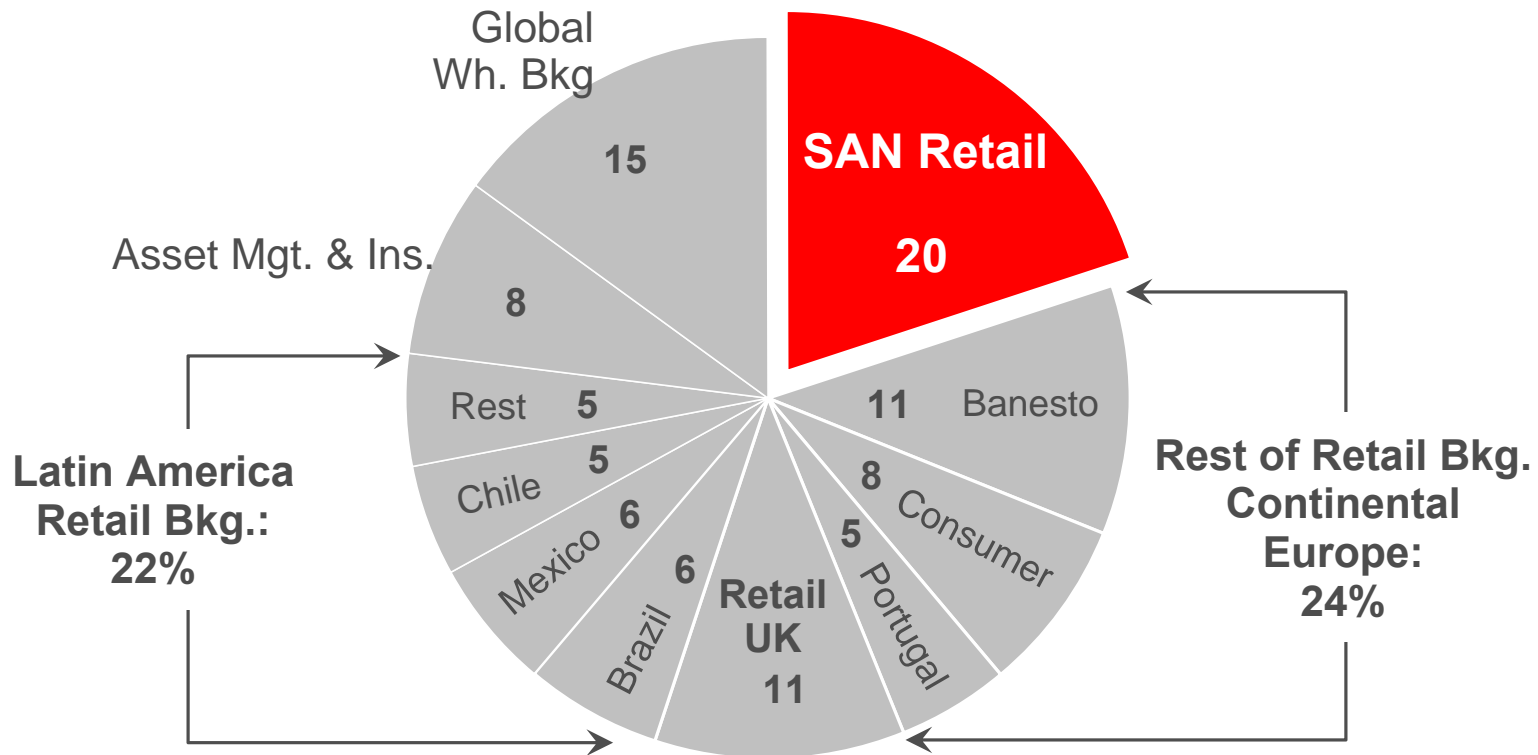
 Santander

150
AÑOS

Santander Retail Banking: a significant part of Grupo Santander...

... contributing 20% to income before taxes

Distribution as of September 2006 (%)



Queremos
ser tu banco

 Santander

150
AÑOS

...has a leading position in the Spanish market...

Size

- Customers: 8 million
- Employees: 16,616
- Branches: 2,944*

Activity and Results

- Activity: EUR 217,000 MM **
- Net operating income: EUR 1,760 MM ***
- Attributable income: EUR 1,051 MM ***

Business Model

- Focus on customer
- Service quality

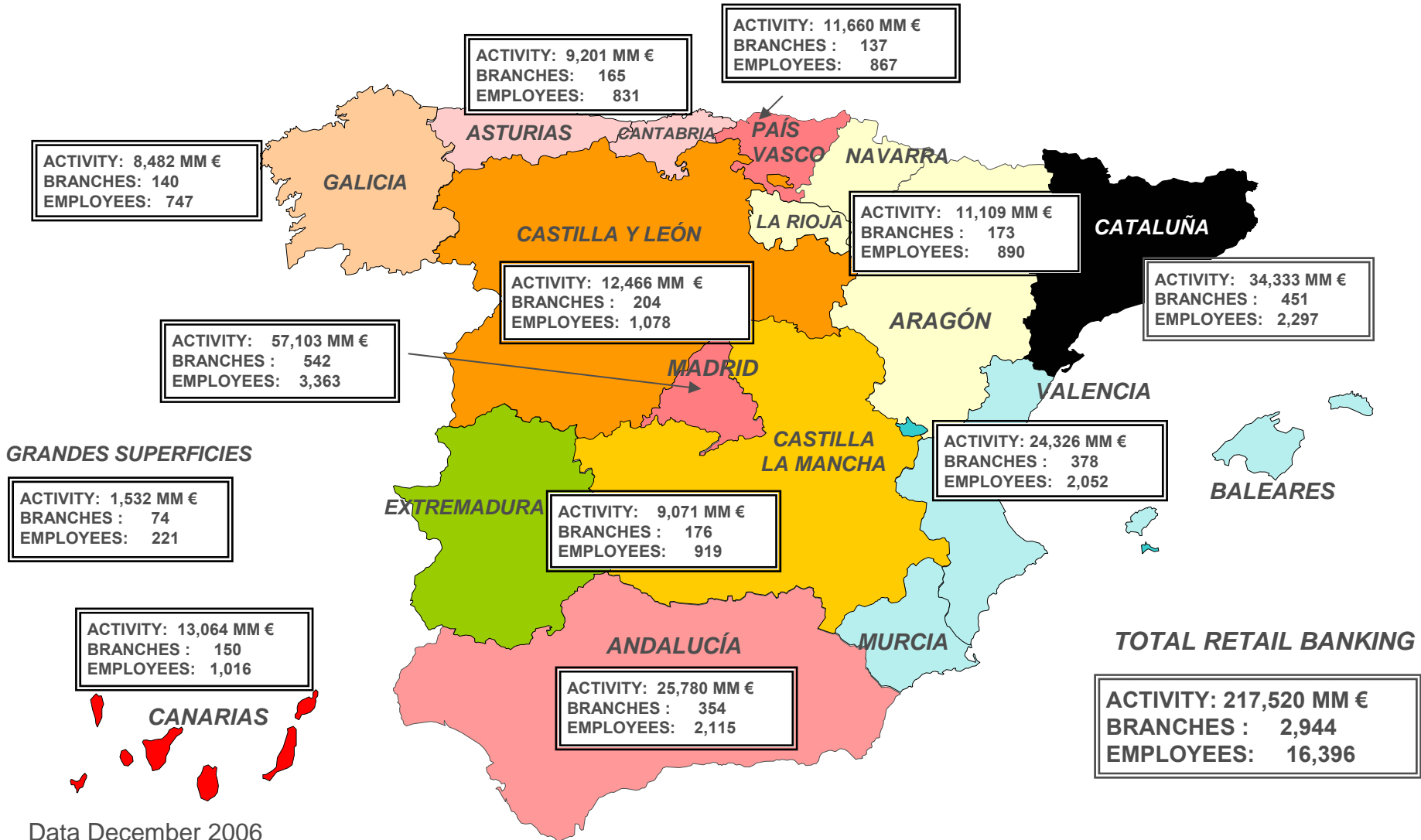
Queremos
ser tu banco

(*) Ordinal number

(**) Advance at December 06

(***) Data January-September

... with a strong presence in all of Spain's regions



Data December 2006

Staff data w/out Central Services Division

Queremos
ser tu banco

 Santander

150
AÑOS

Agenda

- Santander Retail Banking in Grupo Santander

■ 2006 Objectives

- 2006 Results
- 2007 Lines of action

In 2005 Santander Retail Banking acted on the five pillars of its management model ...

① Customer management

- Focus on Individual customers: Strategic Plan “*We want to be your Bank*”.
- Specialised segments: Portfolio segmentation and personalised service for Private Banking, Personal Banking, Companies and Institutions

② Sale processes / culture

- Da Vinci model, commercial methodology and systems.
- Exploit relationship marketing techniques with customers (CRM) and advanced commercial intelligence on sale processes
- Boost multi-channel distribution
- Innovate in custom-made products for each customer

... adapted to each customer segment, business line and distribution channel ...

