



SANTANDER FINANCE CAPITAL, S.A. UNIPERSONAL
(incorporated with limited liability under the laws of Spain)

**12,122 Fixed Rate Non-cumulative Perpetual Guaranteed
U.S. Dollar Preferred Securities of USD 1,500 each, Series VI**
**333 Fixed Rate Non-cumulative Perpetual Guaranteed
U.S. Dollar Preferred Securities of USD 75,000 each, Series VII**
**313,745 Fixed Rate Non-cumulative Perpetual Guaranteed
Euro Preferred Securities of EUR 1,000 each, Series VIII**
**3,074 Fixed Rate Non-cumulative Perpetual Guaranteed
Euro Preferred Securities of EUR 50,000 each, Series IX**

irrevocably and unconditionally guaranteed to the extent set forth herein by

BANCO SANTANDER, S.A.

(incorporated with limited liability under the laws of Spain)

Issue price: 100.00 per cent

USD 18,183,000 Series VI Fixed Rate Non-cumulative Perpetual Guaranteed U.S. Dollar Preferred Securities (the "Series VI Dollar Preferred Securities") of USD 1,500 liquidation preference (the "Series VI Dollar Liquidation Preference"); USD 24,975,000 Series VII Fixed Rate Non-cumulative Perpetual Guaranteed U.S. Dollar Preferred Securities (the "Series VII Dollar Preferred Securities") of USD 75,000 liquidation preference (the "Series VII Dollar Liquidation Preference"); EUR 313,745,000 Series VIII Fixed Rate Non-cumulative Perpetual Guaranteed Preferred Securities (the "Series VIII Euro Preferred Securities") of EUR 1,000 liquidation preference (the "Series VIII Euro Liquidation Preference"); and EUR 153,700,000 Series IX Fixed Rate Non-cumulative Perpetual Guaranteed Preferred Securities (the "Series IX Euro Preferred Securities") of EUR 50,000 liquidation preference (the "Series IX Euro Liquidation Preference"), together the "Preferred Securities", are being issued by Santander Finance Capital, S.A. Unipersonal (the "Issuer") on 18 March 2009 (the "Closing Date").

Each Preferred Security will entitle its holder to receive (subject to the limitations described under Part 4 (*Conditions of the Preferred Securities*)) non-cumulative cash distributions ("Distributions"). From (and including) the Closing Date Distributions will accrue at a rate of 2 per cent per annum and, subject as aforesaid, will be payable on each 18 March commencing 18 March 2010. In each case Distributions accrue on the Liquidation Preference of each Series. The Preferred Securities are redeemable, at the option of the Issuer (subject to the prior consent of the Bank of Spain), in whole but not in part, on any Distribution Payment Date (as defined in Part 4, *Conditions of the Preferred Securities—definitions*) (falling on or after 18 March 2019 (the "First Call Date")), at the Redemption Price (as defined in Part 4 (*Conditions of the Preferred Securities—definitions*)) per Preferred Security.

The payment of Distributions and payments upon liquidation or redemption with respect to the Preferred Securities are irrevocably and unconditionally guaranteed by Banco Santander, S.A. (the "Bank" or the "Guarantor") to the extent described under Part 5 (*Guarantee*).

The Preferred Securities are expected, upon issue, to be assigned an Aa3 rating by Moody's Investors Services, Inc. ("Moody's"), an A+ rating by Fitch Ratings Limited ("Fitch") and an A+ rating by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc. ("Standard & Poor's"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

There will be no public offering of the Preferred Securities all of which are wholly owned, directly or indirectly, by the Bank on the Issue Date.

An investment in the Preferred Securities involves certain risks. For a discussion of these risks see Part 3 (*Risk Factors*).

Potential holders are alerted to the information in Part 13 (*Taxation*) regarding the tax treatment in Spain of income in respect of Preferred Securities and to the disclosure requirements imposed on the Guarantor relating to the identity of all holders of Preferred Securities. Income in respect of the Preferred Securities will be subject to withholding tax if holders fail to provide tax certificates on time as described herein and neither the Issuer nor the Guarantor will gross up payments in respect of such withholding tax.

Application has been made to the Financial Services Authority (the "FSA") in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") for the Preferred Securities to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Preferred Securities to be admitted to trading on the Regulated Market of the London Stock Exchange. References in this Prospectus to Preferred Securities being "listed" (and all related references) shall mean that such Preferred Securities have been admitted to the Official List and have been admitted to trading on the Regulated Market of the London Stock Exchange.

This Prospectus constitutes a prospectus for the purposes of Directive 2003/71/EC (the "Prospectus Directive").

The Regulated Market of the London Stock Exchange is a regulated market for the purpose of Directive 2004/39/EC (the "Markets in Financial Instruments Directive").

The Preferred Securities have not been, and will not be, registered under the securities laws of any jurisdiction. The Preferred Securities may not be offered, sold or delivered within any jurisdiction except in compliance with the applicable securities laws of any such jurisdiction.

The Preferred Securities will be issued in bearer form and will be represented by four global Preferred Securities (one for each Series) deposited on or about the Closing Date with a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg" and, together with Euroclear, the "Clearing Systems").

RESPONSIBILITY STATEMENT

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each of the Issuer and the Guarantor confirms that any information contained in this Prospectus and sourced from a third party has been accurately reproduced and, as far as the Issuer and the Guarantor are aware and is able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor or the Preferred Securities other than as contained in this Prospectus or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Guarantor.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Preferred Security shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Preferred Securities.

The distribution of this Prospectus and the offering, sale and delivery of Preferred Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Guarantor to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Preferred Securities and on distribution of this Prospectus and other offering material relating to the Preferred Securities, see “Subscription and Sale”.

In particular, the Preferred Securities have not been and will not be registered under the United States Securities Act of 1933 and are subject to United States tax law requirements. Subject to certain exceptions, Preferred Securities may not be offered, sold or delivered in the United States or to U.S. persons.

In this Prospectus, unless otherwise specified, references to “\$”, “USD” or “U.S. Dollars” are to the lawful currency of the United States for the time being and references to “€”, “EUR” or “Euro” are to the single currency introduced at the start of the Third Stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

In this Prospectus, the words “Santander,” “Banco Santander,” “Guarantor,” “Bank,” “we,” “our,” “ours” and “us” refer to Banco Santander, S.A. The words “Group” and “Santander Group” refer to Banco Santander, S.A. and its consolidated subsidiaries. The word “Issuer” refers to Santander Finance Capital, S.A. Unipersonal.

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PART 1
DOCUMENTS INCORPORATED BY REFERENCE

Direct English translations of the following documents shall be deemed incorporated by reference:

1. the Guarantor's audited consolidated financial statements, together with the notes thereto as well as the management report and the auditor's report on the consolidated financial statements, and the audited non-consolidated balance sheet and income statement for the year ended 31 December 2007;
2. the Guarantor's audited consolidated financial statements, together with the notes thereto as well as the management report and the auditor's report on the consolidated financial statements, and the audited non-consolidated balance sheet and income statement for the year ended 31 December 2006;
3. the Guarantor's unaudited financial report for the period January to December 2008, which includes the unaudited consolidated financial statements for the year ended 31 December 2008;
4. the Issuer's audited financial statements, together with the notes thereto as well as the management report and the auditor's report on the financial statements for the year ended 31 December 2007;
5. the Issuer's audited financial statements, together with the notes thereto as well as the management report and the auditor's report on the financial statements for the year ended 31 December 2006; and
6. the Issuer's unaudited interim financial statements for the six months ended 30 June 2008,

provided that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any subsequent document all or the relative portion of which is also incorporated by reference herein by way of a supplement prepared in accordance with the Prospectus Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus.

Any information or other documents themselves incorporated by reference, either expressly or implicitly, in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus, except where such information or other documents are specifically, incorporated by reference into this Prospectus.

From the date hereof and throughout the period that the Preferred Securities remain listed on the Regulated Market of the London Stock Exchange, the Issuer and the Guarantor will, at the specified offices of the Paying Agent (as defined below) provide, free of charge, upon oral or written request, a copy of this Prospectus (and any documents incorporated by reference in this Prospectus). Written or oral requests for such documents should be directed to the specified office of the Guarantor or the Paying Agent (as defined below).

PART 2

SUMMARY

The following summary must be read as an introduction to this Prospectus. Any investment decision relating to the Preferred Securities should be based on consideration of this Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area (each an “EEA State”), the Issuer and Guarantor may have civil liability in respect of this summary if it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in an EEA State, the plaintiff may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Issuer:	Santander Finance Capital, S.A. Unipersonal
Guarantor:	Banco Santander, S.A.
Issue Size:	USD 18,183,000 (Series VI) USD 24,975,000 (Series VII) EUR 313,745,000 (Series VIII) EUR 153,700,000 (Series IX)
Issue Details:	<ul style="list-style-type: none"> (i) 12,122 USD 1,500 Series VI Fixed Rate Non-cumulative Perpetual Guaranteed Preferred Securities; (ii) 333 USD 75,000 Series VII Fixed Rate Non-cumulative Perpetual Guaranteed Preferred Securities; (iii) 313,745 EUR 1,000 Series VIII Fixed Rate Non-cumulative Perpetual Guaranteed Preferred Securities; and (iv) 3,074 EUR 50,000 Series IX Fixed Rate Non-cumulative Perpetual Guaranteed Preferred Securities.
Liquidation Preference:	<ul style="list-style-type: none"> (i) USD 1,500 per Series VI Dollar Preferred Security. This will be the subscription price per Series VI Dollar Preferred Security; (ii) USD 75,000 per Series VII Dollar Preferred Security. This will be the subscription price per Series VII Dollar Preferred Security; (iii) EUR 1,000 per Series VIII Euro Preferred Security. This will be the subscription price per Series VIII Euro Preferred Security; (iv) EUR 50,000 per Series IX Euro Preferred Security. This will be the subscription price per Series IX Euro Preferred Security.
Ranking of the Preferred Securities:	The Preferred Securities will rank (a) junior to all liabilities of the Issuer including subordinated liabilities; (b) <i>pari passu</i> with each other and with any Parity Securities of the Issuer; and (c) senior to the Issuer’s ordinary shares.
Distributions:	<p>The Preferred Securities will entitle holders to receive non-cumulative cash distributions (“Distributions”), subject to the Limitations on Distributions described below, out of the Issuer’s own legally available resources and distributable items.</p> <p>Distributions will accrue from (and including) the Closing Date at the fixed Distribution rate of 2 per cent per annum (the “Distribution Rate”).</p> <p>Distributions are payable on each 18 March (the “Distribution Payment Date”) commencing on 18 March 2010 and, thereafter, on each anniversary of the Closing Date.</p>

Limitations on Distributions:

Distributions shall not be payable to the extent that:

- (a) the aggregate of such Distributions, together with (i) any other distributions previously paid during the then current Fiscal Year; and (ii) any distributions proposed to be paid during the then current Distribution Period, in each case on or in respect of Parity Securities (including the Preferred Securities) would exceed the Distributable Profits of the immediately preceding Fiscal Year; or
- (b) even if Distributable Profits are sufficient, if under applicable Spanish banking regulations relating to capital adequacy requirements affecting financial institutions which fail to meet their required capital ratios on a parent company only basis or on a consolidated basis, the Bank would be prevented at such time from making payments on its ordinary shares or on Parity Securities issued by the Bank.

Guarantee:

The payment of accrued but unpaid Distributions for the most recent Distribution Period, the Liquidation Distribution and the Redemption Price shall be irrevocably and unconditionally guaranteed by the Guarantor.

The Bank will not be obliged to make payment of any Distribution (including in the event of liquidation of the Issuer or redemption of the Preferred Securities, accrued and unpaid Distributions relating, respectively, to the current Distribution Period to the date of payment of the Liquidation Distribution or to the date fixed for redemption) on the Preferred Securities to the extent that:

- (a) the aggregate of such Distributions, together with any other distributions previously paid during the then current Fiscal Year and any distributions proposed to be paid during the then current Distribution Period, in each case on or in respect of Parity Securities (including Preferred Securities), would exceed the Distributable Profits of the immediately preceding Fiscal Year; or
- (b) even if Distributable Profits are sufficient, to the extent that under applicable Spanish banking regulations relating to capital adequacy requirements affecting financial institutions which fail to meet their required capital ratios on a parent company only basis or on a consolidated basis, the Bank would be prevented at such time from making payments on its ordinary shares or Parity Securities issued by it.

Ranking of the Guarantee:

The Bank's obligations under the Guarantee will rank (a) junior to all liabilities of the Bank including subordinated liabilities (other than any guarantee or contractual right expressed to rank equally with or junior to the Guarantee); (b) *pari passu* with any Parity Securities issued by the Bank and any obligation assumed by the Bank under any guarantee in favour of holders of any Parity Securities issued by any Subsidiary; and (c) senior to the Bank's ordinary shares.

Optional Redemption:

The Preferred Securities may be redeemed at the option of the Issuer subject to the prior consent of the Bank of Spain at the Redemption Price (as defined herein) per Preferred Security on any Distribution Payment Date falling on or after the First Call Date. The Series VI and Series VII Dollar Preferred Securities may be redeemed in whole but not in part independently of the Euro Preferred Securities and the Series VIII and Series IX Euro Preferred Securities may be redeemed in whole but not in part independently from the Dollar Preferred Securities.

Liquidation Distribution:	The Liquidation Distribution payable in relation to each Preferred Security shall be its Liquidation Preference per Preferred Security plus, if applicable, an amount equal to accrued and unpaid Distributions for the then current Distribution Period to (but excluding) the date of payment of the Liquidation Distribution.
Liquidation Rights:	<p>In the event that proceedings for the liquidation, dissolution or winding up of the Bank are commenced or there is a reduction in the shareholder's equity of the Bank pursuant to Article 169 of the Spanish Corporations Law (Ley de Sociedades Anónimas), the Issuer shall be liquidated by the Bank and the holders of Preferred Securities at the time outstanding will be entitled to receive only the Liquidation Distribution in respect of each Preferred Security held by them. In such an event, the Liquidation Distribution per Preferred Security shall not exceed that which would have been paid from the assets of the Bank had the Preferred Securities and all Parity Securities been issued by the Bank.</p> <p>Except as described in the previous paragraph, the Bank will undertake not to cause a liquidation of the Issuer.</p>
Pre-emptive rights:	The Preferred Securities do not grant their holders preferential subscription rights in respect of any possible future issues of preferred securities.
Special General Meetings:	Holders of Preferred Securities of the Issuer shall be entitled to attend and vote at Special General Meetings as described in Part 4 (<i>Conditions of the Preferred Securities</i>), Clause 5.2.
Withholding Tax:	<p>Save as set out below, the payment of Distributions and other amounts in respect of the Preferred Securities and payments under the Guarantee will be made without deduction for or on account of Spanish withholding taxes, unless such taxes are required by law to be withheld. In such case, the Issuer or the Bank, as the case may be, will, save as described below, gross-up for such withheld amounts.</p> <p>The payment of Distributions and other amounts in respect of the Preferred Securities and payments under the Guarantee will be subject to Spanish withholding tax as described in the next paragraph. In such circumstances, neither the Issuer nor the Bank will pay additional amounts in respect of such withholding tax.</p> <p>Under Spanish law, income in respect of the Preferred Securities will be subject to withholding tax in Spain, currently at the rate of 18 per cent in the case of (a) individual or corporate holders who are resident in Spain for tax purposes; and (b) holders who fail to provide information regarding their identity and tax residence.</p>
Form:	It is intended that the Series VI and Series VII Dollar Preferred Securities and the Series VIII and Series IX Euro Preferred Securities will be represented by four global Preferred Securities in bearer form, one for the total number of the Preferred Securities of each Series. Each global Preferred Security will be delivered by the Issuer to a common depositary for the Clearing Systems.
Ratings:	The Preferred Securities are expected, on issue, to be assigned an Aa3 rating by Moody's, an A+ rating by Standard & Poor's and an A+ rating by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Governing Law:	The Preferred Securities and the Guarantee will be governed by the laws of Spain.

Listing and Admission to Trading:	Application has been made to the UK Listing Authority for the Preferred Securities to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange for the Preferred Securities to be admitted to trading on the London Stock Exchange's Regulated Market.
Clearing Systems:	Euroclear and Clearstream, Luxembourg.

Risk Factors

There are certain factors which affect the Company's ability to fulfil its obligations under the Preference Securities. The risks include certain market risks associated with the Issuer's and the Santander Group's business and certain risks associated with the terms of the Preferred Securities.