3 Service quality

- Increase customer satisfaction
- Implement “Plan de Calidad Meta 100”, with methodology and targets by Branch

4 Efficiency

- Maximise revenue generation: “*We want to be your Bank*” Plan and “*106 projects*”.
- Apply resources to businesses with greater returns to keep costs flat

5 Risk quality

- Basic principle: Risk quality.
- Foster risk/return management
- Advance in centralised risk management processes

... while taking on commercial and technological projects of strategic dimension, focused on:

- Optimising processes (“more and better of the same”)
- Generating changes (“new models with the same resources”)
- Taking on new challenges (“new businesses with new resources”)
- Creating new bases to boost efficient growth

Queremos
ser tu banco

I06:

- Branch openings
- Consumer finance
- Means of payment
- Business transactionality
- Business segment
- Individual customer segment

All oriented to achieve the previously set business and financial objectives (Press Meeting on 19.01.06)

Business / service

- Improve customer market share: Capturing
- Relationship management: Linkage and retention
- Quality: Improvement in customer satisfaction indicators

Greater value generation for the customer

Financial

- Diversified lending growth above 15%
- Boost revenues with expected increase around 12%
- Cost/income efficiency improvement of 2 p.p.
- Maintaining credit risk quality

More revenues with better efficiency and productivity

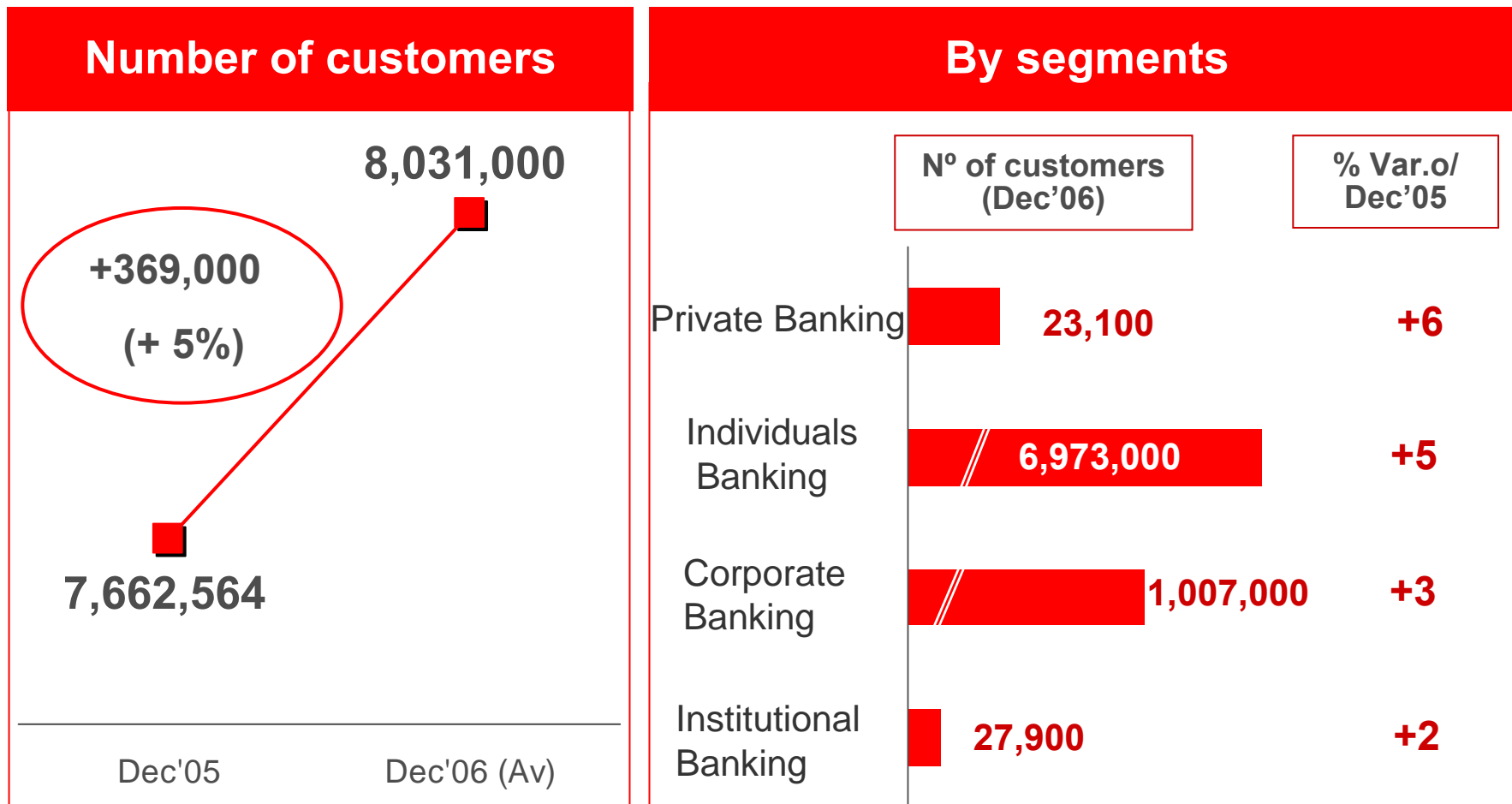
Agenda

- Santander Retail Banking in Grupo Santander
- 2006 Objectives

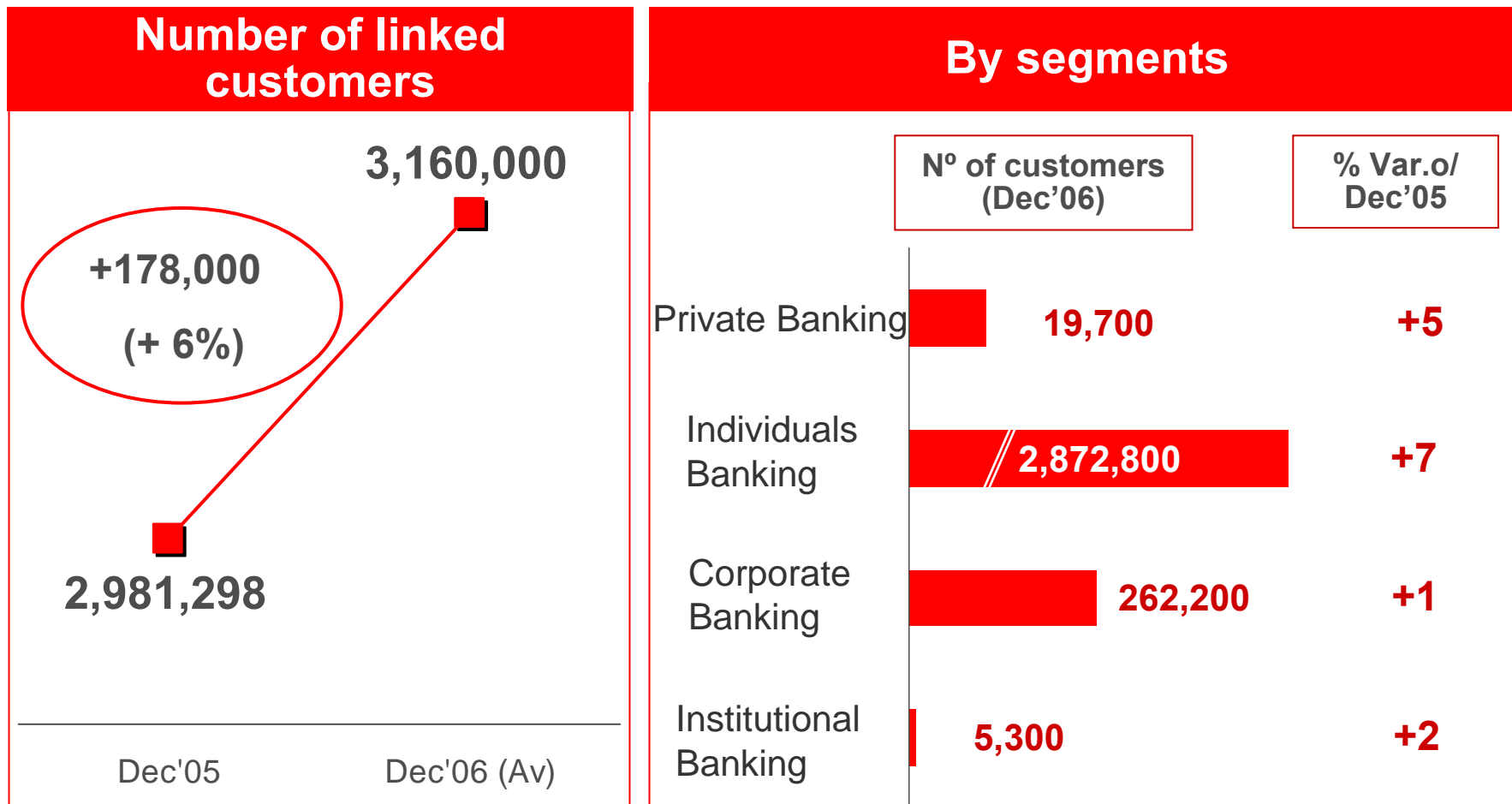
■ 2006 Results

- 2007 Lines of action

In 2006 the pace of customer capturing accelerated, especially in individual customers, thanks to *We want to be your Bank, ...*



...whose effects were also seen in greater customer linkage

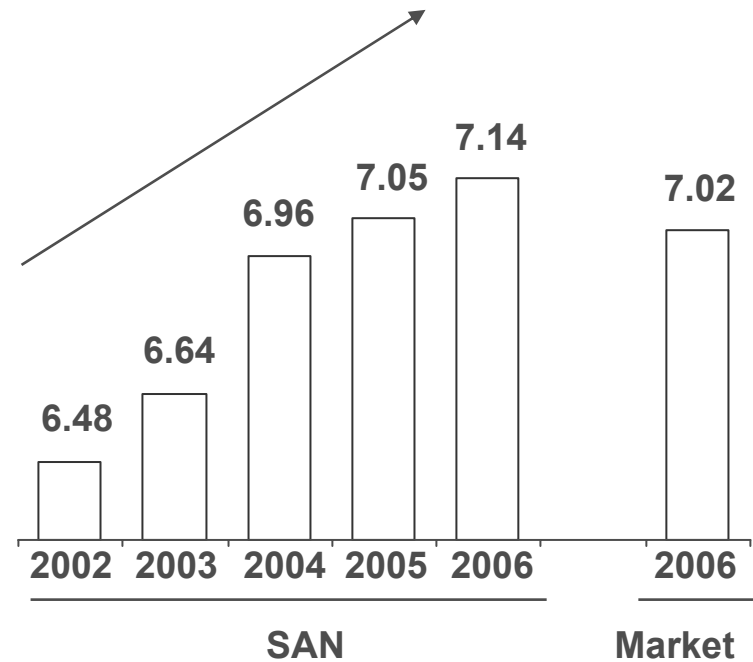


Quality Project, greater customer focus: satisfaction, linkage and retention

Meta 100 2006

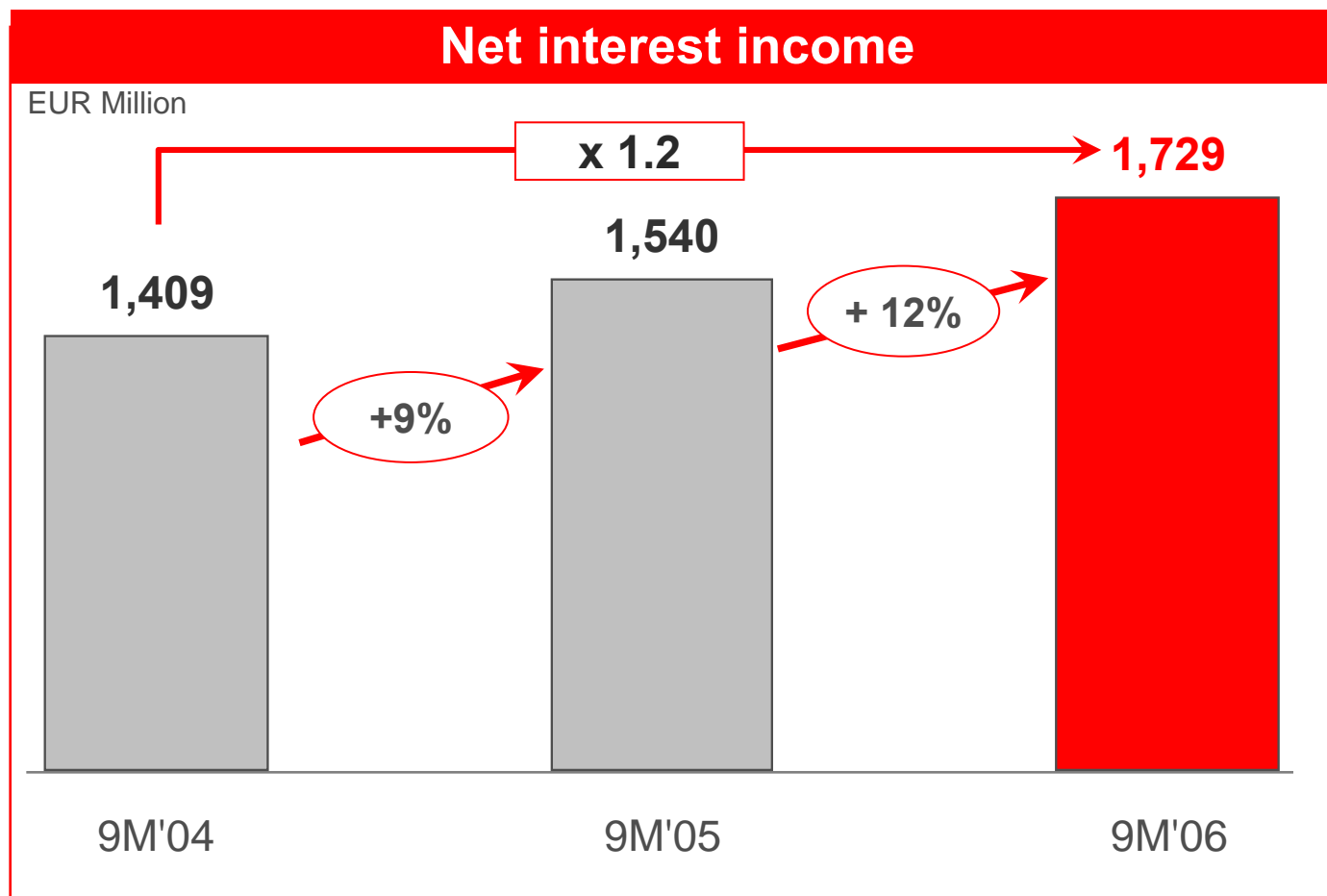
- Priority Attention Branches Project
 - Specific actions
 - Specific improvement Plans
 - Positive performance (+9.0%) in relation with the rest of the branches
- Complaint Reduction Plan
 - Actions aimed to resolve complaints (- Complaints + Satisfied customers).
 - In the last months, complaints were 45% lower than the same period of 2005
- Training module for integrating personnel
 - Meta 100 module

Leader in Service Quality and Recommendation

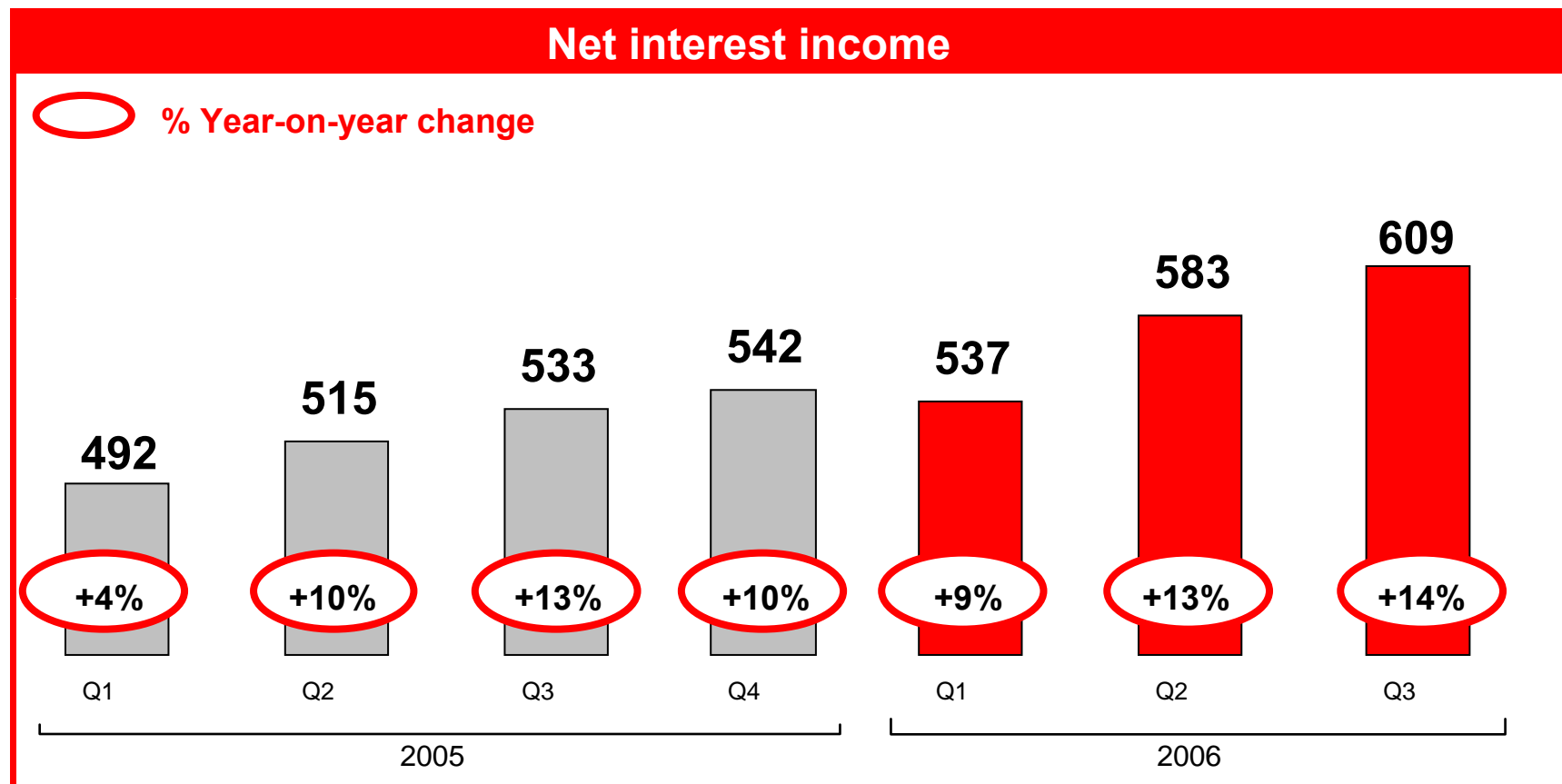


SOURCE: EQUOS STIGA (December 2006)

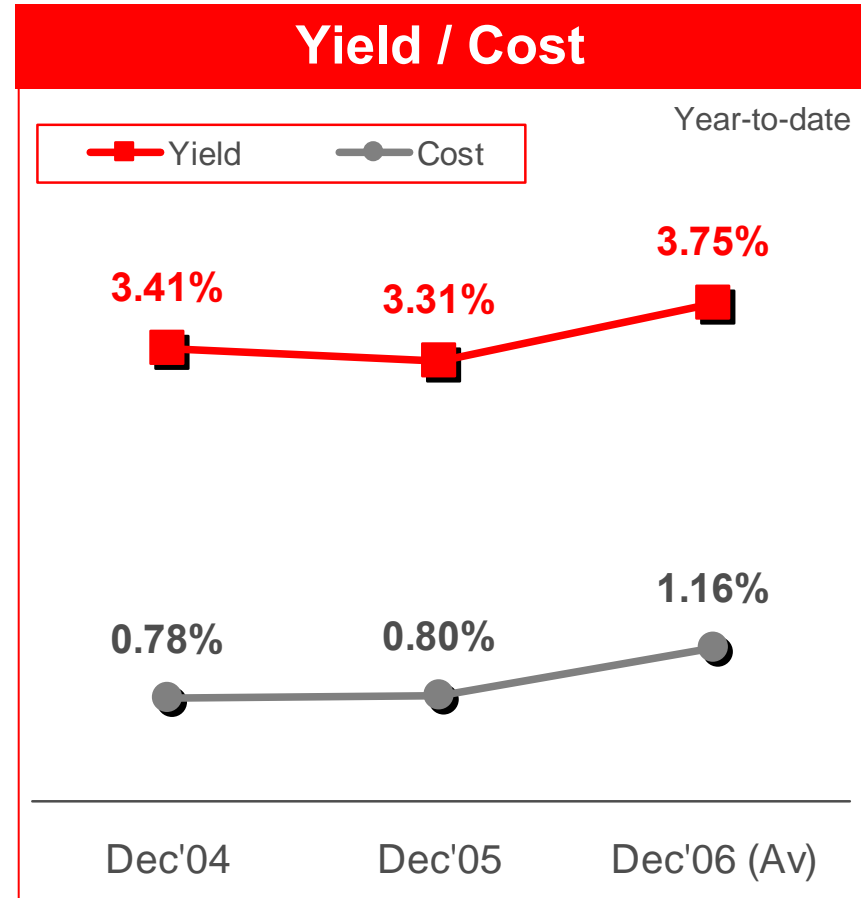
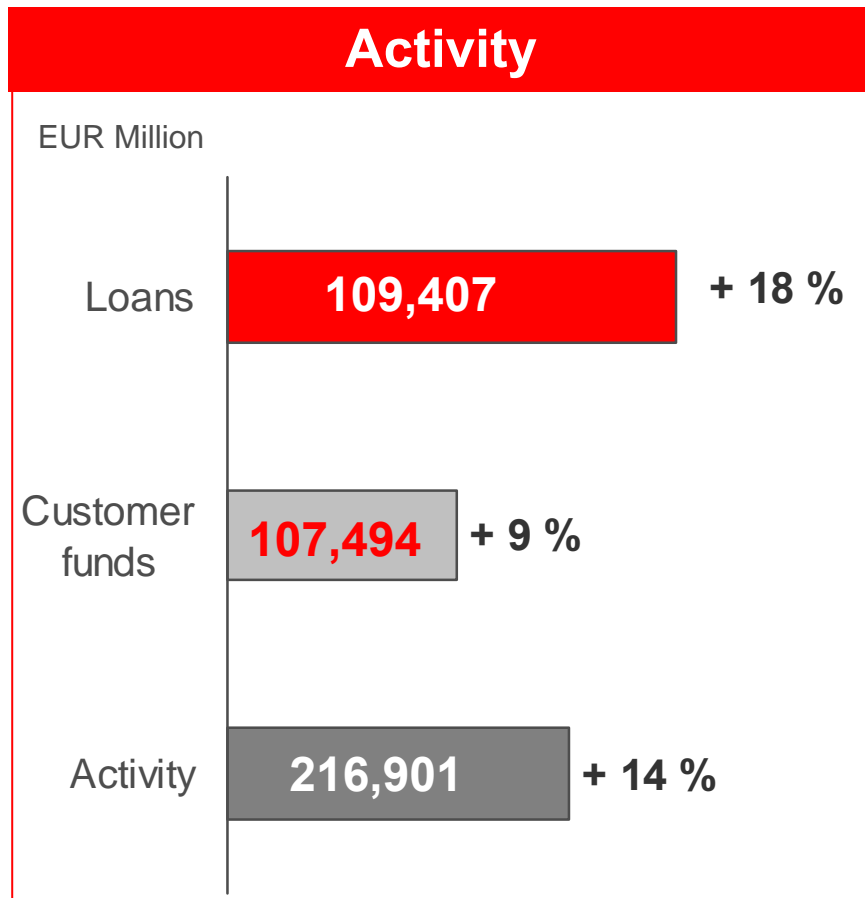
The strong commercial boost from strategic plans accelerates growth in the most recurrent revenues, enhancing the quality of results,...