Key risks relating to the Issuer and the Santander Group:

- Since the Group's loan portfolio is concentrated in Continental Europe, the United Kingdom and Latin America, adverse changes affecting the Continental European, the United Kingdom or certain Latin American economies could adversely affect the Group's financial condition.
- Some of the Group's business is cyclical and the Group's income may decrease when demand for certain products or services is in a down cycle.
- A sudden shortage of funds could increase the Group's cost of funding and have an adverse effect on the Group's liquidity and funding.
- The Group is vulnerable to the current disruptions and volatility in the global financial markets as well as to government action intended to alleviate the effects of the current financial crisis.
- Risks concerning borrower credit quality and general economic conditions are inherent in the Group's business.
- The financial problems which may face the Group's customers could adversely affect the Group.
- The Group is exposed to risks faced by other financial institutions.
- The Group's exposure to Spanish and UK real estate markets makes it more vulnerable to adverse developments in these markets.
- The Group may generate lower revenues from brokerage and other commission and fee-based businesses.
- Market risks associated with fluctuations in bond and equity prices and other market factors are inherent in the Group's business. Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and leading to material losses.
- Despite the Group's risk management policies, procedures and methods, the Group may nonetheless be exposed to unidentified or unanticipated risks.
- The Group's recent and future acquisitions may not be successful and may be disruptive to the Group's business.
- Proposals for the restructuring of the businesses the Group acquired from ABN AMRO are complex and may not realise the anticipated benefits for the Group.
- Increased competition in the countries where the Group operates may adversely affect the Group's growth prospects and operations.
- Volatility in interest rates may negatively affect the Group's net interest income and increase the Group's non-performing loan portfolio.
- Foreign exchange rate fluctuations may negatively affect the Group's earnings and the value of its assets and shares.
- Changes in the regulatory framework, including increased regulation of the financial services industry in the jurisdictions where the Group operates, could adversely affect its business.
- Operational risks are inherent in the Group's business.
- The Group is exposed to risk of loss from legal and regulatory proceedings.

- Credit, market and liquidity risks may have an adverse effect on the Group's credit ratings. Any reduction in the Group's credit rating could increase the Group's cost of funding and adversely affect the Group's interest margins.
- The Group's Latin American subsidiaries' growth, asset quality and profitability may be adversely affected by volatile macroeconomic conditions.
- Significant competition in some Latin American countries could intensify price competition and limit the Group's ability to increase its market share in those markets.
- Latin American economies can be directly and negatively affected by adverse developments in other countries.

Risks relating to the Preferred Securities

- Spanish tax rules in relation to potential withholding tax for Spanish tax residents who receive distributions in respect of the Preferred Securities.
- The transferability of the Preferred Securities may be limited by the absence of an active trading market. Trading prices may be substantially lower than the Liquidation Preference of the Preferred Securities.
- Distributions on the Preferred Securities are not cumulative.
- The Preferred Securities have no fixed redemption date and investors have no rights to call for redemption of the Preferred Securities.
- Banco Santander's obligations under the Guarantee are limited to the amounts of the payments due under the Preferred Securities.
- Banco Santander is not required to pay investors under the Guarantee unless it first makes other required payments.
- The right to receive Distributions under the Preferred Securities and the Guarantee is junior to certain other obligations of the Issuer and the Guarantor.
- Non-payment of Distributions may adversely affect the trading price of the Preferred Securities.

PART 3

RISK FACTORS

The financial data for the years ended 31 December 2007 and 2006 set out below has been extracted without material adjustment from, and should be read together with, the Guarantor's audited consolidated financial statements for those years, which are incorporated by reference into this document. The financial data for the year ended 31 December 2008 set out below has been extracted without material adjustment from the Guarantor's unaudited financial report for the period January to December 2008, which includes the consolidated financial statements for the year ended 31 December 2008, and is incorporated by reference into this document.

Risks relating to the Issuer and the Guarantor

The risk factors set out below also relate to the Issuer and the Guarantor, as members of the Group.

Risks in relation to Group operations

Since the Group's loan portfolio is concentrated in Continental Europe, the United Kingdom and Latin America, adverse changes affecting the Continental European, the United Kingdom or certain Latin American economies could adversely affect the Group's financial condition.

The Group's loan portfolio is mainly concentrated in Continental Europe (in particular, Spain), the United Kingdom and Latin America. At 31 December 2008, Continental Europe accounted for approximately 52 per cent of the Group's total loan portfolio (Spain accounted for 32 per cent of the Group's total loan portfolio), while the United Kingdom and Latin America accounted for 33 per cent and 15 per cent, respectively. Therefore, adverse changes affecting the economies of Continental Europe (in particular Spain), the United Kingdom or the Latin American countries where the Group operates would likely have a significant adverse impact on the Group's loan portfolio and, as a result, on its financial condition, cash flows and results of operations.

Some of the Group's business is cyclical and the Group's income may decrease when demand for certain products or services is in a down cycle.

The level of income the Group derives from certain of its products and services depends on the strength of the economies in the regions where the Group operates and certain market trends prevailing in those areas. Therefore, negative cycles may adversely affect the Group's income in the future.

A sudden shortage of funds could increase the Group's cost of funding and have an adverse effect on the Group's liquidity and funding.

Historically, the Group's principal source of funds has been customer deposits (demand, time and notice deposits). At 31 December 2008, 20.6 per cent of these customer deposits are time deposits in amounts greater than €73,084 (\$100,000, on an exchange rate of 0.7308). Time deposits have represented 48.8 per cent, 48.9 per cent and 44.2 per cent of total customer deposits at the end of 2008, 2007 and 2006 respectively. Large-denomination time deposits may be a less stable source of deposits than other type of deposits. The loss of market liquidity, triggered by the deterioration of the U.S. sub-prime credit market, continues to affect the supply and cost of liquidity and funding. The effects of the downturn have spread to the global economy, in particular to issuances in wholesale markets (principally asset backed securities) and to availability of liquid resources via the interbank markets. In this context, there can be no assurance that the Group will not incur materially higher funding costs or be required to liquidate certain assets.

The Group is vulnerable to the current disruptions and volatility in the global financial markets as well as to government action intended to alleviate the effects of the current financial crisis.

Since August 2007, the global financial system has experienced difficult credit and liquidity conditions and disruptions leading to less liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency on interbank lending rates. In September 2008, global financial markets deteriorated sharply following the bankruptcy filing by Lehman Brothers Holdings Inc. In the days that followed, it became apparent that a number of other major financial institutions, including some of the largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies, were experiencing significant difficulties.

In recent months, there have been runs on deposits at several financial institutions and numerous institutions have sought additional capital. Central banks around the world have coordinated efforts to increase liquidity in the financial markets by taking measures such as increasing the amounts they lend directly to financial institutions, lowering interest rates and significantly increasing temporary reciprocal currency arrangements (or “swap lines”).

In an attempt to prevent the failure of the financial system, the U.S. and European governments have intervened on an unprecedented scale. In the United States, the federal government is taking equity stakes in several financial institutions, has announced a programme to guarantee the short-term and certain medium-term debt of financial institutions, has increased consumer deposit guarantees and has brokered the acquisitions of certain struggling financial institutions, among other measures. In the United Kingdom, the government has taken substantial equity interests in some of the country’s largest banks and has announced a preferred equity programme open to all financial institutions and a programme to guarantee short-term and certain medium-term debt of financial institutions, among other measures. In Spain, the government has increased consumer deposit guarantees, announced a programme to guarantee the debt of certain financial institutions, proposed a programme of direct lending to certain financial institutions against collateral and announced plans to purchase assets from financial institutions. There is no assurance that these measures will successfully alleviate the current financial crisis. In addition, some of these measures could lead to increased government ownership and control over financial institutions and further consolidation in the financial industry, all of which could adversely affect the Group’s business, financial condition and results of operations. Furthermore, any material government equity investment in the Group could have a significant dilutive effect on the value of its ordinary shares.

Despite the extent of the aforementioned intervention, global investor confidence remains low and credit remains relatively scarce. In addition, the world’s largest developed economies, including Spain, the United Kingdom and the United States, are widely considered to have entered, or about to enter, economic recessions. Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on the Group’s ability to access capital and liquidity on financial terms acceptable to the Group, if at all. If capital markets financing ceases to become available, or becomes excessively expensive, the Group may be forced to raise the rates it pays on deposits to attract more customers. Any such increase in capital markets funding costs or deposit rates would entail a repricing of loans, which would result in a reduction of volumes, and may also have an adverse effect on the Group’s interest margins. An economic downturn, especially in Spain, the United Kingdom, the United States and certain Latin American countries, would also result in a general reduction in business activity and a consequent loss of income for the Group.

Risks concerning borrower credit quality and general economic conditions are inherent in the Group’s business.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group’s businesses. Adverse changes in the credit quality of the Group’s borrowers and counterparties or a general deterioration in Spanish, UK, Latin American or global economic conditions, or arising from systemic risks in the financial systems, could reduce the recoverability and value of the Group’s assets and require an increase in the Group’s level of provisions for credit losses. Deterioration in the economies in which the Group operates could reduce the profit margins for the Group’s banking and financial services businesses.

The financial problems which may face the Group’s customers could adversely affect the Group.

Market turmoil and economic recession, especially in Spain, the United Kingdom, the United States and certain Latin American countries, could materially adversely affect the liquidity, businesses and/or financial conditions of the Group’s borrowers, which could in turn further increase the Group’s non-performing loan ratios, impair the Group’s loan and other financial assets and result in decreased demand for borrowings in general. In a context of continued market turmoil, economic recession and increasing unemployment coupled with declining consumer spending, the value of assets collateralising the Group’s secured loans, including homes and other real estate, could decline significantly, which could result in impairment of the value of the Group’s loan assets. Moreover, in the quarter ended 30 September 2008, the Group already began to experience an increase in the Group’s non-performing loan ratios, a deterioration in asset quality and a slowdown in business volumes. In addition, the Group’s customers may further significantly decrease their risk tolerance to non-deposit investments such as stocks, bonds and mutual funds, which would adversely affect the Group’s fee and commission income. Any of the conditions

described above could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to risks faced by other financial institutions.

The Group routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Defaults by, and even rumours or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. These liquidity concerns have had, and may continue to have, a chilling effect on inter-institutional financial transactions in general. Many of the routine transactions the Group enters into expose it to significant credit risk in the event of default by one of the Group's significant counterparties. Despite the risk control measures the Group have in place, a default by a significant financial counterparty, or liquidity problems in the financial services industry in general, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's exposure to Spanish and UK real estate markets makes it more vulnerable to adverse developments in these markets.

As mortgage loans are one of the Group's principal assets, comprising 49 per cent of its loan portfolio at 31 December 2008, the Group is currently highly exposed to developments in real estate markets, especially in Spain and the United Kingdom. In addition, the Group currently has substantial exposure to certain real estate developers in Spain. From 2002 to 2007, demand for housing and mortgage financing in Spain increased significantly driven by, among other things, economic growth, declining unemployment rates, demographic and social trends, the desirability of Spain as a vacation destination and historically low interest rates in the Eurozone. The United Kingdom experienced a similar increase in housing and mortgage demand, driven by, among other things, economic growth, declining unemployment rates, demographic trends and the increasing prominence of London as an international financial centre. During late 2007, the housing market began to adjust in Spain and the United Kingdom as a result of excess supply (particularly in Spain) and higher interest rates. In 2008, as economic growth came to a halt in Spain and the economy began to contract in the United Kingdom, retail interest rates continued to increase, housing oversupply persisted, unemployment started to increase and demand continued to decrease in both countries, home prices have begun declining while mortgage delinquencies have increased. As a result, the delinquency rate of the Group increased from 0.78 per cent at 31 December 2006, to 0.95 per cent at 31 December 2007, and to 2.04 per cent at 31 December 2008. These trends, especially higher interest and unemployment rates coupled with declining real estate prices, could have a significant adverse impact on the Group's mortgage payment delinquency rates, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may generate lower revenues from brokerage and other commission and fee-based businesses.

Market downturns are likely to lead to declines in the volume of transactions that the Group executes for its customers and, therefore, to declines in the Group's non-interest revenues. In addition, because the fees that the Group charges for managing its clients' portfolios are in many cases based on the value or performance of those portfolios, a market downturn that reduces the value of the Group's clients' portfolios or increases the amount of withdrawals would reduce the revenues the Group receives from its asset management and private banking and custody businesses.

Even in the absence of a market downturn, below-market performance by the Group's mutual funds may result in increased withdrawals and reduced inflows, which would reduce the revenue the Group receives from its asset management business.

Market risks associated with fluctuations in bond and equity prices and other market factors are inherent in the Group's business. Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and leading to material losses.

The performance of financial markets may cause changes in the value of the Group's investment and trading portfolios. In some of the Group's business, protracted adverse market movements, particularly asset price decline, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets of the Group for which there are not very liquid markets to

begin with. Assets that are not traded on stock exchanges or other public trading markets, such as derivative contracts between banks, may have values that the Group calculates using models other than publicly quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to losses that the Group did not anticipate.

The increasing volatility of world equity markets due to the current credit crisis is having a particular impact on the financial sector. This may affect the value of the Group's investments in entities in this sector and, depending on their fair value and future recovery expectations, could become a permanent impairment which, by application of applicable rules, would be subject to write-offs against the Group's results.

Despite the Group's risk management policies, procedures and methods, the Group may nonetheless be exposed to unidentified or unanticipated risks.

The Group's risk management techniques and strategies may not be fully effective in mitigating the Group's risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or anticipate. Some of the Group's qualitative tools and metrics for managing risk are based upon the Group's use of observed historical market behaviour. The Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Group did not anticipate or correctly evaluate in its statistical models. This would limit the Group's ability to manage its risks. The Group's losses thus could be significantly greater than the historical measures indicate. In addition, the Group's quantified modelling does not take all risks into account. The Group's more qualitative approach to managing those risks could prove insufficient, exposing it to material unanticipated losses. If existing or potential customers believe the Group's risk management is inadequate, they could take their business elsewhere. This could harm the Group's reputation as well as its revenues and profits.

The Group's recent and future acquisitions may not be successful and may be disruptive to the Group's business.

The Group has recently acquired certain financial institutions, including Alliance & Leicester plc ("A&L") and Sovereign Bancorp Inc. ("Sovereign") The Group has also recently acquired the retail deposits, branch network and related employees of Bradford & Bingley plc. The Group's assessment of these acquisitions is based on limited and potentially inexact information and on assumptions with respect to operations, profitability, asset quality and other matters that may prove to be incorrect. These financial institutions have been adversely affected by the current financial crisis and in some cases, principally A&L and Sovereign, have portfolios of securities that have suffered losses and could decline meaningfully in value. There can be no assurances that these institutions will not incur substantial further losses or that the Group will not be exposed to currently unknown liabilities resulting from these acquisitions. Any such losses or liabilities could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group can give no assurance that its acquisition activities will perform in accordance with the Group's expectations. The Group bases its assessment of potential acquisitions on limited and potentially inexact information and on assumptions with respect to operations, profitability and other matters that may prove to be incorrect. In addition, it is possible that the integration process of Santander's recent (and any future) acquisitions could take longer or be more costly than anticipated or could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of each company to maintain relationships with clients, customers or employees. If Santander takes longer than anticipated or is not able to integrate the aforementioned businesses, the anticipated benefits of Santander's recent acquisitions may not be realised fully or at all, or may take longer to realise than expected.

Proposals for the restructuring of the businesses the Group acquired from ABN AMRO are complex and may not realise the anticipated benefits for the Group.

The restructuring plan in place for the integration and separation of ABN AMRO Holding N.V. ("ABN AMRO") into and among the businesses and operations of the Group is complex and involves substantial reorganisation of ABN AMRO's operations and legal structure. In addition, it contemplates activities taking place simultaneously in a number of businesses and jurisdictions. Implementation of the

reorganisation and the realisation of the forecast benefits within the planned timetable may be challenging. Execution of the restructuring requires management resources previously devoted to the Group's businesses and the retention of appropriately skilled ABN AMRO staff. The Group may not realise the benefits of the acquisition or the restructuring when expected or to the extent projected.

Increased competition in the countries where the Group operates may adversely affect the Group's growth prospects and operations.

Most of the financial systems in which the Group operates are highly competitive. Financial sector reforms in the markets in which the Group operates have increased competition among both local and foreign financial institutions, and the Group believes that this trend will continue. In particular, price competition in Europe and Latin America has increased recently. The Group's success in the European and Latin American markets will depend on the Group's ability to remain competitive with other financial institutions. In addition, there has been a trend towards consolidation in the banking industry, which has created larger and stronger banks with which the Group must now compete. There can be no assurance that this increased competition will not adversely affect the Group's growth prospects, and therefore its operations. The Group also faces competition from non-bank competitors, such as brokerage companies, department stores (for some credit products), leasing and factoring companies, mutual fund and pension fund management companies and insurance companies.

Volatility in interest rates may negatively affect the Group's net interest income and increase the Group's non-performing loan portfolio.

Changes in market interest rates could affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. This difference could result in an increase in interest expense relative to interest income leading to a reduction in the Group's net interest income. Income from treasury operations is particularly vulnerable to interest rate volatility. Since the majority of the Group's loan portfolio reprices in less than one year, rising interest rates may also bring about an increasing non-performing loan portfolio. Interest rates are highly sensitive to many factors beyond the Group's control, including increased regulation of the financial sector, monetary policies, domestic and international economic and political conditions and other factors.

Foreign exchange rate fluctuations may negatively affect the Group's earnings and the value of its assets and shares.

Fluctuations in the exchange rate between the Euro and the U.S. Dollar will affect the U.S. Dollar equivalent of the price of the Group's securities on the stock exchanges in which the Group's shares and American Depositary Shares ("ADSs") are traded. These fluctuations will also affect the conversion to U.S. Dollars of cash dividends paid in Euros on the Group's ADSs.