... and increasing quarter-on-quarter, successively setting new net interest income records ...



... supported by “profitable growth” of business activity (14%) with improvements in “Customer spreads” (8 b.p.) ...

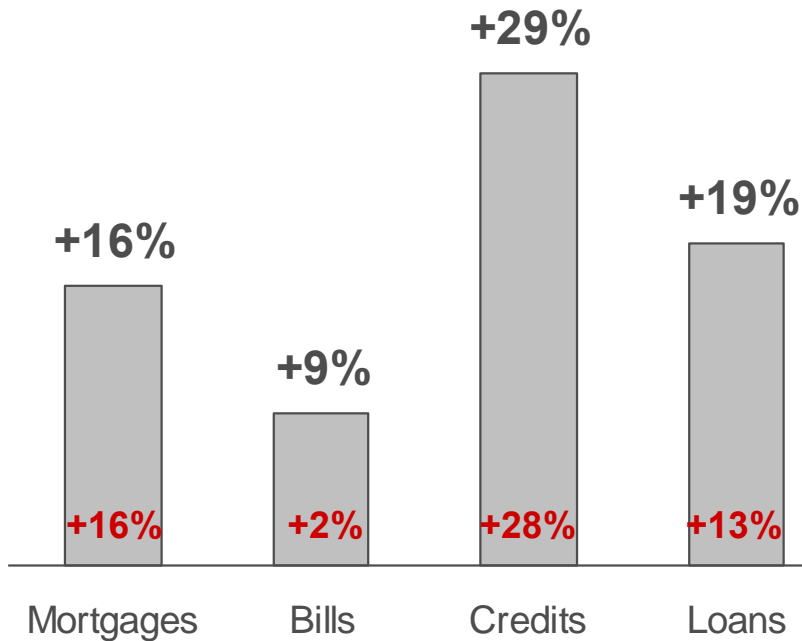


Average monthly balances December 2006 (Advance). Year-on-year change

... and diversified by products and segments ...

Loans*

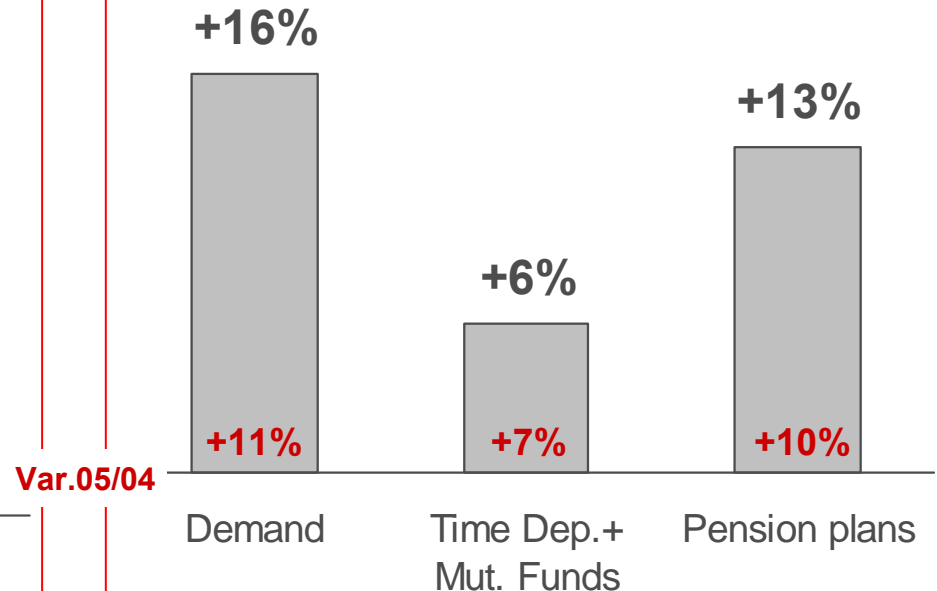
Change Dec'06 / Dec'05



Individuals: +16%
Companies: +20%

Customer funds*

Change Dec'06 / Dec'05



Individuals: +6%
Companies: +13%

(*) Average monthly balances

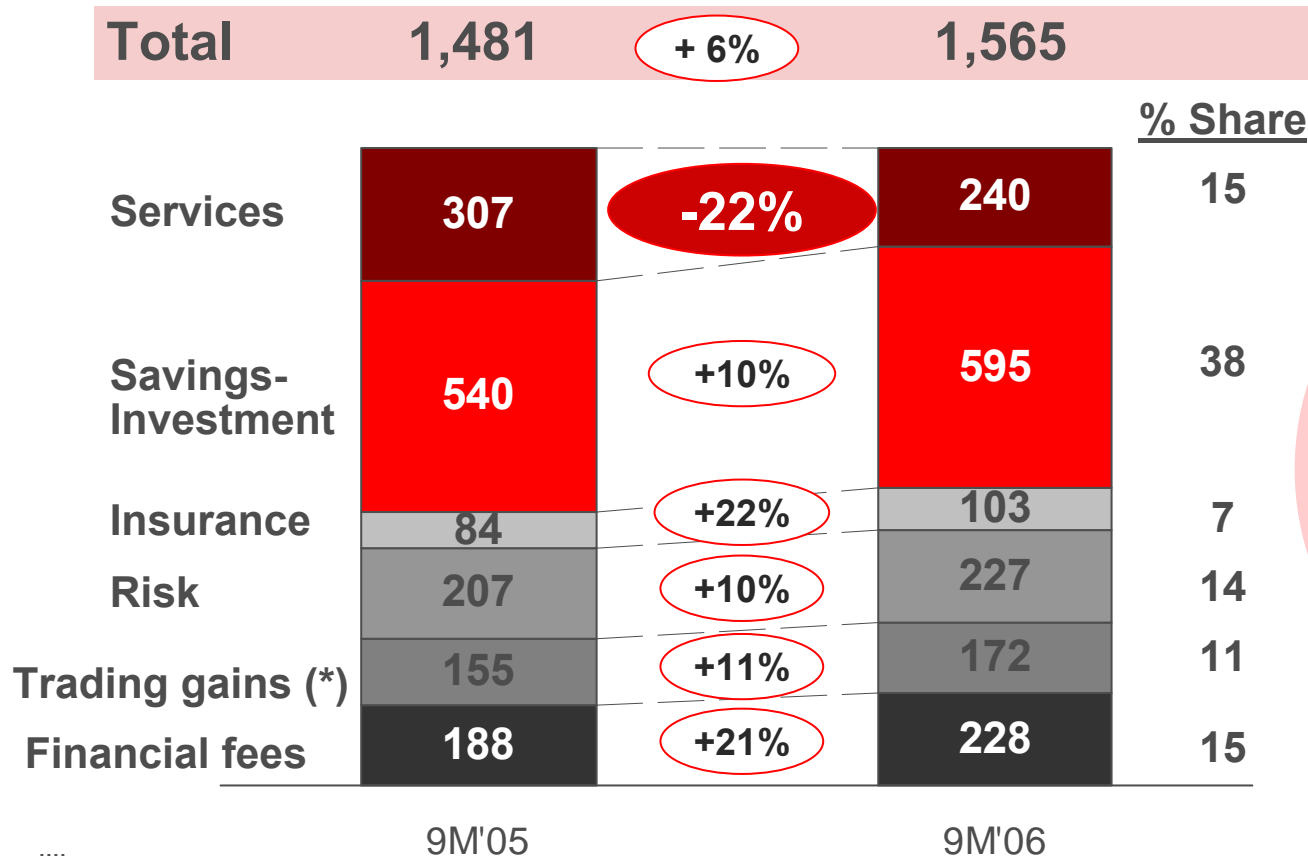
Queremos
ser tu banco

 Santander

150
AÑOS

... contributing additional revenues from pure business fees, absorbing the investment made in *We want to be your Bank Plan*

Fees and commissions



EUR million

(*) Customer fees. Revenues from foreign exchange transactions and derivatives

W/out investments in

Queremos
ser tu banco

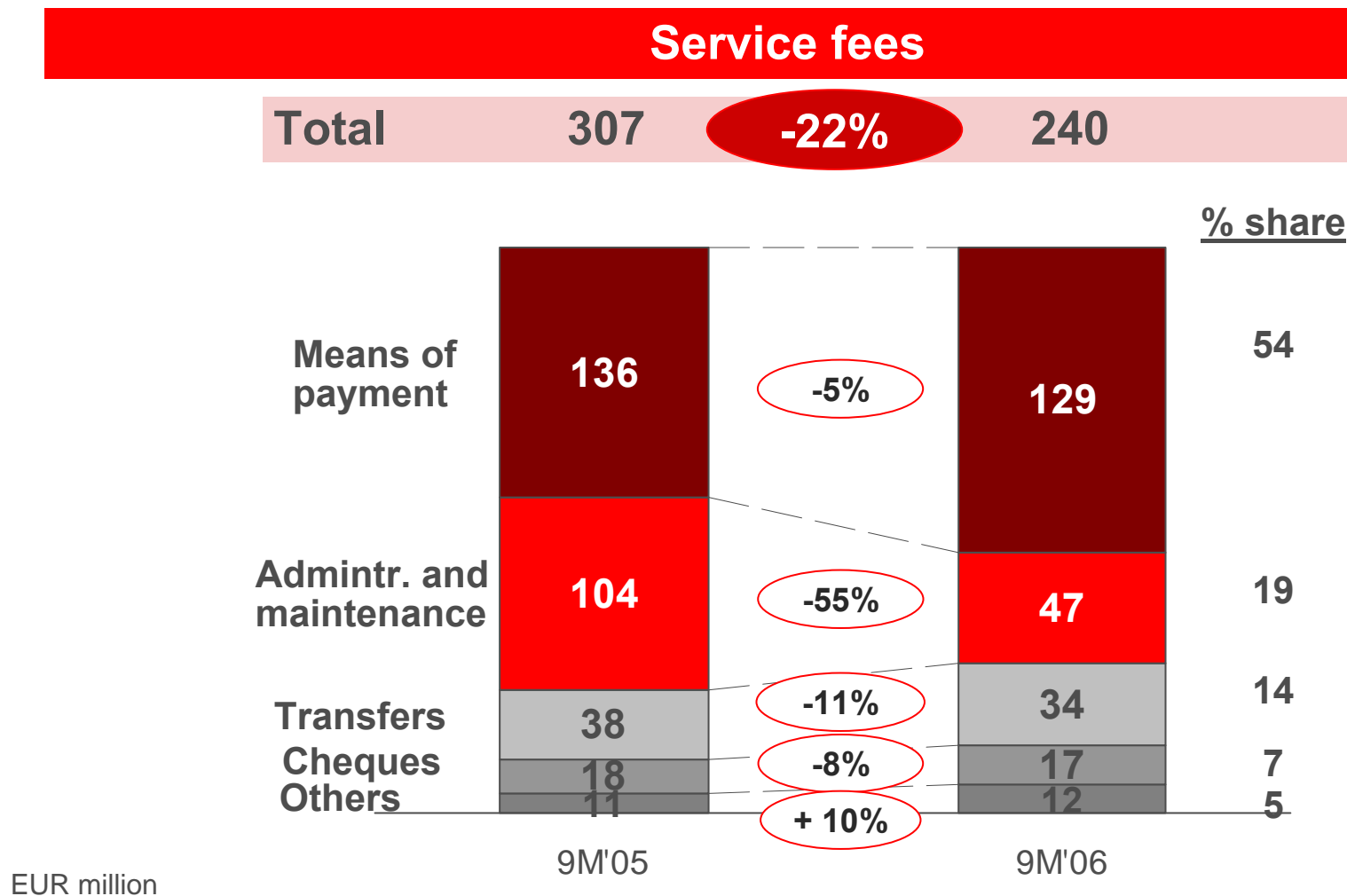
+ 10%

Queremos
ser tu banco

 Santander

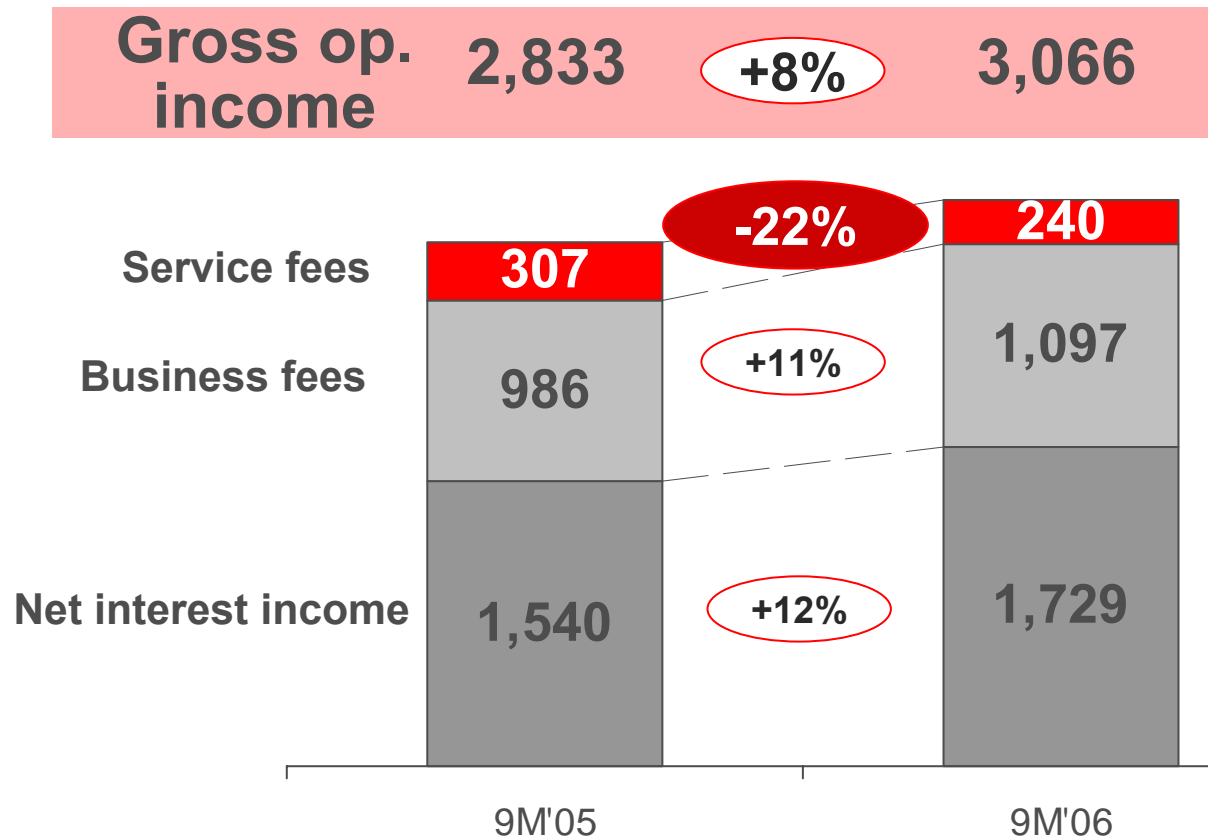
150
AÑOS

Structure of Service Fees



All of it producing a very balanced performance of revenues ...