In the ordinary course of the Group's business, the Group has a percentage of its assets and liabilities denominated in currencies other than the Euro. Fluctuations in the value of the Euro against other currencies may adversely affect the Group's profitability. For example, the appreciation of the Euro against some Latin American currencies and the U.S. Dollar will depress earnings from the Group's Latin American operations, and the appreciation of the Euro against Sterling will depress earnings from the Group's UK operations. Additionally, while most of the governments of the countries in which the Group operates have not imposed prohibitions on the repatriation of dividends, capital investment or other distributions, no assurance can be given that these governments will not institute restrictive exchange control policies in the future. Moreover, fluctuations among the currencies in which the Group's shares and ADSs trade could reduce the value of the Group's shareholder investment.

As of 31 December 2008, the Group's largest exposures on temporary positions (with a potential impact on the income statement) were concentrated, in descending order, on the pound sterling ("Pound Sterling", "GBP" or "£") and the Brazilian Real. On that day, the Group's largest exposures on permanent positions (with a potential impact on equity) were concentrated, in descending order, in the Brazilian real, the Pound Sterling, the Mexican peso and the Chilean peso. The Group permanently hedges a portion of these positions through exchange rate derivatives.

Changes in the regulatory framework, including increased regulation of the financial services industry in the jurisdictions where the Group operates could adversely affect its business.

As a result of the current financial crisis and ensuing government intervention, it is widely anticipated that there will be a substantial increase in government regulation of the financial services industry, including the imposition of higher capital requirements, heightened disclosure standards and restrictions on certain types of transaction structures. In addition, novel proposals for new regulatory initiatives, such as mandating the renegotiation of residential mortgages for defaulting borrowers in the United States, abound in the current environment. If enacted, new regulations could require the Group to inject further capital into the Group's business as well as in businesses the Group acquires, restrict the type or volume of transactions the Group enters into, or set limits on or require the modification of rates or fees that the Group charges on certain loan or other products, any of which could lower the return on the Group's investments, assets and equity. The Group may also face increased compliance costs and limitations on its ability to pursue certain business opportunities. Changes in regulations, which are beyond the Group's control, may have a material effect on the Group's business and operations. As some of the banking laws and regulations have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, no assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have an adverse affect on the Group's business.

Operational risks are inherent in the Group's business.

The Group's businesses depend on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. The Group also faces the risk that the design of its controls and procedures prove to be inadequate or are circumvented. The Group has suffered losses from operational risk in the past and there can be no assurance that the Group will not suffer material losses from operational risk in the future.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Group will be unable to comply with its obligations as a company/Bank with securities admitted to the Official List.

The Group is exposed to risk of loss from legal and regulatory proceedings.

Failure to address issues appropriately such as potential conflicts of interest; legal and regulatory requirements; ethical issues; and conduct by companies in which the Group holds strategic investments or joint venture partners, could increase the number of litigation claims and the amount of damages asserted against the Group or subject the Group to regulatory enforcement actions, fines and penalties. Currently, Banco Santander and its subsidiaries are the subject of a number of legal proceedings and regulatory actions. An adverse result in one or more of these proceedings could have a material adverse effect on the Group's operating results for any particular period.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Group will be unable to comply with its obligations as a company/Bank with securities admitted to the Official List.

Credit, market and liquidity risks may have an adverse effect on the Group's credit ratings. Any reduction in the Group's credit rating could increase the Group's cost of funding and adversely affect the Group's interest margins.

Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. Rating agencies regularly evaluate the Group and their ratings of its long-term debt are based on a number of factors, including the Group's financial strength as well as conditions affecting the financial services industry generally.

Any downgrade in the Group's ratings could increase its borrowing costs, limit its access to capital markets and adversely affect the ability of the Group's business to sell or market its products, engage in business transactions, particularly longer-term and derivatives transactions, and retain its customers. This, in turn, could reduce the Group's liquidity and have an adverse effect on its operating results and financial condition.

While the Group's long-term debt is currently rated investment grade by the major rating agencies (Aa1 by Moody's and AA by Standard & Poor's and Fitch respectively), following the Group's announcement of its proposed acquisition of Sovereign, Fitch Ratings Ltd. lowered the Group's outlook to negative until all the necessary approvals relating to this acquisition have been received and they can better assess the scope of the risks of integration. In March 2009 Standard & Poor's Ratings Services revised the outlook of the Group to negative based on lower expectations for economic growth in the countries in which the Group operates. In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that the rating agencies will maintain their current ratings or outlooks. The Group's failure to maintain those ratings and outlooks could increase the cost of its funding and adversely affect the Group's interest margins.

The Group's Latin American subsidiaries' growth, asset quality and profitability may be adversely affected by volatile macroeconomic conditions.

The economies of the nine Latin American countries where the Group operates have experienced significant volatility in recent decades, characterised, in some cases, by slow or regressive growth, declining investment and hyperinflation. This volatility has resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which the Group lends. Latin American banking activities (including Retail Banking, Global Wholesale Banking, Asset Management and Private Banking) accounted for €2,945 million of profit attributed to the Group for the year ended 31 December 2008 (an increase of 10 per cent from €2,666 million for the year ended 31 December 2007). Negative and fluctuating economic conditions, such as a changing interest rate environment, impact the Group's profitability by causing lending margins to decrease and leading to decreased demand for higher margin products and services. Negative and fluctuating economic conditions in some Latin American countries could also result in government defaults on public debt. This could affect the Group in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is high in several Latin American countries in which the Group operates.

In addition, revenues from the Group Latin American subsidiaries are subject to risk of loss from unfavourable political and diplomatic developments, social instability, and changes in governmental policies, including expropriation, nationalisation, international ownership legislation, interest-rate caps and tax policies.

No assurance can be given that the Group's Latin American subsidiaries' growth, asset quality and profitability will not be affected by volatile macroeconomic conditions in the Latin American countries in which the Group operates.

Significant competition in some Latin American countries could intensify price competition and limit the Group's ability to increase its market share in those markets.

Because some of the Latin American countries in which the Group operates (i) only raise limited regulatory barriers to market entry; (ii) generally do not make any differentiation between locally or foreign-owned banks; (iii) have permitted consolidation of their banks; and (iv) do not restrict capital movements, the Group faces significant competition in Latin America from both domestic and foreign commercial and investment banks.

Latin American economies can be directly and negatively affected by adverse developments in other countries.

Financial and securities markets in Latin American countries where the Group operates are, to varying degrees, influenced by economic and market conditions in other countries in Latin America and beyond. Negative developments in the economy or securities markets in one country, particularly in an emerging market, may have a negative impact on other emerging market economies. These developments may adversely affect the business, financial condition and operating results of the Group's subsidiaries in Latin America.

Risks Relating to the Preferred Securities

The transferability of the Preferred Securities may be limited by the absence of an active trading market. Trading prices may be lower than the Liquidation Preference of the Preferred Securities.

There is currently no market for the Preferred Securities. There can be no assurance that any active trading market will develop for the Preferred Securities, nor about the liquidity of any such market, the ability of holders to sell the Preferred Securities or the prices at which the Preferred Securities could be sold. If a market for the Preferred Securities were to develop, the Preferred Securities could trade at prices that may be higher or lower than their subscription price depending on many factors, including the Group's results of operations, the markets for similar securities and other factors beyond its control, including general economic and market conditions.

Taking into account the Distribution Rates applying to the Preferred Securities, the initial trading prices are expected to be substantially lower than the Liquidation Preference and lower than the subscription price.

Spanish Tax Rules

Under Spanish law, Distributions in respect of the Preferred Securities will be subject to withholding tax in Spain (at the date of this Prospectus, 18 per cent) in the case of individual or corporate holders who are resident in Spain for tax purposes. In addition, Banco Santander is required pursuant to Spanish law to submit to the Spanish tax authorities certain details relating to holders of the Preferred Securities. Holders in respect of whom such information is not provided in accordance with procedures described herein to Banco Santander will also receive payments subject to Spanish withholding (at the date of this Prospectus, 18 per cent). Banco Santander will not gross up payments in respect of any such withholding tax in any of the above cases (see Part 4 (*Conditions of the Preferred Securities*), Clause 7 and Part 13 (*Taxation*), "Taxation in the Kingdom of Spain" and "Disclosure of Holder Information in connection with Payments of Distributions").

Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg" and, together with Euroclear, the "Clearing Systems") are expected to follow certain procedures to facilitate Banco Santander and the Paying Agent in the collection of the details referred to above from holders of the Preferred Securities. If any Clearing System is, in the future, unable to facilitate the collection of such information, it may decline to allow any or all of the Preferred Securities to be cleared through such Clearing System and this may affect the liquidity of such Preferred Securities.

The procedures agreed and described in the Agency Agreement may, in the future, be amended to comply with Spanish law and regulations and operational procedures of the Clearing Systems. The procedure described in this Prospectus for the provision of information required by Spanish laws and regulations is a summary only and is subject to review and amendment by the Clearing Systems as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. **Holders of Preferred Securities must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Preferred Securities.**

None of the Issuer, Banco Santander, the Paying Agent or the Clearing Systems assume any responsibility therefor.

Distributions on the Preferred Securities are not cumulative.

Distributions on the Preferred Securities are not cumulative. Distributions may not be paid in full, or at all, if Banco Santander does not have sufficient Distributable Profits or if Banco Santander is limited in making payments on its ordinary shares or on other preferred securities that it has issued in accordance with the limitations contemplated in the Spanish banking capital adequacy regulations. If Distributions for any distribution period are not paid by reason of the above limitations, investors will not be entitled to receive such Distributions (or any payment under the Guarantee in respect of such Distributions) whether or not funds are or subsequently become available.

The Preferred Securities have no fixed redemption date and investors have no rights to call for redemption of the Preferred Securities.

The Preferred Securities have no fixed final redemption date and holders have no rights to call for the redemption of the Preferred Securities. Although the Preferred Securities may be redeemed at the option

of the Issuer on or after the First Call Date, there are limitations on redemption of the Preferred Securities, including Bank of Spain consent and the availability of sufficient funds to effect redemption.

Banco Santander's obligations under the Guarantee are limited to the amounts of the payments due under the Preferred Securities.

Banco Santander's obligation to make payments under the Guarantee is limited to the extent of the amounts due under the Preferred Securities. A distribution will not be paid under the Preferred Securities if the aggregate of such distribution, together with any other distributions previously paid during the then-current fiscal year and proposed to be paid during the then-current distribution period, in each case on or in respect of the Preferred Securities, any Parity Securities of Banco Santander, or any other Parity Securities issued by the Issuer or by any other subsidiary of Banco Santander with the benefit of a guarantee of Banco Santander, in each case ranking equally as to participation in profits with Banco Santander's obligations under the Guarantee, would exceed Banco Santander's Distributable Profits of the immediately preceding fiscal year. Even if Distributable Profits are sufficient, Banco Santander will not be obligated to make any payment under the Guarantee if under the applicable Spanish banking regulations relating to capital adequacy requirements affecting financial institutions which fail to meet their required capital ratios on a parent company basis only or on a consolidated basis, Banco Santander would be prevented at such time from making payments on its ordinary shares or on Parity Securities issued by Banco Santander. In the event of the liquidation, dissolution or winding-up of Banco Santander or a reduction in the shareholder's equity of Banco Santander pursuant to article 169 of the Spanish Corporations Law, the Issuer shall be liquidated by the Guarantor, and investors will have no right to seek payment of amounts under the Guarantee that would exceed the amount investors would have been able to receive had investors been investors in directly issued Parity Securities of Banco Santander and had all other Parity Securities of the Issuer or of any other subsidiary of Banco Santander been issued by Banco Santander. Under no circumstances does the Guarantee provide for acceleration of any payments on, or repayment of, the Preferred Securities.

Banco Santander is not required to pay investors under the Guarantee unless it first makes other required payments.

Banco Santander's obligations under the Guarantee will rank junior to all of its liabilities to creditors and claims of holders of senior and subordinated ranking securities. In the event of the winding-up, liquidation or dissolution of Banco Santander, its assets would be available to pay obligations under the Guarantee only after Banco Santander has made all payments on such liabilities and claims.

The right to receive distributions under the Preferred Securities and the Guarantee is junior to certain other obligations of the Issuer and the Guarantor.

The Preferred Securities and the Guarantee will be, respectively, the Issuer's and the Guarantor's unsecured obligations, and will rank junior to any of the Issuer's and the Guarantor's present and future senior and subordinated indebtedness.

As of 31 December 2008, the Guarantor had approximately €104,575 million of outstanding unconsolidated indebtedness (including guarantees of subsidiary indebtedness) to which its obligations under the Guarantee of the Preferred Securities will rank junior, and €5,221 million of preferred securities issued by subsidiaries guaranteed by the Guarantor, with which its obligations under the Guarantee of the Preferred Securities will rank *pari passu*. In addition, the Guarantee is structurally subordinated to all indebtedness of subsidiaries of the Guarantor insofar as any right of the Guarantor, as a shareholder of such subsidiaries, to receive any assets of any of its subsidiaries upon the insolvency, liquidation, dissolution or winding-up or other similar proceeding of any of them will, subject to applicable law, be effectively subordinated to the claims of any such subsidiary's creditors (including trade creditors and holders of debt or guarantees issued by such subsidiary). As of 31 December 2008, subsidiaries of the Guarantor had an aggregate total of €162,330 million of outstanding indebtedness and €3,151 million of preferred shares not guaranteed by the Guarantor and €59,426 million outstanding indebtedness and €5,221 million of preferred securities guaranteed by the Guarantor.

As of the date of this Prospectus, the Issuer did not have any senior or subordinated indebtedness and has issued and outstanding EUR 450 million Series I Preferred Securities, EUR 400 million Series II Preferred Securities, EUR 750 million Series III Preferred Securities, EUR 680 million Series IV Preferred Securities and EUR 1,000 million Series V Preferred Securities which will rank *pari passu* to the Issuer's

obligations under the Preferred Securities. The Issuer has given notice that it will redeem Series I and Series II Preferred Securities on 31 March 2009.

Non-payment of distributions may adversely affect the trading price of the Preferred Securities.

If, in the future, payments are limited on the Preferred Securities because Banco Santander has insufficient Distributable Profits, the Preferred Securities may trade at a lower price. If investors sell the Preferred Securities during such a period, investors may not receive the same price as an investor who does not sell its Preferred Securities until sufficient Distributable Profits are available to resume distribution payments. In addition, because Banco Santander's obligation to make payments under the Guarantee is limited to the extent of the underlying payment obligations on the Preferred Securities which may be limited due to insufficient Distributable Profits, the market price for the Preferred Securities may be more volatile than other securities that do not reflect these limitations.

PART 4

CONDITIONS OF THE PREFERRED SECURITIES

The Preferred Securities are issued by virtue of (i) the shareholder's meeting of the Issuer held on 16 March 2009 and the meeting of the Board of Directors (*Consejo de Administración*) of the Issuer held on 16 March 2009 (together, the "Corporate Resolutions"); and (ii) in accordance with Law 13/1985, of 25 May, on investment ratios, capital adequacy and information requirements for financial intermediaries (*Ley 13/1985, de 25 de mayo, de coeficientes de inversión, recursos propios y obligaciones de información de los intermediarios financieros*) as amended ("Law 13/1985").

The Preferred Securities will be created by virtue of a public deed to be registered with the Mercantile Registry of Madrid on or before the Closing Date (the "Public Deed of Issuance").

Paragraphs in italics are a summary of certain procedures of Euroclear and Clearstream, Luxembourg and certain other information applicable to the Preferred Securities and do not form part of the Conditions of the Preferred Securities. Euroclear and Clearstream, Luxembourg may, from time to time, change their procedures.

1. Definitions

For the purposes of these terms and conditions, the following expressions shall have the following meanings:

"Agent Bank"	means The Bank of New York Mellon and includes any successor agent bank appointed in accordance with the Paying Agency Agreement;
"Bank"	means Banco Santander, S.A.;
"Business Day"	means a day on which commercial banks and foreign exchange markets settle payments are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open other than a Saturday or Sunday;
"Closing Date"	means 18 March 2009;
"Distributions"	means the non-cumulative cash distributions determined in accordance with Clause 2 below;
"Distribution Payment Date"	means each Distribution Payment Date (as defined in Clause 2.1 below);
"Distribution Period"	means the period from (and including) one Distribution Payment Date (or, in the case of the first Distribution Period, the Closing Date) to (but excluding) the next Distribution Payment Date (each a "Distribution Period"), as defined in Clause 2.1 below;
"Distributable Profits"	means, for any Fiscal Year, the reported net profit (calculated in compliance with the regulations of the Bank of Spain) of the Bank, determined after tax and extraordinary items for such year, as derived from the non-consolidated audited profit and loss account of the Bank, irrespective of whether shareholders' meeting approval is still pending, prepared in accordance with generally applicable accounting standards in Spain and Bank of Spain requirements and guidelines, each as in effect at the time of such preparation. In the event that on any Distribution Payment Date, the audit of the non-consolidated profit and loss account has not been completed, the reference to be used to calculate the Distributable Profits will be the balance of the unaudited non-consolidated profit and loss account of the Bank as reported in the financial statements delivered to the Bank of Spain in respect of 31 December of the preceding Fiscal Year;

The reserved financial statements of the Bank and the Group, respectively, are prepared for, and delivered to, the Bank of Spain purely for supervisory reasons as required under applicable Spanish law.

“Fiscal Year”	means the accounting year of the Bank as set out in its bylaws;
“Group”	means the Bank together with its consolidated subsidiaries in accordance with article 8.3 of Law 13/1985, of 25 May, on investment ratios, capital adequacy and information requirements for financial intermediaries (<i>Ley 13/1985, de 25 de mayo, de coeficientes de inversión, recursos propios y obligaciones de información de los intermediarios financieros</i>) (“Law 13/1985”), article 1 of Royal Decree 216/2008, of 15 February, and Bank of Spain Circular 3/2008 regarding capital adequacy requirements;
“Guarantee”	means the guarantee dated 16 March 2009 and granted by the Bank in respect of the Issuer’s obligations under the Preferred Securities for the benefit of holders of Preferred Securities;
“Liquidation Distribution”	means, subject to the limitation set out in Clause 2.7, the Liquidation Preference per Preferred Security plus any accrued and unpaid Distributions for the then current Distribution Period to (but excluding) the date of payment of the Liquidation Distribution;
“Liquidation Preference”	means <ul style="list-style-type: none"> (i) USD 1,500 per Series VI Dollar Preferred Security; (ii) USD 75,000 per Series VII Dollar Preferred Security; (iii) EUR 1,000 per Series VIII Euro Preferred Security; and (iv) EUR 50,000 per Series IX Euro Preferred Security;
“Parity Securities”	means (as the case may be) any preferred securities (<i>participaciones preferentes</i>) issued under Spanish Law 13/1985, or other securities or instruments equivalent to preferred securities, issued by the Issuer or by any other subsidiary of the Bank which are guaranteed by the Bank and entitled to the benefit of a guarantee ranking <i>pari passu</i> with the Bank’s obligations under the Guarantee, or any such securities or instruments issued by the Bank and ranking <i>pari passu</i> with the Bank’s obligations under the Guarantee;
“Paying Agency Agreement”	means the paying agency agreement dated 13 March 2009 relating to the Preferred Securities;
“Paying Agents”	means the Principal Paying Agent and the other agents named therein and includes any successors thereto appointed from time to time in accordance with the Paying Agency Agreement;
“Preferred Securities”	means the Series VI and Series VII Dollar Preferred Securities together with the Series VIII and Series IX Euro Preferred Securities;
“Principal Paying Agent”	means The Bank of New York Mellon (or any successor Principal Paying Agent appointed by the Issuer from time to time);
“Redemption Price”	means the Liquidation Preference plus any accrued and unpaid Distributions for the then current Distribution Period to the date fixed for redemption per Preferred Security;
“Series VI Dollar Preferred Securities”	means the Dollar Series VI Fixed Rate Non-cumulative Perpetual Guaranteed Preferred Securities (<i>participaciones preferentes</i>);
“Series VII Dollar Preferred Securities”	means the Dollar Series VII Fixed Rate Non-cumulative Perpetual Guaranteed Preferred Securities (<i>participaciones preferentes</i>);
“Series VIII Euro Preferred Securities”	mean the Euro Series VIII Fixed Rate Non-cumulative Perpetual Guaranteed Preferred Securities (<i>participaciones preferentes</i>);
“Series IX Euro Preferred Securities”	means the Euro Series IX Fixed Rate Non-cumulative Perpetual Guaranteed Preferred Securities (<i>participaciones preferentes</i>).

2. Distributions

- 2.1 Subject to the limitations on Distributions described in Clauses 2.7 and 2.11 below, the Preferred Securities bear non-cumulative Distributions from (and including) the Closing Date at the rate of 2 per cent per annum (the “Distribution Rate”) payable annually in arrears on the anniversary date of the Closing Date in each year.

The anniversary date of the Closing Date in each year will be referred to as a “Distribution Payment Date”, provided, however, that if any Distribution Payment Date would otherwise fall on a date which is not a Business Day, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day.

Each period from (and including) one Distribution Payment Date (or, in the case of the first Distribution Period, the Closing Date) to (but excluding) the next Distribution Payment Date will be referred to as a “Distribution Period”.

- 2.2 Distributions required to be paid in respect of a Preferred Security on any Distribution Payment Date shall be calculated by the Agent Bank by applying the Distribution Rate to the Liquidation Preference in respect of each Preferred Security, multiplying the product by the Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). For this purpose, “Day Count Fraction” means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls; and “Regular Period” means each period from (and including) a Distribution Payment Date (or, in the case of the first period, the Closing Date) to (but excluding) the next Distribution Payment Date.
- 2.3 Calculation of Distribution amount: The Agent Bank will, as soon as practicable in relation to each Distribution Period, calculate the amount of Distribution (the “Distribution Amount”) payable in respect of each Preferred Security for such Distribution Period.
- 2.4 The Agent Bank will cause the Distribution Amount determined by it, together with the relevant Distribution Payment Date, to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) on which the Preferred Securities are admitted to listing, trading and/or quotation as soon as practicable after such determination.
- 2.5 All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Clause 2 by the Agent Bank will (in the absence of manifest error) be binding on the Issuer, the Bank, the Paying Agents and the holders of Preferred Securities.
- 2.6 Subject to any applicable fiscal or other laws and regulations, each such payment in respect of the Preferred Securities will be made in dollars for the Series VI and VII Dollar Preferred Securities or in euros for the Series VIII and IX Euro Preferred Securities by transfer to an account capable of receiving payments in such currencies, as directed by the person(s) having physical custody of the relevant Preferred Securities.

If the due date for payment of any amount in respect of any Preferred Security is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

It is intended that the Preferred Securities will be represented by four global Preferred Securities in bearer form, one for each Series of Preferred Securities. Each global Preferred Security will be delivered into the physical custody of a common depository for the Clearing Systems on or about the Closing Date. The Clearing Systems will make payment of any amounts received by them to their accountholders in accordance with their published rules and regulations.

- 2.7 Distributions shall not be payable to the extent that:

- 2.7.1 the aggregate of such Distributions, together with (a) any other distributions previously paid during the then-current Fiscal Year; and (b) any distributions proposed to be paid during the then current Distribution Period, in each case on or in respect of Parity Securities (including the Preferred Securities) would exceed the Distributable Profits of the immediately preceding Fiscal Year; or

- 2.7.2 even if Distributable Profits are sufficient, if under applicable Spanish banking regulations relating to capital adequacy requirements affecting financial institutions which fail to meet their required capital ratios on a parent company only basis or on a consolidated basis, the Bank would be prevented at such time from making payments on its ordinary shares or on Parity Securities issued by the Bank.

Except for the above limitations, Distributions will be payable on each Distribution Payment Date out of the Issuer's own legally available resources and distributable items.

- 2.8 If the Issuer does not pay a Distribution with respect to a Distribution Period (as contemplated herein) other than as a result of the limitations set out in Clause 2.7 above, the Issuer's payment obligation in respect thereof will be satisfied if and to the extent that the Bank pays such Distribution pursuant to the Guarantee.
- 2.9 Distributions on the Preferred Securities will be non-cumulative. Accordingly, if Distributions are not paid or are paid partially on a Distribution Payment Date in respect of the Preferred Securities as a result of the limitations set out in Clause 2.7 above, then the right of the holders of the Preferred Securities to receive a Distribution or an unpaid part thereof in respect of the relevant Distribution Period will be lost and neither the Issuer nor the Bank will have any obligation to pay the Distribution accrued or part thereof for such Distribution Period or to pay any interest thereon, whether or not Distributions on the Preferred Securities are paid in respect of any future Distribution Period.
- 2.10 If as a result of the limitations described in Clause 2.7 above, a Distribution is not paid in full on the Preferred Securities, all distributions on the Preferred Securities and all other Parity Securities will be paid *pro rata* among the Preferred Securities and all such other Parity Securities, so that the amount of the distribution payment per security will have the same relationship to each other that the nominal or par value per security of the Preferred Securities and all other Parity Securities bear to each other.
- 2.11 If Distributions are not paid in full or in part on or prior to a Distribution Payment Date in respect of the relevant Distribution Period as a consequence of the limitations of Clause 2.7, then neither the Issuer nor the Bank shall pay dividends or any other distributions on its ordinary shares or on any other class of share capital or securities issued by it and expressed to rank junior to the Preferred Securities or to the Bank's obligations under the Guarantee, as the case may be, until such time as the Issuer or the Bank shall have resumed the payment of, or set aside payment with respect to, full Distributions on the Preferred Securities for one Distribution Period.
- 2.12 Save as described in this Clause 2, the Preferred Securities will confer no right to participate in the profits of the Issuer.

3. Liquidation Distribution

- 3.1 Subject as provided below, in the event of a voluntary or involuntary liquidation, dissolution or winding-up of the Issuer, holders of the Preferred Securities shall be entitled to receive out of the assets of the Issuer available for distribution to holders of preferred securities, the Liquidation Distribution. Such entitlement will arise rateably among the Preferred Securities and any Parity Securities issued by the Issuer (subject, if applicable, to the different entitlement of each series of Parity Securities of the Issuer to liquidation distributions) before any distribution of assets to holders of ordinary shares or any other class of shares of the Issuer ranking junior to the Preferred Securities. Payment of the Liquidation Distribution is guaranteed by the Bank under the Guarantee.
- 3.2 Notwithstanding the availability of sufficient assets of the Issuer to pay full liquidation distributions in respect of the Preferred Securities or any Parity Securities, if, at the time such liquidation distributions are to be paid, proceedings are or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of the Bank or for a reduction in the Bank's shareholders' equity pursuant to Article 169 of the Spanish Corporation Law (*Ley de Sociedades Anónimas*), the liquidation distributions in respect of the Preferred Securities and all Parity Securities shall not exceed the liquidation distributions that would have been paid from the assets of the Bank (after payment in full, in accordance with Spanish law, of all creditors of the Bank, including holders of its subordinated debt, but excluding holders of any guarantee or other contractual right expressed to rank *pari passu* with or junior to the Guarantee) had the Preferred

Securities and all Parity Securities been issued by the Bank and ranked (a) junior to all liabilities of the Bank; (b) *pari passu* with the Parity Securities, if any, of the Bank; and (c) senior to the Bank's ordinary shares. The Issuer shall be released from its obligation to pay such liquidation distributions by payment to each person in physical custody of the relevant Preferred Securities against surrender of such Preferred Securities.

All references to the liquidation distribution in respect of the Preferred Securities shall be understood to mean the Liquidation Distribution.

- 3.3 If liquidation distributions amounts are limited as described in Clause 3.2, such distributions will be payable *pro rata* among holders of Parity Securities in the proportion that the amounts available for payment bears to the full amounts that would have been payable but for such limitation. After payment of the full or limited Liquidation Distribution in respect of a Preferred Security as described in Clauses 3.1 and 3.2, such Preferred Security will confer no further right or claim on holders to any remaining assets of the Issuer.

References herein to liquidation distributions in respect of the Preferred Securities shall mean the Liquidation Distributions.

Except as provided in Clause 3.2 above, the Bank will undertake not to permit, or take any action to cause, the liquidation, dissolution or winding-up of the Issuer.

4. Optional Redemption

The Preferred Securities shall not be redeemable prior to 18 March 2019 (the "First Call Date"). The Preferred Securities may be redeemed at the option of the Issuer, subject to the prior consent of the Bank of Spain on any Distribution Payment Date falling on or after the First Call Date, at the Redemption Price per Preferred Security by giving notice (not less than 30 nor more than 60 days prior to the date fixed for redemption) to the holders of Preferred Securities in accordance with Clause 7 (which notice shall be irrevocable). The Series VI and Series VII Dollar Preferred Securities may be redeemed in whole but not in part independently of the Euro Preferred Securities and the Series VIII and Series IX Euro Preferred Securities may be redeemed in whole but not in part independently from the Dollar Preferred Securities.

If the Issuer gives a notice of redemption in respect of Preferred Securities, then the Issuer will irrevocably deposit with the Principal Paying Agent immediately available funds sufficient to pay the Redemption Price and will give the Principal Paying Agent irrevocable instructions and authority to pay the Redemption Price to each person in physical custody of the relevant Preferred Security against surrender of the relevant Preferred Security. If notice of redemption shall have been given and funds deposited as required, then, upon the date of such deposit, Distributions on the Preferred Securities called for redemption shall cease and all rights in respect of the relevant Preferred Securities will cease, except the right to receive the Redemption Price and, subject as provided below, the Preferred Securities so deposited (upon payment of the Redemption Price) will be cancelled.

Subject to any applicable fiscal or other laws and regulations, payment of the Redemption Price will be made by the Principal Paying Agent in the manner specified in Clause 2.6 above. If payment of the Redemption Price in respect of any Preferred Securities is improperly withheld or refused by the Issuer (or by the Bank pursuant to the Guarantee) Distributions on such Preferred Securities will continue to accrue from the redemption date to the date of payment of the Redemption Price.

5. Exercise of Rights by Holders of Preferred Securities

5.1 Voting Rights

The holders of the Preferred Securities will have no voting rights. Notwithstanding the foregoing, the holders of the Preferred Securities will, in the circumstances set out in Clauses 5.1.1 to 5.1.3 below, have the right to participate in the adoption by the Issuer of certain decisions in the Special General Meetings as described below.

5.1.1 Failure to pay Distributions for one Distribution Period:

- (a) In the event that neither the Issuer nor the Bank (by virtue of the Guarantee) pays full Distributions in respect of the Preferred Securities for one Distribution Period,

the holders of the Preferred Securities may, through the Special General Meeting, resolve to appoint two further members to the board of directors of the Issuer and may also remove or replace such directors.

These rights will be enjoyed not only by the holders of Preferred Securities, but shall be exercised together with all other holders of preferred securities of the Issuer and in respect of which the Issuer and the Bank have also failed to make payments.

Holders of all preferred securities in respect of which the Issuer and the Bank have failed to meet their payment obligations in accordance with their respective terms must act together as a single class in the adoption of any resolution referred to in paragraph (b) below.

- (b) Any resolution appointing, removing or replacing any directors of the board of directors of the Issuer shall be made by a majority (at least 51 per cent) of the aggregate liquidation preference of the preferred securities of the Issuer in respect of which the Issuer or the Bank has failed to pay distributions in accordance with their respective terms.

It should be noted that liquidation preferences may be different for different series of preferred securities.

The Bylaws of the Issuer also establish a second call in which the resolutions may be passed by an absolute majority of holders of preferred securities in attendance at a Special General Meeting in circumstances where a distribution has not been paid.

- (c) The board of directors of the Issuer, or an authorised committee, will call a Special General Meeting of holders of Preferred Securities within fifteen business days following the relevant non-payment of Distribution Period as set out in paragraph (a) above. If the board of directors or the authorised committee, as the case may be, does not call the Special General Meeting within thirty days, the holders of the preferred securities representing at least 10 per cent of the aggregate liquidation preference of the preferred securities may convene such meeting.
- (d) The rules governing the convening and holding of Special General Meetings are set out in Clause 5.2 below.
- (e) Immediately following a resolution for the appointment or the removal of additional members to the board of directors of the Issuer, a Special General Meeting shall give notice of such appointment or removal to: (i) the board of directors of the Issuer so that it may, where necessary, call a general meeting of the shareholders of the Issuer; and (ii) the shareholders of the Issuer, so that they may hold a universal meeting of shareholders.

The shareholder of the Issuer has undertaken to vote in favour of the appointment or removal of the directors so named by a Special General Meeting and to take all necessary measures to approve such appointment or removal. *Under the articles of the Issuer, the board of directors must have a minimum of 3 members and a maximum of 11. As at the date of this Prospectus the board of directors has 4 directors.*

- (f) The foregoing shall apply, in respect of the Preferred Securities, provided that, where the Issuer has failed to fulfil its obligation to make Distributions in respect of the Preferred Securities, the Bank has not discharged such obligations pursuant to the Guarantee.
- (g) Any member of the board of directors named pursuant to the foregoing shall vacate his position if, subsequent to the circumstances giving rise to his appointment, the Issuer or the Bank makes Distributions, in respect of the Preferred Securities for the relevant Distribution Period, and any other preferred securities in circulation, in respect of the number of such distribution periods set out in their own terms and conditions.
- (h) Both the appointment and the dismissal of directors shall be notified by the Issuer in accordance with Clause 7 below.

5.1.2 Amendment to the Conditions of the Preferred Securities and further issuances;

- (a) Any amendment to the Conditions of the Preferred Securities shall be approved by the holders of the Preferred Securities. Such amendments will be approved with the written consent of holders of at least two-thirds of all outstanding Preferred Securities or by a resolution of at least two-thirds of the holders of all outstanding Preferred Securities. The Bylaws of the Issuer establish a second call in which the resolutions may be passed by an absolute majority of holders of preferred securities in attendance at a Special General Meeting.
- (b) If the Issuer, or the Bank under any guarantee, has paid in full the most recent distribution payable on each series of the Issuer's preferred securities, the Issuer may without the consent or sanction of the holders of its preferred securities: (i) take any action required to issue additional preferred securities or authorise, create and issue one or more other series of preferred securities of the Issuer ranking equally with the Preferred Securities, as to the participation in the profits and assets of the Issuer, without limit as to the amount; or (ii) take any action required to authorise, create and issue one or more other classes or series of shares of the Issuer ranking junior to the Preferred Securities, as to the participation in the profits or assets of the Issuer.