Revenues composition



EUR million

W/out investment in

Queremos
ser tu banco

+ 10%

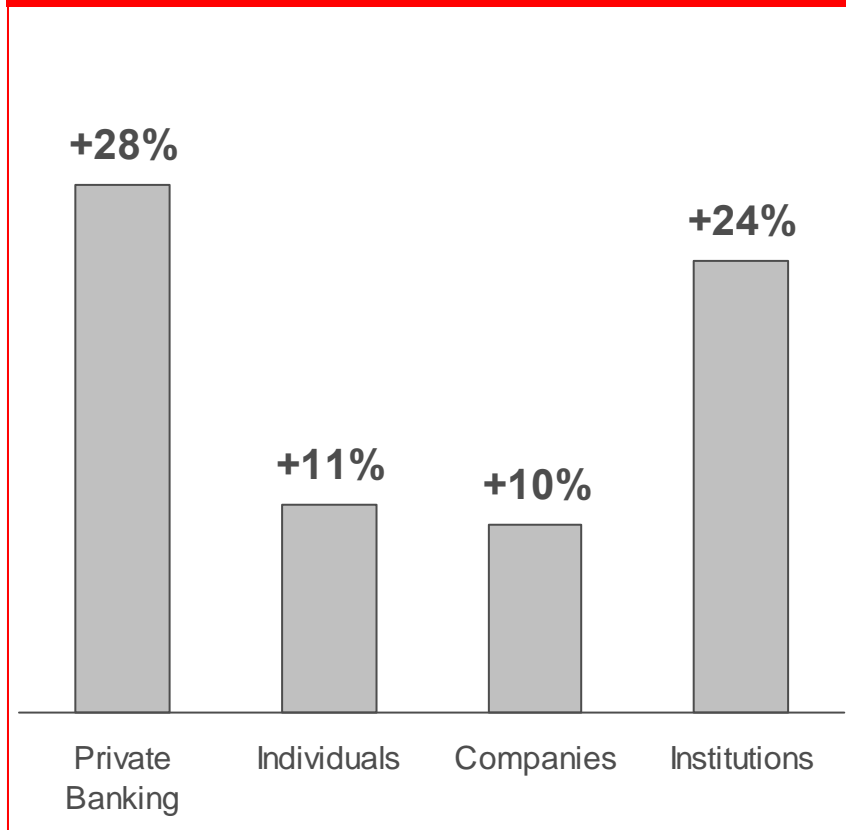
Queremos
ser tu banco

 Santander

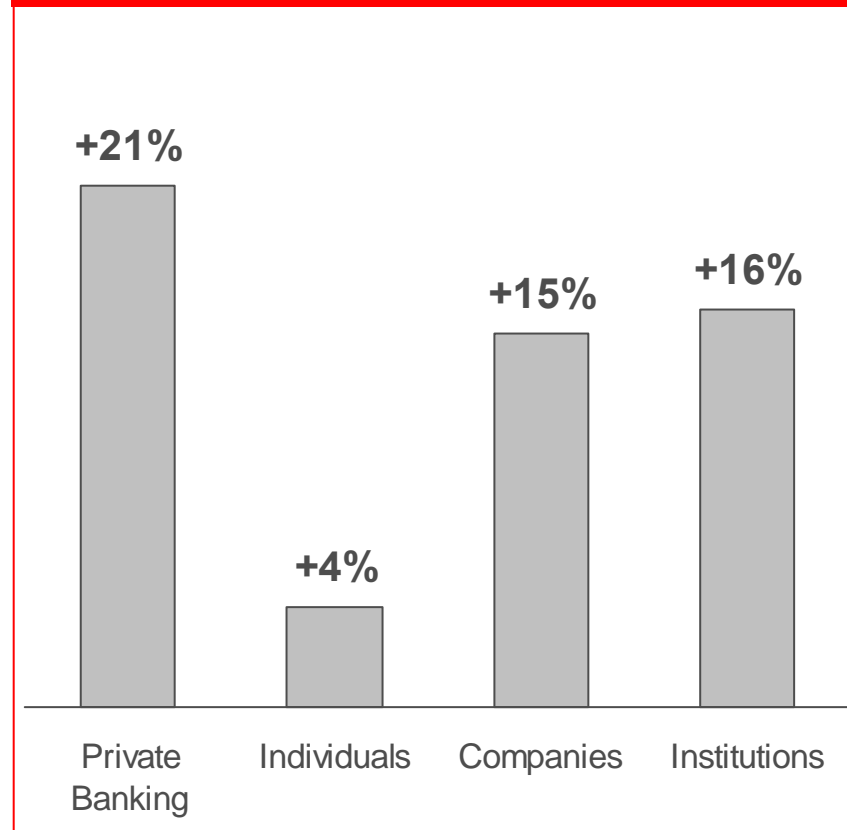
150
AÑOS

...with contributions from all business lines

Net interest income



Gross operating income



% year-on-year change 9M'06 / 9M'05

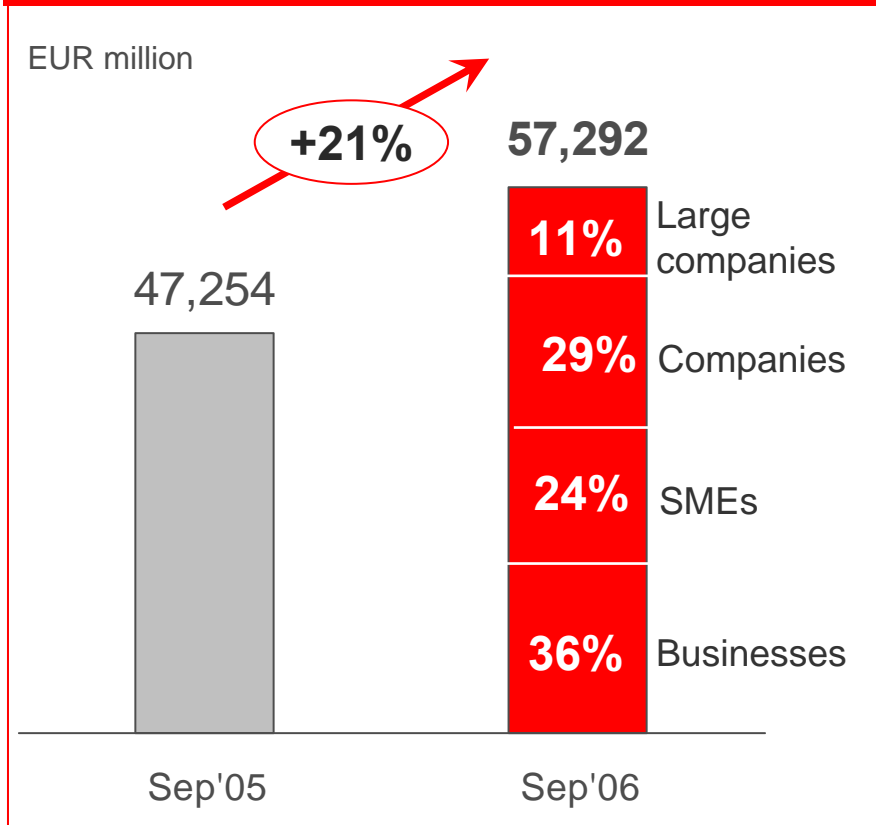
Queremos
ser tu banco

 Santander

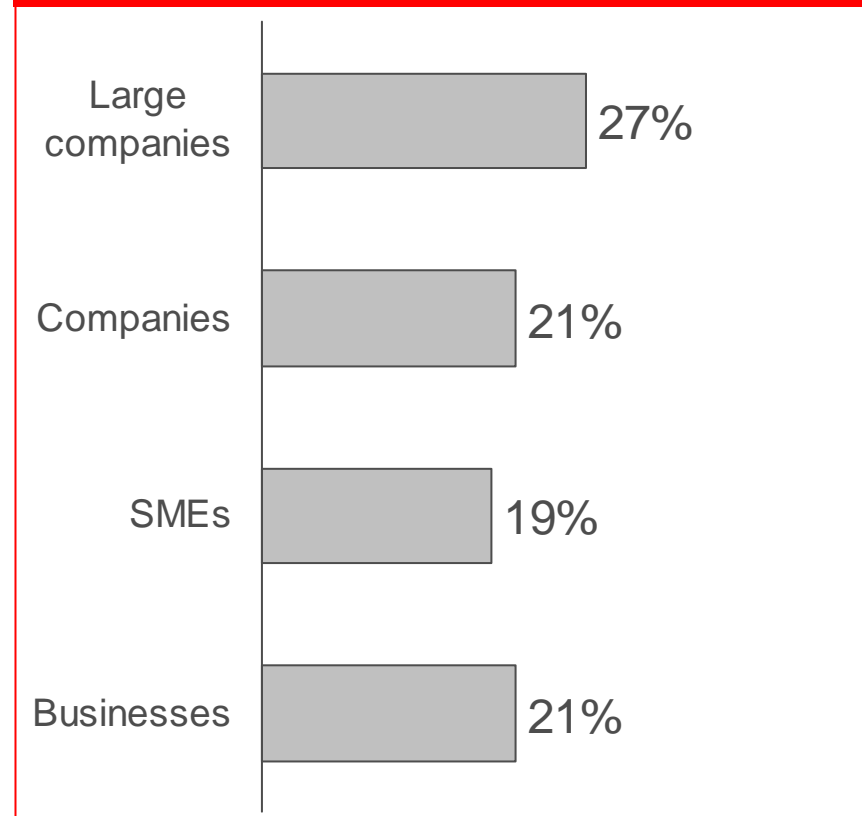
150
AÑOS

Strong emphasis on companies, with growth in all sub-segments

Loans to companies



Distributed by segments



Average monthly balances

% Year-on-year change as of Sep'06

Queremos
ser tu banco

 Santander

150
AÑOS

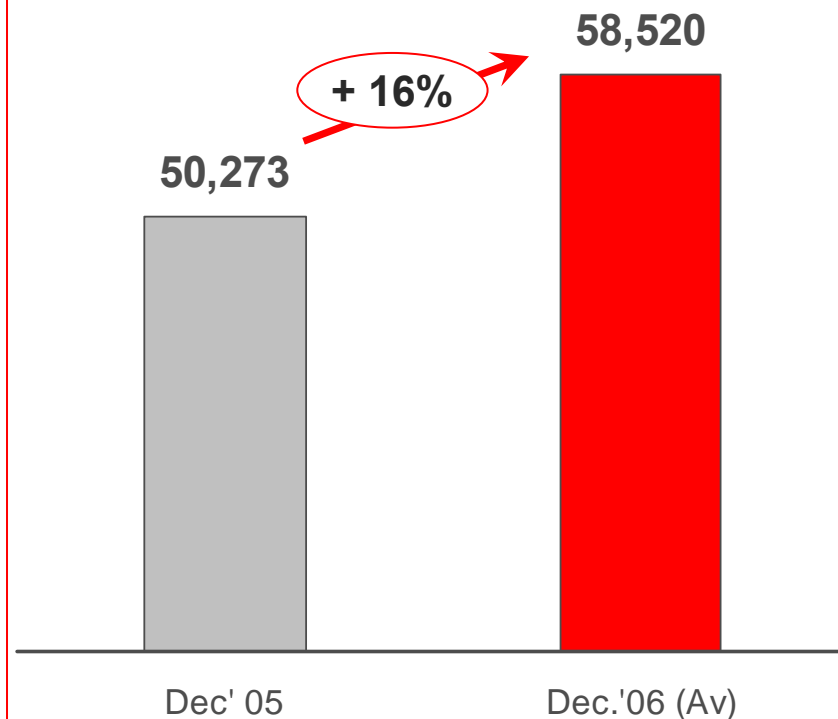
Mortgages have been another driver of business activity and of customers

Business levers

- Key product in *We want to be your Bank Plan*
- Boosting of real estate developers and subrogating
- Development of real estate agents
- Second residence – Abbey project

Growth in mortgages

EUR million



The new consumer finance model has been consolidated in the individual customers segment, showing significant results...

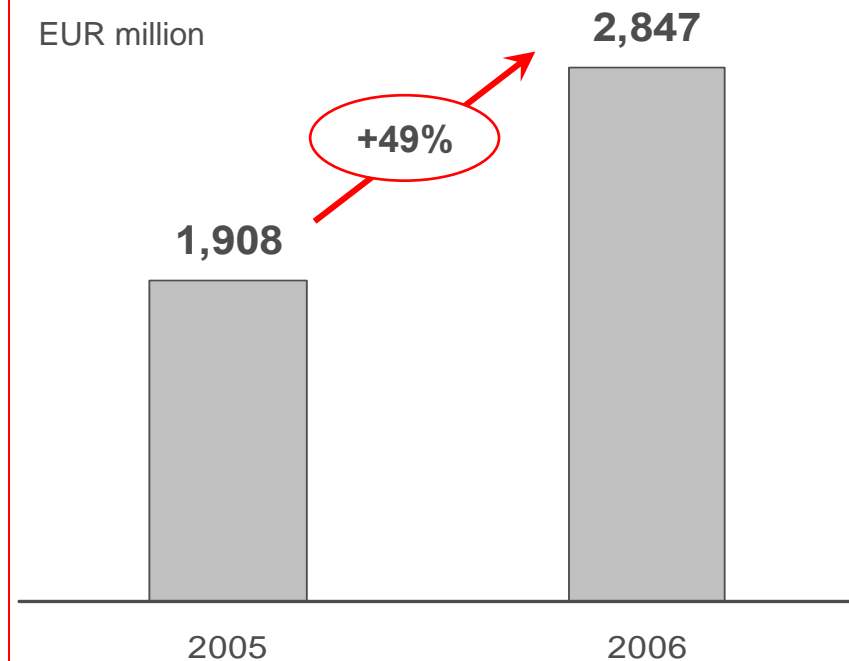
**New business model supported by the Bank's strengths
(brand, customer base, branches and technological platform)**

Business levers

- Latest generation predicting models
- Proactive multi-channel distribution
- Dynamic management risk
- Differentiated value proposal

New lending

EUR million



In costs, thanks to active management, the branch network increased by 6% while costs only rose 1% ...