However, if the Issuer, or the Bank under any guarantee, has not paid in full the most recent distribution payable on each series of preferred securities, then the prior consent of the holders of at least two thirds in liquidation preference of the outstanding preferred securities of the Issuer will be required to carry out such actions. Such consent may be granted in writing by the holders, or with the sanction of a special resolution passed at a separate Special General Meeting of holders. The Bylaws of the Issuer establish a second call in which the resolutions may be passed by an absolute majority of affected holders of Preferred Securities in attendance at a Special General Meeting.

A Special General Meeting shall notify the decision so adopted to the shareholders of the Issuer. The shareholder of the Issuer has undertaken to vote in the corresponding general meeting of shareholders in conformity with the result of the vote of the Special General Meeting.

5.1.3 Liquidation, dissolution or winding-up of the Issuer

If the shareholders of the Issuer propose a resolution providing for the liquidation, dissolution or winding-up of the Issuer, the holders of all the outstanding preferred securities of the Issuer:

- (a) will be entitled to receive notice of and attend the general meeting of shareholders called to adopt this resolution; and
- (b) will be entitled to hold a separate and previous Special General Meeting and vote together as a single class without regard to series on such resolution, but not on any other resolution.

Such resolution will not be effective unless approved by the holders of a majority in liquidation preference of all outstanding preferred securities of the Issuer and in a second call by the absolute majority (51 per cent) in attendance and represented.

The result of the above mentioned vote shall be disclosed at the general shareholders meeting as well as the fact that the shareholder of the Issuer has undertaken to vote in the corresponding general shareholders meeting in accordance with the vote of the separate Special General Meeting of holders. Notice, attendance, or approval is not required if the liquidation, dissolution and winding-up of the Issuer is initiated due to (i) the liquidation, dissolution or, winding up of the Bank; or (ii) a reduction in shareholders' equity of the Bank under Article 169 of the Corporations Law of Spain.

The Issuer shall notify any meeting at which the holders of preferred securities are entitled to vote in accordance with Clause 7 below. This notice will include a statement regarding: (i) the date, time and place of the meeting; (ii) a description of any resolution to be

proposed for adoption at the meeting at which the holders are entitled to vote; and (iii) instructions for the delivery of proxies.

The Bank has undertaken not to permit or take any action to cause the liquidation, dissolution, or winding up of the Issuer, except as provided in Clause 3.2 above.

5.2 Special General Meetings

A Special General Meeting, which will be constituted by all holders of preferred securities of the Issuer, will be called by the board of directors of the Issuer.

The quorum shall be the holders of preferred securities holding one-quarter of the liquidation preference of all preferred securities of the Issuer issued and outstanding. If the attendance of one quarter of the holders of preferred securities issued and outstanding cannot be obtained, such Special General Meeting may be re-convened one day after the first meeting and such meeting shall be validly convened irrespective of the number of preferred securities present or represented.

In a Special General Meeting all resolutions shall be made by the majority set out in Clauses 5.1.1 to 5.1.3 above, as applicable, and will be binding on all of the holders of such preferred securities, including those not in attendance and dissenters.

All holders of preferred securities who are able to show that they held their securities five days prior to the date of the Special General Meeting shall be entitled to attend with the right to speak and vote. Holders of preferred securities shall prove that they held preferred securities in the manner and subject to the requirements set out in the announcement published when convening such Special General Meeting. Holders of the preferred securities may delegate their representation to another person, by an individual signed letter for each meeting.

The convening of a Special General Meeting will be carried out in accordance with the rules governing the calling and holding of meetings of holders of each series of preferred securities.

A Special General Meeting of holders of the Preferred Securities will be convened (i) so long as any Preferred Security is admitted to the official list of the UK Listing Authority and is admitted to trading on the London Stock Exchange plc's Regulated Market (the "London Stock Exchange") and the UK Listing Authority so requires, by publication in an English language newspaper in London (which is expected to be the Financial Times) or, if such publication is not practicable but is required by the rules of the UK Listing Authority, in a leading daily newspaper in English and having general circulation in Europe; and (ii) by notice addressed to the Clearing Systems (in each case not less than 30 nor more than 60 days prior to the date of the act or event to which such notice, request or communication relates). The Bylaws of the Issuer specify that the Special General Meeting should be convened by publication of a notice at least fifteen days prior to the date of the meeting in the "*Boletín Oficial del Registro Mercantil*" (Spanish Official Mercantile Registry Gazette) and in a leading newspaper having general circulation in Spain.

5.3 Pre-emptive rights and other provisions

The Preferred Securities do not grant their holders pre-emption rights in respect of any possible future issues of preferred securities.

Neither the Issuer nor the Bank may issue any preferred securities or securities or other instruments equivalent to preferred securities ranking senior to the Preferred Securities, and the Bank will not guarantee the issue of preferred securities of any direct or indirect subsidiary if that guarantee would rank senior to the Guarantee, unless the Guarantee is amended so as to rank *pari passu* with any such issue of preferred securities or securities equivalent to preferred securities or such other guarantee, and the most recent Distribution to the Preferred Securities has been paid.

No vote in respect of the Preferred Securities will be required for the Issuer to redeem and cancel the Preferred Securities.

Notwithstanding that the Preferred Securities confer an entitlement to vote under any of the circumstances described above, neither the Bank nor any subsidiary of the Bank, to the extent that it is a holder of preferred securities of the Issuer, shall be so entitled to vote.

The Preferred Securities may be transferred in accordance with the procedures established therefor with the relevant clearing system.

6. Taxation

- 6.1 All payments of Distributions and other amounts payable in respect of the Preferred Securities and the Guarantee by the Issuer or the Bank (as the case may be) will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of The Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Bank shall pay such additional amounts as would have been received had no such withholding or deduction been required.
- 6.2 Neither the Issuer nor the Bank shall be required to pay any additional amounts as referred to in Clause 6.1 in relation to any payment in respect of Preferred Securities:
- (A) to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of the Preferred Securities by reason of his (or the beneficial owner for whose benefit it holds such Preferred Security) having some connection with The Kingdom of Spain other than the mere holding of Preferred Securities (or such beneficial interest); or
 - (B) to, or to a third party on behalf of, a holder in respect of whom the Issuer or the Guarantor, or the Paying Agent on its behalf, does not receive such details concerning such holder's identity and tax residence (or the identity and tax residence of the beneficial owner for whose benefit it holds such Preferred Security) as it requires in order to comply with Law 13/1985, as amended, and any implementing legislation; or
 - (C) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or
 - (D) where the withholding or deduction referred to in Clause 6.1 is imposed on a payment to a holder and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing, complying with, introduced in order to conform to or replacing, such Directive; or
 - (E) presented for payment by or on behalf of a holder of Preferred Securities who would have been able to avoid such withholding or deduction by presenting the Preferred Securities to another paying agent in a Member State of the European Union; or
 - (F) to, or to a third party on behalf of, individuals resident for tax purposes in The Kingdom of Spain; or
 - (G) to, or to a third party on behalf of, a Spanish resident corporate entity, subject to Spanish Corporate Income Tax if the Preferred Securities do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.
- 6.3 For the purposes of Clause 6, the "Relevant Date" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Paying Agent on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to holders of Preferred Securities, notice to that effect shall have been duly given to the holders of Preferred Securities in accordance with Clause 7 below.

See "Taxation and Disclosure of Holder Information in connection with Payments of Distributions" for a fuller description of certain tax considerations (particularly in relation to holders which are tax resident in Spain) relating to the Preferred Securities, the formalities which holders must follow in order to claim exemption from withholding tax and for a description of certain disclosure requirements imposed on the Issuer and the Bank relating to the identity and country of tax residence of holders of Preferred Securities.

7. Notices

Notices, including notice of any redemption of the Preferred Securities, will be given by the Issuer (i) so long as any Preferred Security is admitted to the official list of the UK Listing Authority and is admitted to trading on the London Stock Exchange plc's Regulated Market (the "London Stock Exchange") and the UK Listing Authority so requires, by publication in an English language newspaper in London (which is expected to be the Financial Times) or, if such publication is not practicable but is required by the rules of the UK Listing Authority, in a leading daily newspaper in English and having general circulation in Europe; and (ii) by notice addressed to the Clearing Systems (in each case not less than 30 nor more than 60 days prior to the date of the act or event to which such notice relates).

Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the date of such delivery to the Clearing System.

In accordance with their published rules and regulations, the Clearing Systems will notify holders of securities accounts with it to which any Preferred Securities are credited of any such notices received by it.

8. Form and Status

The Preferred Securities will be issued in bearer form.

It is intended that the Preferred Securities will be represented by four global Preferred Securities in bearer form, one for each Series of Preferred Securities. Each global Preferred Security will be delivered by the Issuer to a common depositary for the Clearing Systems. As a result, account holders should note that they will not themselves receive definitive Preferred Securities but instead Preferred Securities will be credited to their, direct or indirect, securities account with the relevant clearing system.

It is anticipated that only in exceptional circumstances (such as the closure of the Clearing Systems, the non-availability of any alternative or successor clearing system, removal of the Preferred Securities from the Clearing Systems and failure to comply with the Conditions of the Preferred Securities by either the Issuer or the Bank) will definitive Preferred Securities be issued directly to such accountholders.

The Preferred Securities rank (a) junior to all liabilities of the Issuer including subordinated liabilities; (b) *pari passu* with each other and with any Parity Securities of the Issuer; and (c) senior to the Issuer's ordinary shares.

The holders of the Preferred Securities, by subscribing for and/or acquiring the same, waive their right to any preference they might have other than that set out above which they might have in accordance with applicable legislation from time to time and, specifically that which might apply in accordance with Articles 92 and 158 of the Spanish Insolvency Law.

9. Proceeds

The funds raised from the issue of the Preferred Securities, in accordance with Law 13/1985, will be deposited in their entirety on a permanent basis by way of a deposit with the Bank or with another credit entity (*entidad de crédito*) of the Group. The deposit shall rank *pari passu* with the Guarantee.

The funds raised from the issue of the Preferred Securities and so deposited will be available to absorb losses of the Bank and its Group if and when they occur once there is a reduction in the shareholders' equity to zero and its reserves have been exhausted.

10. Agents

In acting under the Paying Agency Agreement and in connection with the Preferred Securities, the Paying Agents will act solely as agents of the Issuer and the Bank and do not assume any obligations towards or relationship of agency or trust for or with any of the holders of the Preferred Securities.

The initial Agents and their initial specified offices are listed in the Paying Agency Agreement. The Issuer and the Bank reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent, a successor agent bank, a successor calculation agent and additional or successor paying agents; provided, however, that the Issuer and the Bank will maintain (i) a Principal Paying Agent; (ii) to the extent legally possible, a Paying Agent in a

Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and (iii) if, and for so long as, the Preferred Securities are admitted to listing and the listing authority so require, a Paying Agent having its specified office in the city of the referred organised securities market.

Notice of any change in any of the Paying Agents or in their specified offices shall promptly be given to the holders of the Preferred Securities.

11. Prescription

To the extent that article 950 of the Spanish Commercial Code (*Código de Comercio*) applies to the Preferred Securities, claims relating to the Preferred Securities will become void unless such claims are duly made within three years of the relevant payment date.

12. Purchases of Preferred Securities

Neither the Issuer, the Bank nor any of their respective subsidiaries may purchase Preferred Securities save with the prior consent of the Bank of Spain and in any event not earlier than the tenth anniversary of the Closing Date. Notwithstanding the foregoing, (i) if the Preferred Securities are not treated as equity for capital adequacy regulations; or (ii) if Spanish law were to change and such purchases were permitted before the referred date, then, subject to applicable law then in force, the Issuer, the Bank or any of their respective subsidiaries may at any time purchase outstanding Preferred Securities by tender, in the open market or by private agreement. Any Preferred Securities so purchased by the Issuer shall be cancelled immediately.

13. Governing law and jurisdiction

The Preferred Securities shall be governed by, and construed in accordance with, Spanish law.

The Issuer hereby irrevocably agrees for the benefit of the holders of the Preferred Securities that the courts of the city of Madrid are to have jurisdiction to settle any disputes which may arise out of or in connection with the Preferred Securities and that accordingly any suit, action or proceedings arising out of or in connection with the Preferred Securities (together referred to as "Proceedings") may be brought in such courts. The Issuer irrevocably waives any objection which it may have now or hereinafter to the laying of the venue of any Proceedings in the courts of the city of Madrid. Nothing contained in this clause shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

PART 5
THE GUARANTEE

The following is the text of the Guarantee:

THIS GUARANTEE (the “Guarantee”), dated 16 March 2009, is executed and delivered by Banco Santander, S.A., a limited liability company (*sociedad anónima*) incorporated under the laws of the Kingdom of Spain (the “Bank” or the “Guarantor”) for the benefit of the Holders (as defined below).

WHEREAS, the Bank wishes to procure the issue by Santander Finance Capital, S.A. Unipersonal, a limited liability company (*sociedad anónima*) incorporated under the laws of the Kingdom of Spain (the “Issuer”) of Series VI USD 1,500; Series VII USD 75,000; Series VIII EUR 1,000; and Series IX EUR 50,000 Fixed Non-cumulative Perpetual Guaranteed Preferred Securities (together the “Preferred Securities”) and the Bank wishes to issue this Guarantee for the benefit of the Holders.

NOW, THEREFORE the Bank executes and delivers this Guarantee for the benefit of the Holders.

1. Definitions

As used in this Guarantee, the following terms shall, unless the context otherwise requires, have the following meanings:

“Bank Shares”	means any ordinary shares of the Bank;
“Distributable Profits”	means, for any Fiscal Year of the Bank, the reported net profit (calculated in compliance with the regulations of the Bank of Spain) of the Bank, determined after tax and extraordinary items for such year, as derived from the non-consolidated audited profit and loss account of the Bank, irrespective of whether shareholders’ meeting approval is still pending, prepared in accordance with generally applicable accounting standards in Spain and Bank of Spain requirements and guidelines, each as in effect at the time of such preparation. In the event that on any Distribution Payment Date, the audit of the non-consolidated profit and loss account of the Bank has not been completed, the reference to be used to calculate the Distributable Profits will be the balance of the unaudited non-consolidated profit and loss account of the Bank as reported in the financial statements delivered to the Bank of Spain in respect of 31 December of the preceding Fiscal Year;
“Distributions”	means the non-cumulative cash distributions payable per Preferred Security in accordance with the Conditions of the Preferred Securities;
“Distribution Payment Date”	shall have the meaning given to it in the Conditions of the Preferred Securities;
“Distribution Period”	shall have the meaning given to it in the Conditions of the Preferred Securities;
“Fiscal Year”	means the accounting year of the Guarantor as set out in its by-laws;
“Guarantee Payments”	means (without duplication) (i) any accrued but unpaid Distribution payable on the Preferred Securities for the most recent Distribution Period; (ii) the Redemption Price payable on the redemption of Preferred Securities; and (iii) the Liquidation Distributions due on the Liquidation Date;
“Group”	means the Bank and its consolidated subsidiaries;
“Holder”	means any holder from time to time of any Preferred Security; provided, however, that in determining whether the Holders of the requisite percentage of Preferred Securities have given any request, notice, consent or waiver hereunder, Holder shall not include the Bank or any Subsidiary (including the Issuer);

“Liquidation Date”	means the date of final distribution of the assets of the Issuer in the case of any liquidation, dissolution or winding-up of the Issuer (whether voluntary or involuntary);
“Liquidation Distribution”	means, with respect to each Preferred Security, the Liquidation Preference plus an amount equal to accrued and unpaid Distributions for the then current Distribution Period to (but excluding) the date of payment on such Liquidation Distribution;
“Liquidation Preference”	means <ul style="list-style-type: none"> (i) USD 1,500 per Series VI Dollar Preferred Security; (ii) USD 75,000 per Series VII Dollar Preferred Security; (iii) EUR 1,000 per Series VIII Euro Preferred Security; and (iv) EUR 50,000 per Series IX Euro Preferred Security;
“Parity Securities”	means (as the case may be) any preferred securities (<i>participaciones preferentes</i>) issued under Spanish Law 13/1985, or other securities or instruments equivalent to preferred securities issued by the Issuer, or by any other Subsidiary of the Bank which are guaranteed by the Bank and entitled to the benefit of a guarantee ranking <i>pari passu</i> with the Bank’s obligations under the Guarantee, or any such securities or instruments issued by the Bank and ranking <i>pari passu</i> with the Bank’s obligations under the Guarantee;
“Redemption Price”	means the Liquidation Preference plus accrued and unpaid Distributions for the then current Distribution Period to the date fixed for redemption per Preferred Security;
“Spain”	means the Kingdom of Spain;
“Subsidiary”	means any entity which the Bank may, directly or indirectly, control in accordance with Article 4 of the Securities Market Act (<i>Ley del Mercado de Valores</i>); and
“Special General Meetings”	means the meetings of holders of preferred securities of the Issuer.

2. Guarantee

2.1 Guarantee

Subject to the limitations contained in the following paragraphs of this Clause 2 (*Guarantee*), the Bank irrevocably and unconditionally agrees to pay in full to the Holders, the Guarantee Payments (to the extent not paid by the Issuer), as and when due upon receipt of a notice by any Holder demanding payment, regardless of any defence, right of set-off or counterclaim which the Issuer may have or assert. This Guarantee is unconditional, irrevocable, continuous and absolute (*Garantía Solidaria* under Spanish law).

2.2 Limitations to the Guarantee Payments in relation to the Distributions

Notwithstanding Clause 2.1 (*Guarantee*), the Bank will not be obliged to make any Guarantee Payment in respect of Distributions (including, in the case of liquidation of the Issuer or redemption of the Preferred Securities, accrued and unpaid Distributions relating, respectively, to the current Distribution Period to the date of payment of the Liquidation Distribution or to the date fixed for redemption) on any Preferred Securities to the extent that:

- (A) the aggregate of such Distribution, together with (i) any other distributions previously paid during the then-current Fiscal Year; and (ii) any distributions proposed to be paid during the then-current Distribution Period in each case on or in respect of Parity Securities (including the Preferred Securities) would exceed the Distributable Profits of the immediately preceding Fiscal Year; or
- (B) even if Distributable Profits are sufficient, to the extent that under applicable Spanish banking regulations relating to capital adequacy requirements affecting financial institutions

which fail to meet their required capital ratios on a parent company only basis or on a consolidated basis, the Bank would be prevented at such time from making payments on its ordinary shares or Parity Securities issued by the Bank.

2.3 Limitations to the Guarantee Payments in relation to the Liquidation Distributions

Notwithstanding Clause 2.1 (*Guarantee*), if, at the time that any liquidating distributions are to be paid by the Bank in respect of the Preferred Securities or any other Parity Securities, proceedings are or have been commenced for the voluntary or involuntary liquidation, dissolution or winding up of the Bank or for a reduction in the Bank's shareholders' equity pursuant to Article 169 of the Spanish Corporation Law (*Ley de Sociedades Anónimas*) the liquidation distribution with respect to the Preferred Securities, and all Parity Securities shall not exceed the liquidation distribution that would have been paid from the assets of the Bank (after payment in full, in accordance with Spanish law, to all creditors of the Bank, including holders of its subordinated debt, but excluding holders of any guarantee or other contractual right expressed to rank *pari passu* with or junior to this Guarantee) had all Parity Securities (including the Preferred Securities) been issued by the Bank and ranked (a) junior to all liabilities of the Bank; (b) *pari passu* with Parity Securities issued by the Bank, if any; and (c) senior to the Bank Shares.

2.4 Pro rata Payments

If the amounts described in Clause 2.1, (*Guarantee*), cannot be paid by reason of any limitation referred to in Clause 2.2, (*Limitations to the Guarantee Payments in relation to the Distributions*) or Clause 2.3, (*Limitations to the Guarantee Payments in relation to the Liquidation Distributions*), such amounts will be payable *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitations.

2.5 Ranking of the Guarantee

The Bank agrees that subject to applicable laws, the Bank's obligations hereunder constitute unsecured obligations of the Bank and rank and will at all times rank (a) junior to all liabilities of the Bank, including subordinated liabilities, (other than any guarantee or contractual right expressed to rank equally with or junior to this Guarantee); (b) *pari passu* with any Parity Securities issued by the Bank and any obligation assumed by the Bank under any guarantee in favour of holders of any Parity Securities issued by any Subsidiary; and (c) senior to the Bank Shares.

2.6 Acceptance of the Guarantee

The mere subscription and/or acquisition of Preferred Securities will be deemed for all purposes to constitute the plain and full acceptance of this Guarantee.

3. Characteristics of the Guarantor's Obligations under the Guarantee

3.1 Waiver

The Guarantor waives any right or benefit (of order, *excussio* or division) to which it may be entitled under Spanish law with regard to objecting to make any payment by virtue of the Guarantee.

The obligations of the Guarantor are independent of those of the Issuer. The Guarantor shall remain liable as the principal and sole debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee, and shall not be able to demand that the Holders of the Preferred Securities exhaust any of their rights or take any legal action against the Issuer prior to taking action against the Guarantor (*Garantía Solidaria* under Spanish law).

3.2 Obligations and Commitments of the Guarantor

The obligations and commitments of the Guarantor shall not be affected by any of the following circumstances:

- (A) the waiver by the Issuer, either by the application of a legal provision or for any other reason, to fulfil any commitment, term or condition, whether implicit or explicit, in relation to the Preferred Securities; or
- (B) the extension of the Distribution Payment Date, the Liquidation Date or the date for payment of the Redemption Price with regard to the Preferred Securities or the extension granted for the fulfilment of any other obligation related to the Preferred Securities; or

- (C) any breach, omission or delay by the Holders in exercising the rights granted by the Preferred Securities; or
- (D) the liquidation, dissolution, or sale of any asset given as a guarantee, temporary receivership, bankruptcy, receivership proceedings or renegotiation of debt affecting the Issuer; or
- (E) any defect in or invalidity of the Preferred Securities; or
- (F) transactions involving any obligation guaranteed by this Guarantee or undertaken by virtue of this Guarantee.

The Holders of Preferred Securities shall not be obliged whatsoever to notify the Guarantor of the occurrence of any of the aforementioned circumstances, nor to obtain their consent in relation to the same.

3.3 Subrogation

The Bank shall be subrogated to any and all rights of the Holders against the Issuer in respect of any amounts paid to the Holders by the Bank under this Guarantee. The Bank shall not (except to the extent required by mandatory provisions of law) exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of a payment under this Guarantee, if, at the time of any payment claim vis-à-vis the Issuer, any amounts are due and unpaid under this Guarantee. If any amount shall be paid to the Bank in violation of the preceding sentence, the Bank agrees to pay over such amount to the Holders.

3.4 Deposit of the Guarantee

This Guarantee shall be deposited with and held by the Bank of New York as Principal Paying Agent until all the obligations of the Bank have been discharged in full. The Bank hereby acknowledges the right of every Holder to the production of, and the right of every Holder to obtain a copy of, this Guarantee. A Holder may enforce this Guarantee directly against the Bank, and the Bank waives any right or remedy to require that any action be brought against the Issuer or any other person or entity before proceeding against the Bank. Subject to Clause 3.1 (*Waiver*), all waivers contained in this Guarantee shall be without prejudice to the Holder's right to proceed against the Issuer. The Bank agrees that this Guarantee shall not be discharged except by payment of the Guarantee Payments in full and by complete performance of all obligations of the Bank under this Guarantee.

4. Other Obligations of the Guarantor under the Guarantee

4.1 No further issues

The Bank will not issue any preferred securities or other instruments equivalent to preferred securities, ranking senior to its obligations under this Guarantee or give any guarantee in respect of any preferred securities or other instruments equivalent to preferred securities, issued by any Subsidiary, if such guarantee would rank senior to this Guarantee (including, without limitation, any guarantee that would provide a priority of payment with respect to Distributable Profits) unless in each case, this Guarantee is amended so that it ranks *pari passu* with, and contains substantially equivalent rights of priority as to payment of Distributable Profits as, any such other preferred securities or securities or other instruments equivalent to preferred securities or other such guarantee.

4.2 Non-Payments

The Bank undertakes that if any amount required to be paid pursuant to this Guarantee in respect of any Distribution payable in respect of the most recent Distribution Period has not been paid, whether by reason of the limitations of Clause 2.2 (*Limitations to the Guarantee Payments in relation to the Distributions*), or otherwise, no dividends (except in the form of the Bank Shares or other shares of the Bank ranking junior to the obligations of the Bank under this Guarantee) will be declared or paid or set aside for payment, or other distribution made, upon the Bank Shares or any other class of share capital or any securities of the Bank ranking junior to this Guarantee, nor will any Bank Shares or any other class of share capital or securities of the Bank ranking junior to the obligations of the Bank under this Guarantee, be redeemed, repurchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such Bank Shares, class of share capital or securities) by the Bank (except by

conversion into or in exchange for shares or securities of the Bank ranking junior to this Guarantee), until such time as the Issuer or the Bank pursuant to this Guarantee shall have made payment of, or set aside payment with respect to, full Distributions on a Distribution Period in respect of all Preferred Securities then outstanding.

4.3 Ownership

The Guarantor undertakes to hold (directly or indirectly) 100 per cent of the ordinary shares of the Issuer so long as any Preferred Securities of the Issuer shall remain outstanding, and not to permit or take any action to cause the liquidation, dissolution or winding up of the Issuer except as provided in Clause 3.2 of the Conditions of the Preferred Securities.

4.4 Voting Rights

The Bank undertakes in connection with the right of the Holders to participate in the adoption by the Issuer of certain decisions in the Special General Meetings as contemplated in the Conditions of the Preferred Securities:

- (A) to vote, in the corresponding general meeting of shareholders of the Issuer, in favour of the appointment or removal of the directors so named by the Special General Meetings and to take all necessary measures in such regard;
- (B) to vote, in the corresponding general meeting of shareholders of the Issuer, in conformity with the result of the vote of the Special General Meetings with respect to the dissolution and winding-up of the Issuer; and
- (C) to vote, in the corresponding general meeting of shareholders of the Issuer, in conformity with the result of the vote of the Special General Meetings with respect the issuance of further Preferred Securities or of other preferred securities where the Issuer has not duly made the most recent distribution required in respect of the preferred securities issued and outstanding at the time.

4.5 Compliance with the Preferred Securities

The Guarantor agrees to comply with any obligations expressed to be undertaken by it under the Conditions of the Preferred Securities.

5. Termination of the Guarantee

This Guarantee shall terminate and be of no further force and effect upon payment of the Redemption Price or purchase and cancellation of all Preferred Securities or payment in full of the Liquidation Distributions, provided, however, that this Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the Preferred Securities or this Guarantee must be restored by a Holder for any reason whatsoever.

6. General

6.1 Successors and Assigns

Subject to operation of law, all guarantees and agreements contained in this Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Bank and shall inure to the benefit of the Holders, each of whom shall be entitled severally to enforce this Guarantee against the Bank. The Bank shall not transfer its obligations hereunder without the prior approval of the Holders of not less than two-thirds in Liquidation Preference of the Preferred Securities or by resolution of a Special General Meeting approved by the Holders of Preferred Securities representing at least two-thirds of the Liquidation Preference, provided, however, that the foregoing shall not preclude the Bank from merging or consolidating with, or transferring or otherwise assigning all or substantially all of its assets to, a banking organisation or any other entity permitted by applicable laws without obtaining any approval of such Holders. The convening and holding of the Special General Meeting shall be done in accordance with Clause 5.2 of the Conditions of the Preferred Securities.

The Bank shall notify (i) any request for approval from the Holders; and (ii) any merger, consolidation, transfer or assignment, each as referred to in this Clause 6.1 (*Successors and Assigns*), in accordance with Clause 6.4 (*Notices*).

6.2 Transfers

This Guarantee is solely for the benefit of the Holders and is not separately transferable from the Preferred Securities.

6.3 Amendments

Except for those changes (a) required by Clause 4.1 (*No further issues*), hereof; (b) which do not adversely affect the rights of Holders; or (c) necessary or desirable to give effect to any one or more transactions referred to in the provision to Clause 6.1 (*Successor and Assigns*), (in any of which cases no agreements will be required), this Guarantee shall be changed only by agreement in writing signed by the Bank with the prior approval of the Holders of not less than two-thirds in Liquidation Preference of the Preferred Securities or by resolution of a Special General Meeting approved by the Holders of the Preferred Securities representing at least two-thirds of the Liquidation Preference. The calling and holding of such Special General Meeting shall be done in accordance with Clause 5.2 of the Conditions of the Preferred Securities.

6.4 Notices

- (A) Any notice, request or other communication required or permitted to be given hereunder to the Bank shall be given in writing by delivering the same against receipt therefore or by facsimile transmission (confirmed by mail) addressed to the Bank, as follows (and if so given by facsimile transmission), shall be deemed given upon mailing of confirmation, to:

Banco Santander, S.A.
Ciudad Grupo Santander
Edificio Encinar, Planta 0
28660 Boadilla del Monte
Madrid, Spain
Facsimile: +34 91 257 1473
Attention: Emisiones Corporativas

The address of the Bank may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Bank to The Bank of New York as Principal Paying Agent.

- (B) Any notice, request or other communication required to be given by the Bank under this Guarantee will be given by it (i) so long as any Preferred Security is admitted to the official list of the UK Listing Authority and is admitted to trading on the London Stock Exchange plc's Regulated Market (the "London Stock Exchange") and the UK Listing Authority so requires, by publication in an English language newspaper in London (which is expected to be the Financial Times) or, if such publication is not practicable but is required by the rules of the UK Listing Authority, in a leading daily newspaper in English and having general circulation in Europe; and (ii) by notice addressed to the Clearing Systems (in each case not less than 30 nor more than 60 days prior to the date of the act or event to which such notice relates).

6.5 Annual Reports

The Bank will furnish any prospective Holder, upon request of such Holder, with a copy of its annual report, and any interim reports made generally available by the Bank to holders of the Bank Shares.

7. Law and Jurisdiction

7.1 Law

This Guarantee shall be governed by, and construed in accordance with, Spanish law.

7.2 Jurisdiction

The Bank hereby irrevocably agrees for the benefit of the Holders that the courts of Madrid are to have jurisdiction to settle any disputes which may arise out of or in connection with this Guarantee and that accordingly any suit, action or proceedings arising out of or in connection with this Guarantee (together referred to as "Proceedings") may be brought in such courts. The Bank irrevocably waives any objection which it may have now or hereinafter to the laying of the venue of

any Proceedings in the courts of Madrid. Nothing contained in this Clause 7.2 (*Jurisdiction*), shall limit any right to take Proceedings against the Bank in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

THIS GUARANTEE is executed on 16 March 2009 on behalf of the Bank.

BANCO SANTANDER, S.A.

By:

PART 6

THE ISSUER

The Issuer, which is a wholly owned subsidiary of the Guarantor, was incorporated by a public deed executed on 8 July 2003, and registered in the Mercantile Registry of Madrid on 9 July 2003 in volume 19005, Folio 33, section 8, sheet M-332115 as a company with unlimited duration and with limited liability under the laws of Spain (*sociedad anónima*). The Issuer was formed to issue preferred securities in various markets and deposit the net proceeds with the Bank. As of the date of this Prospectus, the share capital of the Issuer is EUR 150,500 divided into 1,505 ordinary shares of par value EUR 100 each, all of them issued and fully paid and each of a single class. The Issuer is a financing vehicle for the Group and has no subsidiary companies. The Issuer has no material assets other than inter-company debt with affiliates. For so long as any preferred securities remain outstanding, the Issuer's exclusive activities shall be the issuance of preferred securities, the deposit of proceeds of such issuances with the Bank and other activities incidental thereto. The Issuer's objects and purposes can be found in Article 2 of its By-laws. The Issuer complies with the corporate governance regime of Spain. With the exception of Spanish reserve requirements which must be met prior to the payment of dividends and provided that dividends may only be distributed out of income for the previous year or out of unrestricted reserves and provided further that the net worth of the Issuer must not, as a result of the distribution, fall below its paid-in share capital (capital social), there are no restrictions on the Guarantor's ability to obtain funds from the Issuer through dividends, loans or otherwise. Spanish Law 13/1985 requires that the proceeds of the offering of the Preferred Securities be deposited on a permanent basis with the Guarantor or one of its consolidated subsidiaries.

As of the date of this Prospectus, the Issuer did not have any senior or subordinated indebtedness and has issued and has outstanding EUR 450 million Series I preferred securities, EUR 400 million Series II preferred securities, EUR 750 million Series III preferred securities, EUR 680 million Series IV preferred securities, and EUR 1,000 million Series V preferred securities, which will rank *pari passu* with the Issuer's obligations under the Preferred Securities. The Issuer has given notice that it will redeem the Series I and Series II Preferred Securities on 31 March 2009.

Save for the above referred issues and for the Preferred Securities and matters incidental thereto, the Issuer has not carried on any business since the date of its incorporation.

The registered office of the Issuer is located in the Guarantor's principal executive offices at Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain, and its telephone number is +34-91-257-2057.

The names, business addresses, positions and other positions in the Group of each of the directors of the Issuer are as follows:

<u>Name</u>	<u>Business Address</u>	<u>Position</u>	<u>Other Position in the Group</u>
José Antonio Soler	Ciudad Grupo Santander Edificio Encinar Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Chairman	Senior Vice-president of the Guarantor
Javier Antón San Pablo	Ciudad Grupo Santander Edificio Encinar Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Director	Vice-president of the Guarantor
Antonio Torío Martín	Ciudad Grupo Santander Edificio Encinar Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Director	Vice-president of the Guarantor

<u>Name</u>	<u>Business Address</u>	<u>Position</u>	<u>Other Position in the Group</u>
Pablo Roig García Bernalt	Ciudad Grupo Santander Edificio Encinar Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Director	Vice-president of the Guarantor

Save as specified in the above table, there are no activities performed by any of the above directors outside of the Issuer which are significant with respect to the Issuer.