Dynamic network management

Net increase in branches

180

120

46

32

2003

2004

2005

2006

Costs

EUR million

Total
Costs

1,293

+1%

1,310

Personnel
costs

849

862

Administr.
costs

264

274

Amortisation

180

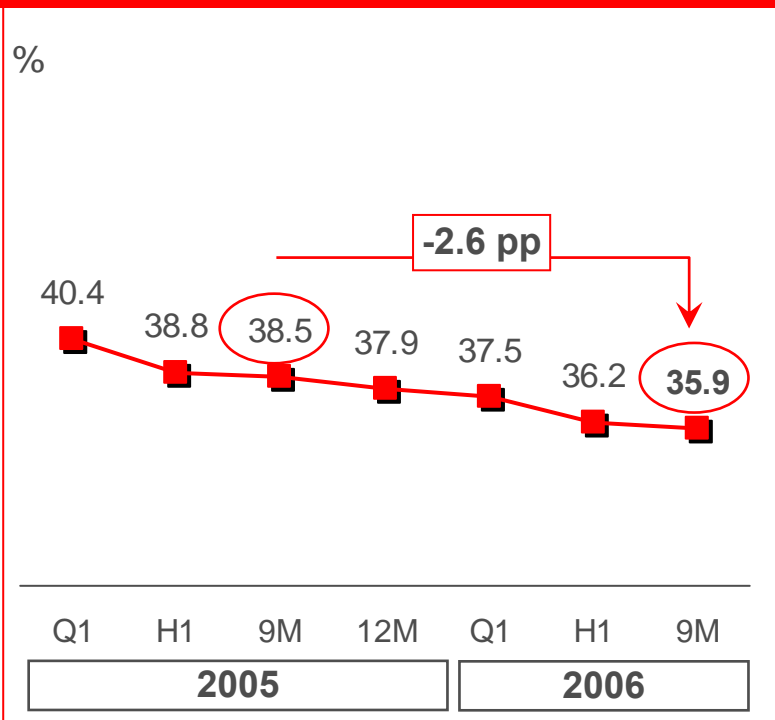
174

9M'05

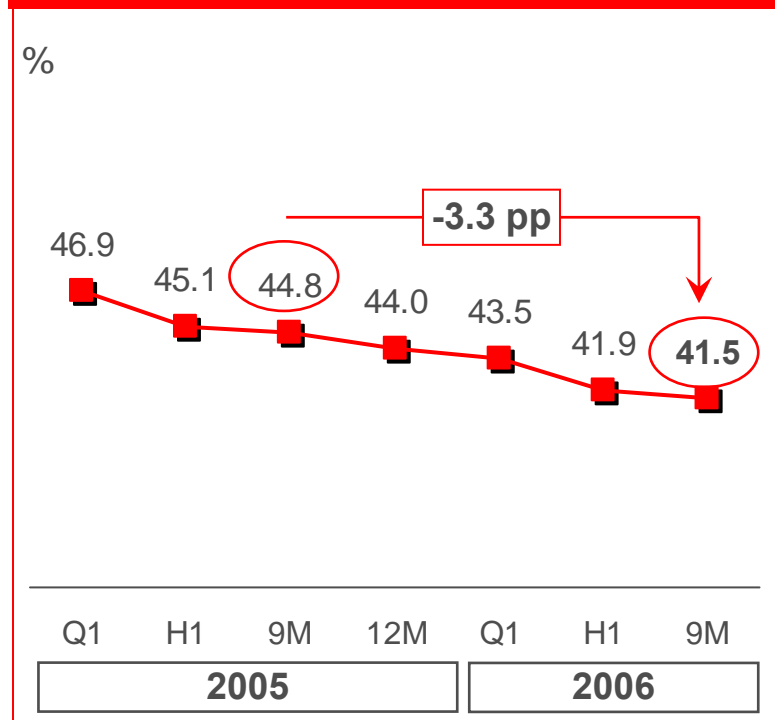
9M'06

... resulting in a continuous efficiency improvement

Efficiency w/out depreciation and amortisation

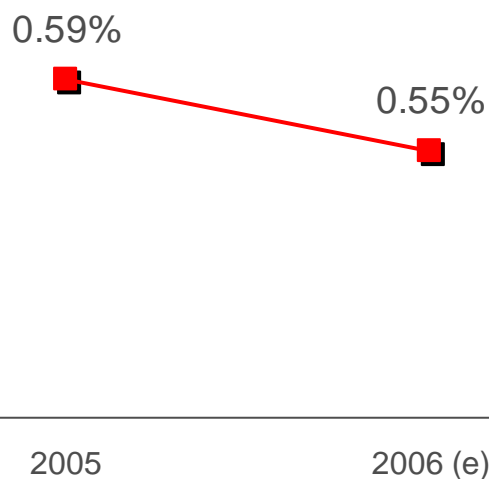


Efficiency with depreciation and amortisation

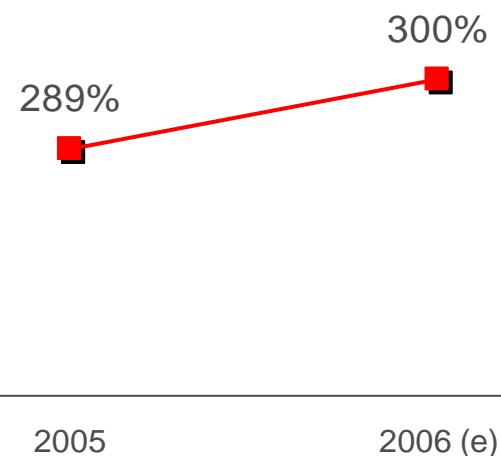


The growth in revenues and earnings went hand in hand with high credit quality ...

NPL ratio



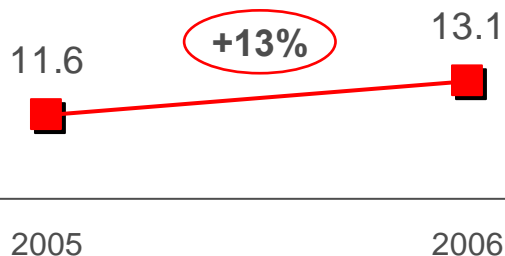
NPL coverage



... with improvements in activity and productivity

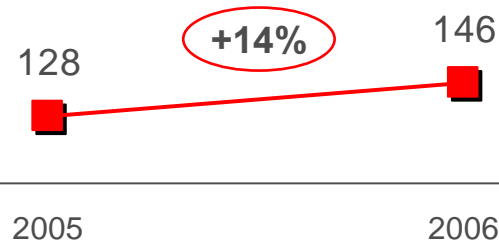
Activity per employee

EUR million



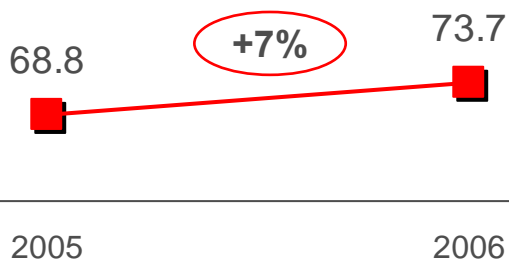
Productivity per employee

EUR thousands



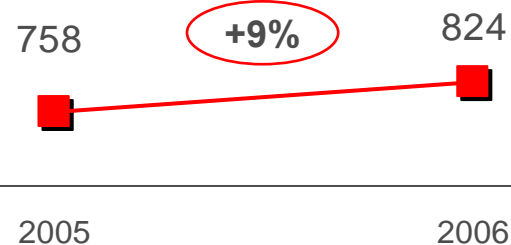
Activity per branch

EUR million



Productivity per branch

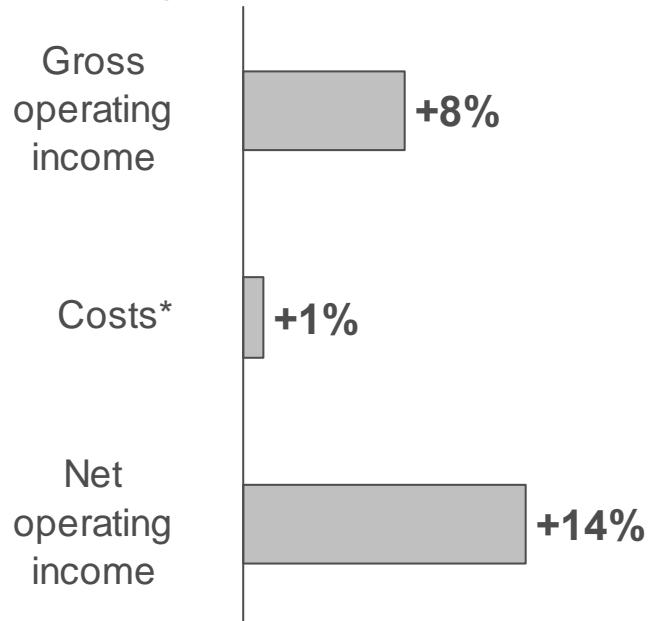
EUR thousands



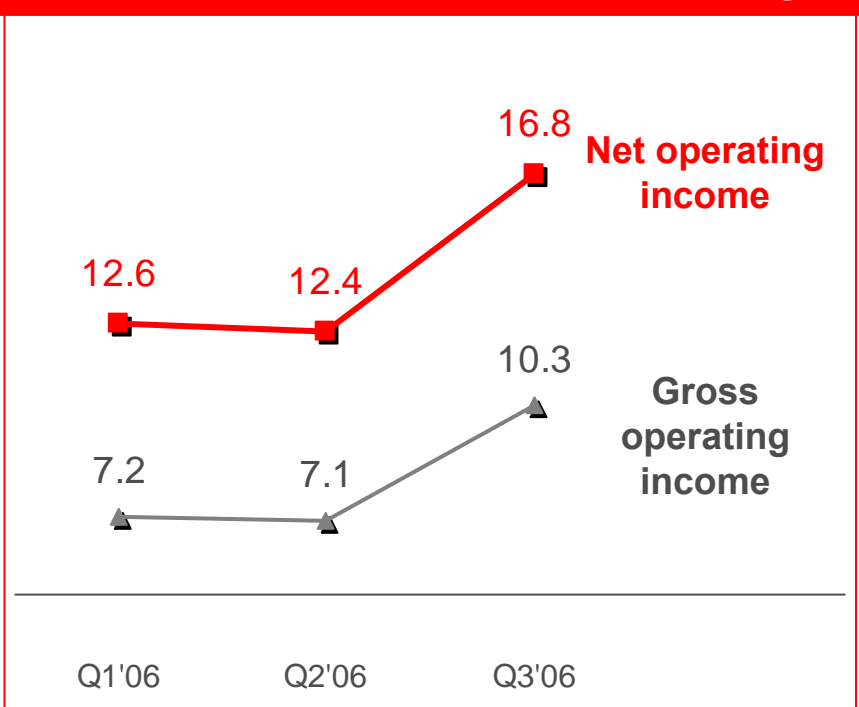
In summary, quality earnings with a very positive quarterly performance ...