The above members of the Board of Directors have no potential conflicts of interests between any duties to the Issuer and their private interests and/or other duties.

The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during a period covering at least the previous twelve months which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

The audited financial statements of the Issuer incorporated into this Prospectus by reference for the year ended 31 December 2007 and 2006, have been audited by Deloitte, S.L. (formerly Deloitte & Touche España, S.L.), the Issuer's independent auditors, of Plaza Pablo Ruiz Picasso, 1, Madrid, and registered under number S-0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*). Deloitte, S.L. are members of the Instituto de Censores Jurados de Cuentas de España.

There has been no significant change in the financial or trading position of the Issuer since 30 June 2008, being the date of the most recently published unaudited financial statements of the Issuer.

There has been no material adverse change in the prospects of the Issuer since 31 December 2007, being the date of the most recently published audited financial statements of the Issuer.

There have been no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.

PART 7

BANCO SANTANDER, S.A. AS GUARANTOR

The financial data for the years ended 31 December 2007 and 2006 set out below has been extracted without material adjustment from, and should be read together with, the Guarantor's audited consolidated financial statements in respect of those years, which are incorporated by reference into this document. The financial data for the year ended 31 December 2008 set out below has been extracted without material adjustment from the Guarantor's unaudited financial report for the period January to December 2008, which includes the consolidated financial statements for the year ended 31 December 2008, and is incorporated by reference into this document.

INFORMATION ABOUT THE GUARANTOR

The name of the Guarantor is Banco Santander, S.A. and it operates under the trading name "Santander".

The Guarantor is registered in the Mercantile Registry of Cantabria, and it adapted its By-laws to the current Companies Act by document executed in Santander on 8 June 1992 before the Public Notary Mr José María de Prada Díez, and numbered 1316 in his records, and registered in the Mercantile Registry of Cantabria in volume 448 of the Archive, folio 1, sheet number 1960, Adaptation entry one.

The current By-laws, with the exception of the subsections of Article 5 regarding share capital, were approved by the shareholders at the General Shareholders' Meeting held on 21 June 2008; the respective notarial instrument was recorded with the Mercantile Registry on 11 August 2008, in volume 926, folio 160, section 8, page S-1960, entry 1640.

The current text of the subsections of Article 5 of the By-laws is set forth in the public deed dated 30 January 2009 recording the share capital in the amount of €4,077,802,861.50. This document was registered with the Mercantile Registry of Cantabria on such date. As of the date of this Prospectus, the share capital of the Guarantor is €4,077,802,861.50 divided into 8,155,605,723 ordinary shares of par value €0.50 each, all of them issued and fully paid and each of a single class.

The Guarantor is also registered in the Special Register of Banks and Bankers under code number 0049.

The Guarantor was founded in the city of Santander by notarised document executed on 3 March 1856 before court official Mr José Dou Martínez, ratified and partially amended by a further document dated 21 March 1857 before the court official of Santander, Mr José María Olarán, and commenced trading on 20 August 1857. The Guarantor was transformed to a Credit Company ("*Sociedad Anónima de Crédito*") by a public deed executed on 14 January 1875 which was recorded with the Mercantile Registry of the Government of the Province of Santander.

The Guarantor commenced trading at the time of its formation and according to Article 4.1 of the Articles of Association it will remain in existence for an indefinite period.

The Guarantor is domiciled in Spain and has the legal form of a Joint Stock Company (*Sociedad Anónima*) and its activities are subject to special Spanish legislation governing credit institutions in general and the supervision, control and regulation of the Bank of Spain in particular. The Guarantor complies with the corporate governance regime of Spain.

The Guarantor was incorporated in Spain and has its registered office at Paseo de Pereda, numbers 9 to 12, Santander. The principal operating headquarters of the Guarantor are located at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660 Boadilla del Monte, in the province of Madrid. The telephone number of the principal operating headquarters of the Guarantor is +34 91 259 65 20.

The non-consolidated and consolidated annual financial statements of the Guarantor for the years ended 31 December 2007 and 2006 were audited by the external auditors, Deloitte, S.L. (formerly Deloitte & Touche España, S.L.) whose registered office is located at Plaza Pablo Ruiz Picasso, 1, Madrid, and registered under number S-0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*). Deloitte, S.L. are members of the Instituto de Censores Jurados de Cuentas de España.

The Guarantor's auditors have not resigned nor been removed, and were last re-appointed by the Guarantor on 21 June 2008 to audit the annual financial statements for the financial year ended 31 December 2008.

BUSINESS OVERVIEW

The Group is a financial group operating principally in Spain, the United Kingdom, Portugal, other European countries Latin America and the United States, offering a wide range of financial products. At 31 December 2008, the Group was one of the seventh largest banking groups in the world by market capitalisation⁽¹⁾ and the largest banking group in the euro zone with a stock market capitalisation of €54.0 billion [2007; €92.5 billion], stockholders' equity of €57.6 billion [2007; €55.2 billion] and total assets of €1,049.6 billion [2007; €912.9] billion. The Group had an additional €118.7 billion [2007; €151 billion] in mutual funds, pension funds and other assets under management at that date. As of 31 December 2008, the Group had 48,467 [2007; 47,838] employees and 5,998 [2007; 5,976] branch offices in Continental Europe, 6,089 [2007; 4,498] employees and 1,303 [2007; 704] branches in the United Kingdom, 96,405 [2007; 65,628] employees and 6,089 [2007; 4,498] branches in Latin America and 1,710 [2007; 1,526] employees in other geographic regions.

The Group's principal operations are in Spain, the United Kingdom, Portugal, Germany, Italy, Latin America and the United States. The Group also has significant operations in New York as well as financial investments in RFS Holdings B.V. and Attijariwafa Bank Société Anonyme ("Attijariwafa Bank"). In Latin America, the Group has majority shareholdings in banks in Argentina, Brazil, Chile, Colombia, Mexico, Puerto Rico, Uruguay and Venezuela.

In accordance with the criteria established by the EU-IFRS required to be applied under Bank of Spain's Circular 4/2004, the structure of the operating business areas has been segmented into two levels:

Principal level (or geographic). The activity of the Group's operating units is segmented by geographical areas. This coincides with the Group's first level of management and reflects its positioning in the world's three main currency areas. The reported segments are:

- *Continental Europe.* This covers all retail banking business (including Banco Banif, S.A. ("Banif"), the Group's specialised private bank), wholesale banking and asset management and insurance conducted in Europe, with the exception of Abbey National plc ("Abbey"). This segment includes the following units: Santander Network, Banco Español de Crédito, S.A. ("Banesto"), Santander Consumer Finance and Portugal.
- *United Kingdom (Abbey).* This covers only Abbey's business, mainly focused on retail banking in the UK.
- *Latin America.* This embraces all the financial activities conducted via the Group's subsidiary banks and other subsidiaries in Latin America. It also includes the specialised units in International Private Banking, as an independent globally managed unit. The Group's business in New York is also managed in this area.

Secondary level (or business)

This segments the activity of the Group's operating units by type of business. The reported segments are:

- *Retail Banking.* This covers all customer banking businesses (except those of Corporate Banking, which are managed globally throughout the world).
- *Global Wholesale Banking.* This business reflects the returns from Global Corporate Banking, Investment Banking and Markets worldwide, including all treasury activities under global management, as well as the Group's equities business.
- *Asset Management and Insurance.* This includes the Group's units that design and manage mutual and pension funds and insurance.

In addition to these operating units, which cover everything by geographic area and business, the Group continues to maintain a separate Financial Management and Equity Stakes area. This area incorporates the centralised activities relating to equity stakes in industrial and financial companies, financial management of the structural exchange rate position and of the parent Bank's structural interest rate risk, as well as management of liquidity and of shareholders' equity through issues and securitisations. As the Group's holding entity, it manages all capital and reserves and allocations of capital and liquidity.

In 2007, the Group maintained the same primary and secondary operating segments as it had in 2006.

(1) Source: Bloomberg

In addition, and in line with IFRS accounting standards, the results of businesses that were discontinued in 2007 (Latin American pension management companies) and in 2006 (Abbey's insurance businesses, Urbis, Peru and Bolivia), which were fully consolidated, are now included as net amounts in the line for discontinued operations in the income statement.

The figures for 2006 have been restated and include the changes, at both the Group level as well as the affected areas.

Principal level (or geographic):

Continental Europe

This area covers the banking activities of the different networks and specialised units in Europe, principally with individual clients and small and medium sized companies ("SMEs"), as well as private and public institutions. During 2007 there were four main units within this area: Santander Network, Banesto, Santander Consumer Finance and Portugal including retail banking, global wholesale banking and asset management and insurance.

Continental Europe is the largest business area of the Group. At the end of 2007, it accounted for 48 per cent of total customer and funds under management; 55 per cent of total loans and credits; and 53 per cent of profit attributed to the Group of the Group's main business areas.

Continental Europe had 5,976 branches and 47,838 employees (direct and assigned) at the end of 2007.

In 2007, the Continental Europe segment's efficiency ratio improved by 2 per cent to 38.8 per cent (from 40.8 per cent in 2006). Profit attributed to the Group from this segment increased 27.4 per cent to €4,423 million. Return on equity (ROE) in 2007 was 21.3 per cent, a 0.9 per cent increase from 2006.

Santander Network

The retail banking activity in Spain is carried out through the branch network of the Group's parent bank (the "Santander Network"), with support from an increasing number of automated cash dispensers, savings books updaters, telephone banking services, electronic and internet banking.

At the end of 2007, the Santander Network had 2,887 branches and a total of 19,392 employees (direct and assigned), 87 of which were temporary, dedicated to retail banking in Spain. When compared to the figures for 2006, this translates to a net increase of 55 branches and a net increase of 365 employees in 2007.

In 2007, the Santander Network grew by approximately 10.7 per cent in lending, 17.9 per cent in net operating income and 19.9 per cent in profit attributed to the Group. It also improved its efficiency ratio from 40.9 per cent in 2006 to 38.7 per cent in 2007.

Gross income from the Santander Network was €4,747 million in 2007, a 13.5 per cent growth from 2006.

In 2007, profit attributed to the Group from the Santander Network was €1,806 million, 19.9 per cent higher than profit attributed to the Group in 2006, while the ROE reached 21.3 per cent (as compared to 22.8 per cent in 2006).

The 10.7 per cent growth in lending in 2007 as compared to 2006 came from loans to SMEs which grew by 18 per cent, and from mortgages with a 10 per cent increase.

Customer funds under management experienced a reduction of 5.4 per cent during 2007, which came principally from decreases of 14.2 per cent in mutual funds, and 2.7 per cent in customers deposits.

Banesto

At the end of 2007, Banco Espanol de Crédito, S.A. ("Banesto") had 1,946 branches and 10,776 employees (direct and assigned), 161 of which were temporary. When compared to the figures for 2006, this translates to an increase of 102 branches and 231 employees in 2007.

For the purposes of the Group's 2007 financial statements, Banesto's results in respect of operations have been calculated using the general criteria used in 2006 with the exceptions that, (i) the Global Customer Relation Model was expanded; and (ii) some adjustments were made between the results of Retail Banking and Global Wholesale Banking. As a result, the data set forth herein may not coincide with the data published independently by Banesto.

In 2007, Banesto grew by approximately 21.2 per cent in lending and 17.2 per cent in customer deposits and there was a decrease of 16.5 per cent in off-balance sheet customer funds.

In 2007, gross income from Banesto was €2,282 million, a 14.8 per cent increase from 2006. Profit attributed to the Group from Banesto was €668 million, a 46.9 per cent decrease from 2006, while the ROE reached 18.3 per cent as compared to 44.4 per cent in 2006 (20.6 per cent in 2006 excluding extraordinary capital gains and allowances), and the efficiency ratio improved to 41.2 per cent (as compared to 45.3 per cent in 2006).

Santander Consumer Finance

The Group's consumer financing activities are conducted through its subsidiary Santander Consumer Finance, S.A. ("Santander Consumer Finance") and its group of companies. Most of the activity is in the business of auto financing, personal loans, credit cards, insurance, and customer deposits. These consumer financing activities are mainly focused on Spain, Portugal, Germany and Italy (through Santander Consumer Bank S.p.A.). The Group also conducts this business in the UK, Hungary, the Czech Republic, the Netherlands, Norway, Poland and Sweden. The Group's operations in the U.S. (through Drive) are included as part of this segment.

At the end of 2007, this business segment had 285 branches (as compared to 282 at the end of 2006) and 7,221 employees (direct and assigned) (as compared to 5,401 employees at the end of 2006), of which 255 employees were temporary.

In 2007, this business segment generated gross income of €2,638 million, a 44.5 per cent increase from 2006. Profit attributed to the Group was €719 million, a 27.1 per cent increase from 2006, while the ROE reached 34.1 per cent (as compared to 35.6 per cent in 2006) and the efficiency ratio improved to 29.6 per cent (as compared to 34.7 per cent in 2006).

At the end of 2007, total lending for this subsidiary amounted to more than €45 billion (a 15.9 per cent increase as compared to 2006) (including securitisations). Two-thirds of lending relates to auto finance, with a greater share of new vehicles (38 per cent vs. 28 per cent for used vehicles), and the combined share of consumer loans via dealers, cards and direct credit represent 17 per cent of the total portfolio. Three countries account for 76 per cent of the portfolio: Germany (36 per cent), Spain (28 per cent) and Italy (12 per cent). If the Group includes the U.S. (Drive) and the Netherlands (each of which account for 7 per cent of the portfolio), the total volume represented by these countries amounts to 90 per cent.

The main reasons for Santander Consumer Finance's growth have been:

- a moderate growth in its traditional European businesses;
- a successful integration of Drive, which performed better than its initial established goals. Drive has had a significant positive impact on the Santander Consumer Finance performance; and
- expansion of new business areas to encourage future growth of the Group's consumer business.

Portugal

The Group's main Portuguese operations are conducted by Banco Santander Totta, S.A., and the Group's Portuguese investment banking operations are conducted by Banco Santander de Negocios Portugal, S.A.

At the end of 2007, Portugal operated 763 branches (as compared to 727 branches at the end of 2006) and had 6,405 employees (direct and assigned) (as compared to 6,114 employees at the end of 2006), of which 427 employees were temporary.

In 2007, gross income from the Group's activities in Portugal was €1,214 million, a 10.1 per cent increase from 2006. Profit attributed to the Group was €527 million, 24.6 per cent higher than in 2006, while the ROE reached 28.6 per cent (24.1 per cent in 2006) and the efficiency ratio improved to 44 per cent (from 47.3 per cent in 2006).

Others

The rest of the Group's businesses in Continental Europe (Banif, Asset Management, Insurance and Global Wholesale Banking) generated profit attributed to the Group of €719 million, 83.4 per cent more than in 2006.

United Kingdom (Abbey)

Abbey became part of the Group on 12 November 2004 and only its balance sheet was consolidated with the Group as of 31 December 2004. Its results of operations were consolidated with the Group's for the first time in 2005.

Abbey is a significant financial services provider in the United Kingdom, being a large residential mortgage lender measured by outstanding balances. Abbey also provides a wide range of retail savings accounts, and operates across the full range of personal financial services.

At the end of 2007, Abbey had 704 branches and a total of 16,827 employees (direct and assigned) of which 193 employees were temporary. When compared to the figures for 2006, there was a net reduction of 8 branches and 319 employees in 2007.

For purposes of the Group's financial statements, Abbey's results of operations have been calculated using the general criteria used in 2006 with the exceptions that, (i) the Global Customer Relations Model was expanded; and (ii) some adjustments were made between the results of Retail Banking and Global Wholesale Banking. As a result, the data set forth herein may not coincide with the data published independently by Abbey.

In 2007, Abbey contributed gross income of €3,780 million (a 6.2 per cent increase from 2006), net operating income of €1,912 million (a 18.1 per cent increase from 2006) and €1,201 million of profit attributed to the Group (a 19.8 per cent increase from 2006) which represents 15 per cent of the Group's total operating areas. Loans and advances experienced a reduction of 3.4 per cent and customer funds under management increased by 5.3 per cent during the same period. ROE was 32.26 per cent (as compared to 32.79 per cent in 2006) and the efficiency ratio was 50.1 per cent (as compared to 55.1 per cent in 2006).

Operating expenses were 3.2 per cent lower, due to a lower personnel expense as a result of personnel reduction during 2006.

The non-performing loans ratio during 2006 and 2007 were 0.60 per cent, and the coverage ratio declined from 86 per cent to 66 per cent.

Latin America

At 31 December 2007, the Group had 4,498 offices and 65,628 employees (direct and assigned) in Latin America (as compared to 4,368 offices and 60,871 employees, respectively, at 31 December 2006), 353 of which were temporary employees.

Profit attributed to the Group from Latin America was €2,666 million, a 16.6 per cent increase from 2006, while the ROE reached 29.1 per cent (as compared to 26.6 per cent in 2006) and the efficiency ratio improved to 41.8 per cent (as compared to 47 per cent in 2006). At the end of 2007, Latin America accounted for 32 per cent of total profit attributed to the Group's operating areas.