Net operating income

% change 9M'06 / 9M'05



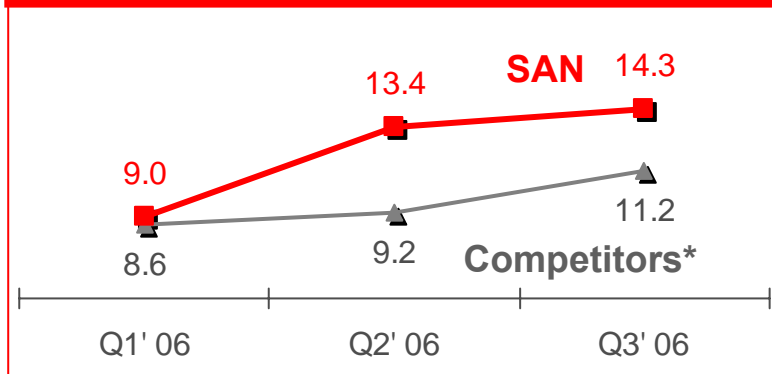
(%) 2005 quarter-on-quarter change



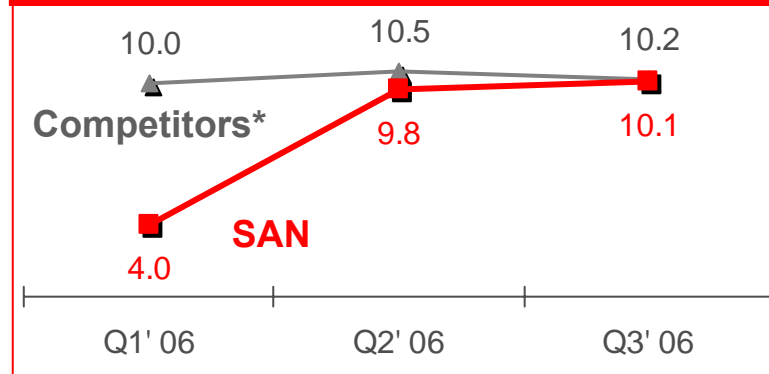
(*) Personnel + general costs + amortisation and depreciation

... which compares very favourably with our competitors ...
% 2005 quarter-on-quarter

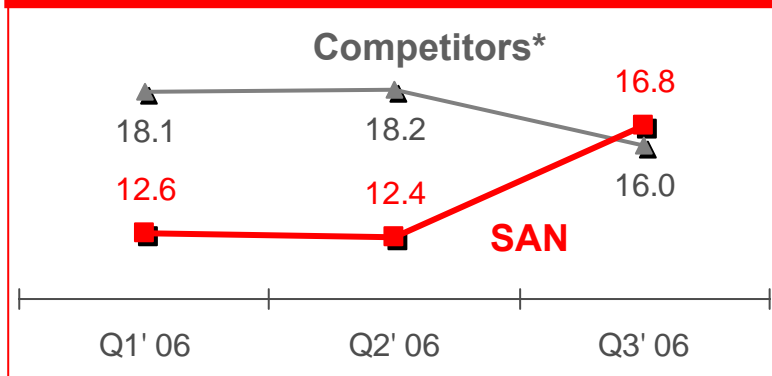
Net interest inc. (w/out dividends)



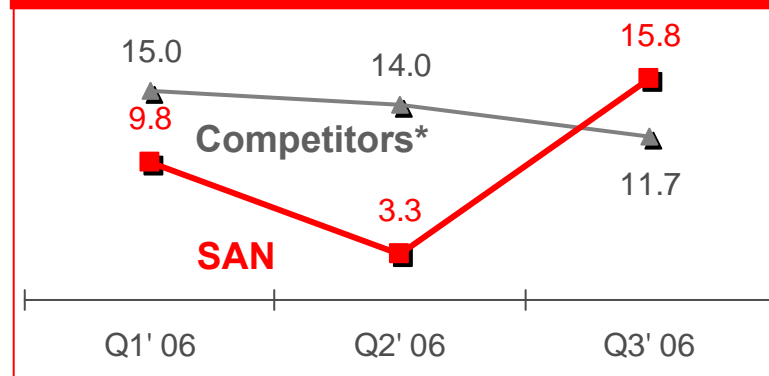
Commercial revenue



Net operating income

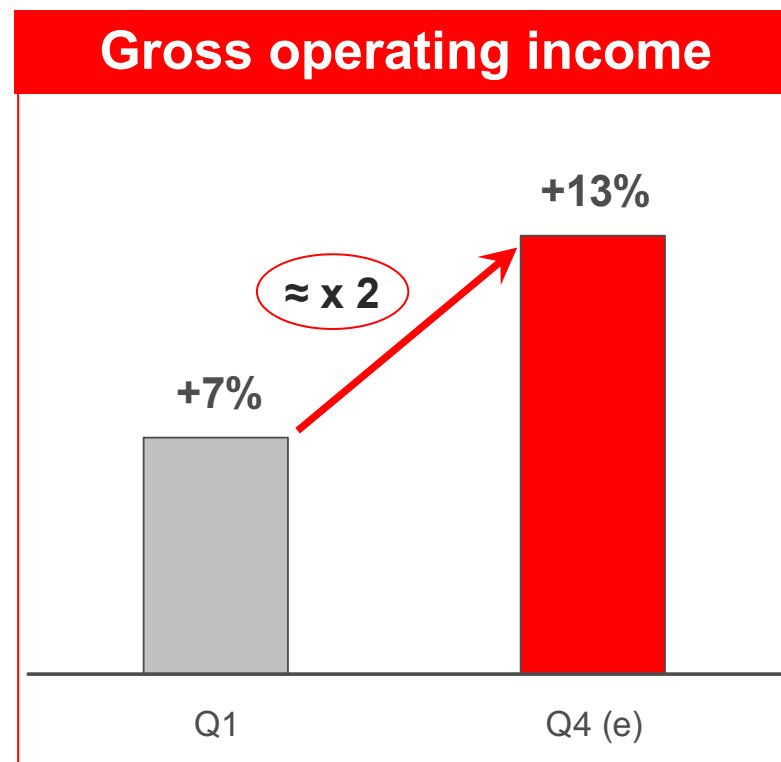
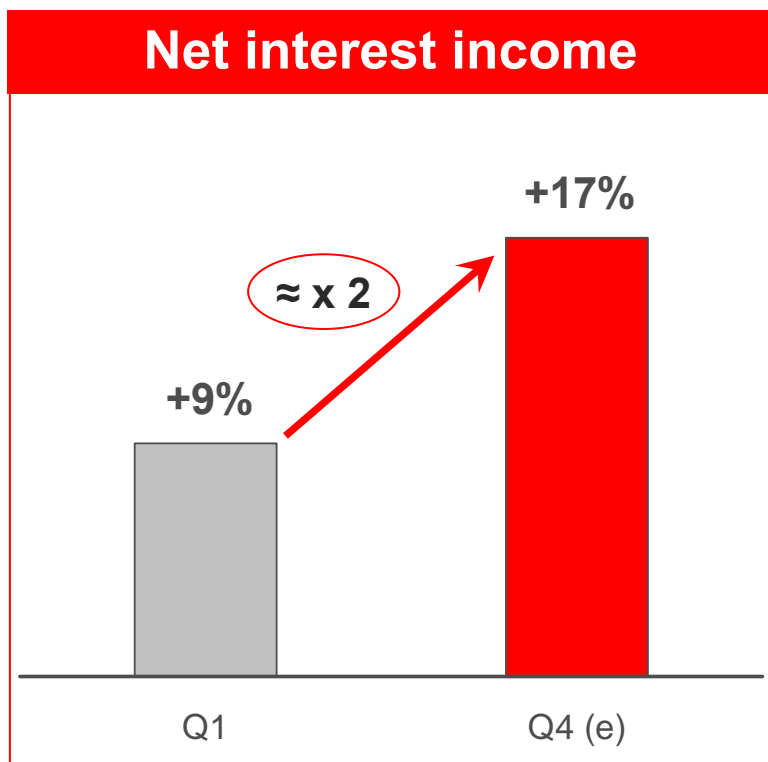


IBT



(*).- Recurrent results from BBVA, Banesto, Popular, Sabadell, Bankinter, Caixa and CajaMadrid

... and a trend continuing in the fourth quarter with revenues growing at almost double those of the first quarter...



... giving us an exceptional Q4 which set records throughout the whole income statement

In conclusion, 2006 with *We want to be your Bank* sets a new stage for the Santander Retail Banking, leading a new relationship with the customer...



2003/04

- Spread improvement
- New business opportunities
- Commercial thrust
- Market share



2005

- Profitable growth
- Branch openings
- Quality improvement
- Technological platform: Partenón



2006

- **Customer management**
- **Plan**

Queremos
ser tu banco

- **Plan META100 Calidad**
- **Da Vinci Model: commercial methodology and systems**
- **Quality Risk**

... putting us in a position to keep creating value in the future better than our competitors

Agenda

- Santander Retail Banking in Grupo Santander
- 2006 Objectives
- 2006 Results

■ 2007 Lines of action

Santander Retail Banking starts 2007 with the strength obtained from the consolidation of its customer relationship model, and ready to take on new and ambitious challenges

Business levers

- Wide and reinforced customer base
- Da Vinci: Successful commercial management model
- Very dynamic commercial activity
- Solid and balanced business portfolio
- Income Statement strong and of quality
- Very efficient branch network
- Professional team, the best, guaranteed

2007 Plans

“We want to be your Bank. First Anniversary”

- New loans
- More beneficiaries
- New services offer
- META 100: Service Quality

109 Projects

Consolidation and reinforcement

- Consumer finance
- Means of payment
- Businesses
- Companies transactionality
- Individuals

Branch openings

New Projects

- Mortgage businesses
- Immigrants

2007 Commitments

Customers / Quality

- Capturing: better market share
- Retention: reduce churn rate
- Linkage: increase number of products per customer
- Satisfaction: increase number of satisfied customers



“Relationship management and value generation”

Business / Financial

- Loans: diversified growth by segments and products (> 17%)
- Customer funds: accelerate growth rate (> 12%)
- Efficiency: improvement of 2 p.p.
- Risk: Superior quality



“Recurrent business and quality results”



Santander

150
AÑOS



Dow Jones
Sustainability Indexes
Member 2006/07