The Group's Latin American banking business is principally conducted by the following banking subsidiaries:

	<u>Percentage held at 31 December 2007</u>		<u>Percentage held at 31 December 2007</u>
Banco Santander Río, S.A. (Argentina)	99.30	Banco Santander, S.A. (Mexico)	74.95
Banco Santander, S.A. (Brazil)	98.08	Banco Santander Puerto Rico	90.59
Banco Santander Chile	76.73	Banco Santander, S.A. (Uruguay)	100.00
Banco Santander Colombia, S.A.	97.64	Banco de Venezuela, S.A. Banco Universal	98.42

The Group engages in a full range of retail banking activities in Latin America, although the range of its activities varies from country to country. The Group seeks to take advantage of whatever particular business opportunities local conditions present.

The Group's significant position in Latin America is attributable to its financial strength, high degree of diversification (by countries, businesses, products, etc.), breadth and depth of its franchise.

Detailed below are the performance highlights of the main Latin American countries in which the Group operates:

Brazil

Banco Santander Brazil (which does not include Banco Real) is one of the main financial franchises in Brazil. There are 2,104 branches and 8.3 million individual customers.

The Group continued to expand Banco Santander Brazil's retail businesses in 2007 and, during 2007, 800,000 individuals became new clients.

Lending rose in 2007 by 32 per cent encouraged by (all percentages based on calculations in local currency) (i) a 28 per cent growth in lending to individual customers (55 per cent increase via credit cards, 30 per cent increase in loans linked to payroll deposits and 26 per cent increase in auto finance); and (ii) a 41 per cent growth in lending to SMEs and companies.

Deposits increased 30 per cent and mutual funds grew 36 per cent in 2007.

Profit attributed to the Group from Brazil in 2007 was €905 million, a 20.5 per cent increase when compared with 2006 (17.6 per cent increase in local currency). At the end of 2007 the efficiency ratio was 39.6 per cent, ROE was 28.5 per cent, the ratio of non-performing loans ("NPL") was 2.7 per cent and the NPL coverage was 101 per cent.

Mexico

Banco Santander, S.A. (Mexico), is one of the leading financial services companies in Mexico. It controls the third largest banking group in Mexico in terms of business volume and the Group has a network of 1,088 branches and 8.5 million banking customers throughout Mexico.

Loans and credit increased in 2007 by 24 per cent. Of note were the growth of consumer credit and lending to SMEs (30 per cent and 64 per cent above the market, respectively).

Profit attributed to the Group from Mexico increased 23.8 per cent to €654 million (an increase of 35.6 per cent in local currency). The efficiency ratio was 37.7 per cent, ROE was 26.5 per cent, the ratio of non-performing loans was 1.2 per cent at the end of 2007 and the NPL coverage was 192 per cent.

Chile

Banco Santander Chile leads the largest financial group in the country with a substantial business in loans, deposits and mutual funds and pension funds. The Group has 494 branches and 2.8 million banking customers.

In 2007, lending to individuals and SMEs grew by a 15 per cent and 19 per cent, respectively, while deposits increased by 18 per cent.

Profit attributed to the Group from Chile increased 11 per cent to €543 million (a 19.3 per cent increase in local currency). The efficiency ratio improved to 39.2 per cent, ROE was 43.81 per cent, the ratio of non-performing loans was 2.1 per cent and the NPL coverage was 118 per cent.

Puerto Rico

Banco Santander Puerto Rico is one of the largest financial institutions in Puerto Rico. The Group has 137 branches and 0.5 million customers.

In 2007, Santander Puerto Rico continued its strategy of developing the business with individual customers (consumer loans and mortgages) and companies, in an environment of economic recession that has slowed down the growth of the financial system in Puerto Rico. Lending and savings increased by 4 per cent and 5 per cent, respectively.

Profit attributed to the Group from Puerto Rico was €1 million, compared to the €26 million obtained in 2006 due to higher net loan-loss provisions in 2007 as well as the impairment of the investment in Island Finance (€14 million). The efficiency ratio was 64.6 per cent, the ratio of non-performing loans stood at 3.2 per cent and the NPL coverage was 102 per cent.

Venezuela

Banco de Venezuela, S.A. Banco Universal is one of the country's largest banks with 283 branches and 3 million banking customers.

The main focus of management in 2007 was to maximize the profitability of business and increase recurrent revenues, through growth in lending, especially to individuals, transactional deposits and fee-generating services. Lending and deposits, in local currency, increased 56 per cent and 8 per cent respectively.

Profit attributed to the Group from Venezuela grew 22.6 per cent to €179 million (a 33.8 per cent increase in local currency). The efficiency ratio was 40.2 per cent, ROE stood at 44 per cent, the ratio of non-performing loans was 1.0 per cent and the NPL coverage was 371 per cent.

Colombia

In a favorable environment of economic and financial stability, the Group focused in 2007 on developing its franchise and on selective business growth, particularly in the retail segments. Lending to individual customers and SMEs rose by 60 per cent and deposits by 4 per cent.

Profit attributed to the Group from Colombia was €15 million, 39.3 per cent lower than in 2006 in local currency.

Argentina

Banco Santander Río, S.A. ("Banco Santander Río") is one of the country's leading banks, with market shares of 9.6 per cent in lending and 9.4 per cent in deposits.

Argentina continued its economic recovery during 2007 and Banco Santander Río made a positive contribution to the Group's earnings with profit attributed to the Group of €188 million in 2007, a 41 per cent increase in local currency. Lending rose 32 per cent and was mainly focused on SMEs and individuals, while deposits increased 18 per cent.

Others

In 2007 Uruguay generated profit attributed to the Group of €23 million.

Santander Private Banking performed well with an increase in profit attributed to the Group of 27.9 per cent during 2007 to \$223 million. Assets under management totalled \$42,000 million, which represents a 28 per cent growth in comparison to 2006. This is mainly attributable to the integration of a portfolio of customers acquired from Bank of America.

Secondary level (or business)

Retail Banking

The Group's Retail Banking generated 86 per cent of the operating areas' total gross income in 2007 and 80 per cent of profit before tax (€9,358 million, an increase of 31.3 per cent from 2006). Gross income was 20.9 per cent higher than in 2006 at €23,371 million. This segment had 126,118 employees at the end of 2007.

Retail Banking in Continental Europe continued the growth trends in volume and earnings of 2005 and 2006. Net interest income rose 26.9 per cent, net operating income 26.7 per cent and profit before tax 27.7 per cent. All units (Santander Branch Network, Banesto Retail, Santander Consumer Finance, Portugal Retail and Banif) grew strongly. As in 2006, the main drivers in 2007 continued to be: business growth, with lending up 15 per cent and deposits 7 per cent (due to the issue of securities mandatorily convertible into newly-issued ordinary shares of the Bank ("Valores Santander") amounting to €7 billion); good management of prices in an environment of rising interest rates; and selective control of costs. The efficiency ratio improved from 42.2 per cent in 2006 to 39.3 per cent in 2007.

Net operating income generated by Abbey's Retail Banking was 18.2 per cent higher, partly as a result of the 7.2 per cent rise in gross income and containment of operating expenses (–1.7 per cent). The combined effect was an improvement in the efficiency ratio of 4.7 percentage points to 49.9 per cent.

The continued strong earnings performance of Retail Banking in Latin America was due to strong growth in customer business, the good performance of net interest income and net fees, and control of costs compatible with business development. Net operating income increased 50.5 per cent and profit before tax

37.2 per cent The efficiency ratio was 7.6 percentage points better at 44.7 per cent The respective increases, in local currency, were 32.0 per cent, 57.3 per cent and 45.6 per cent The growth strategy was based on increasing the number of individual customers and SMEs, developing anchor products, such as payroll and credit cards, and focusing on more profitable products in all countries.

Global Wholesale Banking

This area covers the Group's corporate banking, treasury and investment banking activities throughout the world.

This segment, managed by Santander Global Banking & Markets, contributed 11 per cent of operating areas total gross income and 16 per cent of profit before tax in 2007 (€1,832 million, 28.6 per cent more than in 2006). This segment had 2,589 employees at the end of 2007.

These results were largely due to three factors:

- First, the strong growth in customer revenues (an increase of 24 per cent), which accounted for more than 77 per cent of total revenues earned by this segment, as a result of the increasing contribution of greater value-added businesses (markets, investment banking and cash management).
- Second, the small contribution of the results of trading activity in the second half of the year, affected by instability in the financial markets, compared with the first half's excellent results. These revenues for the whole of 2007 were lower than in 2006.
- Third, lower generic provisions in 2007 compared with large allocations in 2006, generated by certain large operations.

These factors were reflected in the income statement. Gross income grew 12.6 per cent, while gains on financial transactions were 28.9 per cent lower because of the lower contribution from trading activities. Operating expenses (+23.1 per cent) continued to reflect the investment made in developing markets and global transactional banking. The efficiency ratio was 32.5 per cent.

The business model is structured as a double (customer-product) sector model in the countries where it operates. With respect to the customer sectors, the Global Customer Relationship Model, which manages the main corporate and institutional customers, continued to be used. The incorporation since the beginning of 2007 of new clients (121, mostly from Latin America), the restructuring of the coverage area and the development of specialised units, as well as stronger links with product areas, particularly global investment banking in a period of strong corporate activity, pushed up the Model's revenues to €1.243 million, 27 per cent more than in 2006.

The product sector's three areas also registered significant progress in line with their strategic priorities:

1. Global Transaction Banking

In this area, which comprises various corporate products (global cash management, trade finance, basic finance and global securities-custody), the Group continued to strive to attain leadership in its natural markets. Gross income grew 16 per cent for the whole year.

Cash management, which embraces the range of transactional products (payments to and by suppliers, payroll), financing (discounting, advances, factoring, confirming) and funds were notable products.

2. Global Investment Banking

This area covers corporate finance (mergers and acquisitions, equity capital markets), structured finance (project finance, acquisition finance and syndicated loans) and asset and capital structuring. Its objective is to consolidate the Group's leadership in Spain, Portugal and Latin America and continue to address the Group's clients in other markets. Total revenues for these global investment banking businesses were 66 per cent higher in 2007 than in 2006.

In Corporate Finance, Santander participated in intermediation and advisory services for 150 operations, 53 per cent of them outside of Spain.

In Equity Capital Markets, there was a great deal of activity in primary markets in Europe and Latin America, particularly in Brazil.

In Asset & Capital Structuring, focus was placed on innovation and the design of structures for financing assets and optimisation of capital. The Group strengthened its international position with specialised units in Brazil, Mexico and Chile.

3. Markets

This area covers the Group's treasury activities and distribution of equities, and, in 2007, progress was made in respect of two objectives: (i) leverage of the Group's commercial networks to distribute risk management solutions for companies and individuals; and (ii) development of additional product capacities in order to expand the franchise with corporate and institutional clients in core markets. This progress produced sustained growth in revenues generated by customers (+14 per cent including equity business), which partly offset the weak performance of markets in the second half of 2007. For 2007 as a whole, the revenue of the markets area was 5 per cent lower than in 2006.

Revenues in the global treasury business generated from customers increased 9 per cent in 2007. This business, which already accounts for two-thirds of the total, produced a good relative performance, as it limited the impact of instability in the financial markets and meant that opportunities arising from this situation could be taken advantage of.

The two main revenue generators in respect of Markets are Santander Global Markets and Santander Global Connect. Santander Global Markets, for corporate and institutional clients, leveraged its performance on increasing participation in operations with wholesale clients and more value-added solutions together with the synergies of crossed transactions between treasuries in Europe and Latin America. Santander Global Connect, for retail customers in cooperation with the retail banks of various countries, increased its gross revenues (including those recorded by the networks) as a result of extending its products to other Group treasuries and the strength of Spain's market.

In Spain and Portugal Santander Global Markets' revenue from sales to clients registered high double digit growth, backed by participation in major operations with wholesale clients. Santander Global Connect's contribution remained solid, with strong growth in Portugal. The increased volatility in the markets in the second half of 2007, however, resulted in a weaker performance in management of flows and books associated with customer activity.

In Latin America, customer revenues grew by 21 per cent due to Santander Global Connect entering into new markets, and its increasing participation in wholesale operations. However, activity was affected negatively by the impact on trading positions of tensions in the financial markets.

Asset Management and Insurance

This segment comprises all of the Group's companies whose activity is the management of mutual funds, pension funds and insurance. At 31 December 2007 this segment accounted for 3 per cent of total gross income and 4 per cent of profit before tax (€535 million, 13.3 per cent higher than in 2006). This segment had 1,585 employees at the end of 2007.

In 2007 gross income rose 13.1 per cent, mainly driven by insurance activity (+24.3 per cent). Fee income was virtually unchanged. The reason for this mainly relates to the slowdown in the mutual funds business in Spain and the strong impact of exchange rates on Latin America's gross income. Operating expenses, which reflect the investment in building up these global businesses, increased 12.4 per cent which was less than, the growth in gross income. Net operating income rose 13.5 per cent and the efficiency ratio improved slightly to 32 per cent.

The sale in 2007 of the Group's pensions businesses in Colombia, Uruguay, Mexico, Chile and Argentina as a result of a strategic review, generated net capital gains of €622 million (recorded in Financial Management and Equity Stakes).

Asset Management

Santander Asset Management's global business generated €1,891 million of fees in 2007 (+5.9 per cent). Profit before tax, after deducting operating expenses and fees paid to the networks, increased by 8.1 per cent to €243 million. Total managed assets amounted to €130,000 million.

Business was conducted in the second half of the year in an environment of strong preference for on-balance sheet funds and a widespread lack of confidence in the markets, particularly in mortgage-backed structured products.

Santander Asset Management's strategy in 2007 continued to focus on developing platforms for transnational investment, improving the product mix, creating innovative products and optimising efficiency in order to improve operating margins.

Of note was the streamlining and concentration of UK structures, with the creation of a single fund management institution under the brand of Santander Asset Management UK, enabling it to assume direct management of UK mutual funds and improve their return. In its first year the Group met the Group's commercial and business targets and is laying the foundations for a significant improvement in operational efficiency.

In an environment of strong growth in Latin America and a downturn in Europe, the Group continued to streamline the Group's range of products and gradually use the platform in Luxembourg to unify products that can be distributed in the two continents.

In 2007, the Group sold its pension fund management businesses in Latin America.

These results and strict management of costs enabled Santander Asset Management to absorb the investment in developing its global platform and it ended 2007 with the sector's best efficiency levels at the international level: operating expenses only represented 0.13 per cent of assets under management.

Asset management consists of traditional management and alternative management. Their respective performances were as follows:

Traditional Management of Assets

This covers mutual funds and pension plans, but not alternative investment funds. At 31 December 2007, assets stood at €120,000 million (92 per cent of the total assets under management).

In Spain, assets under traditional management in mutual funds and investment companies amounted to €55,000 million, consolidating our position as the sector's leader with a market share of 22 per cent according to Inverco.

The evolution in 2007 was determined by the financial markets' greater liquidity needs which gave rise to very aggressive offers to capture bank deposits. This tougher competition for deposits, coupled with setting them at the same tax level as mutual funds, reduced the relative attractiveness of funds for savers.

In addition, and also affecting the Santander Branch Network, the launch of "Valores Santander" reduced the attractiveness of mutual funds compared with this new product.

Growth in pension plans in Spain was lower at both Group and market level because of tax changes to the year's contributions. At the end of 2007, Santander Asset Management managed €10,500 million (+5 per cent), 87 per cent of which were individual plans.

In Portugal, management of mutual and pension funds continued the policy of improving the mix of products, which further raised the average commission. Managed assets amounted to €7,200 million at 31 December 2007.

The UK benefited from restructuring within the global model and Abbey's drive in structured products. Managed assets amounted to more than €10,000 million (+34 per cent, in UK Sterling) at 31 December 2007.

Latin America's mutual funds under management rose 29 per cent, in local currency, to €36,000 million at 31 December 2007.

Alternative Management

Santander Asset Management also strengthened its presence in various segments of alternative management, where it manages assets of more than €11,000 million at 31 December 2007. Of note were:

- In hedge funds, Optimal managed a volume close to €6,000 million at 31 December 2007, an increase of 16 per cent (in local currency).
- In real estate funds and investment companies, Santander Asset Management managed €4,700 million as of 31 December 2007.

- In venture capital funds, the Group launched a new infrastructure fund. Santander Private Equity managed €317 million at 31 December 2007.

Insurance

The global business of Santander Insurance generated gross income (fees and revenues from insurance) of €1,751 million (a 21.8 per cent increase), 6.5 per cent of the operating areas' total. Its total contribution to the Group's results, the sum of profit before tax of the insurance companies and brokers (€294 million) and fees received by networks, was €1,674 million (+21.5 per cent).

Santander Insurance made further progress in installing the global business model in each of the Group's insurance units.

Of note was the launch of a new commercial structure that integrates the various geographic areas and distribution channels. Its objective is to achieve global business management at the level of product development and linkage (lending products, structured savings) as well as developing basic capacities (marketing-CRM, retaining customers, transfers and local application of best practices in processes and distribution channels).

Spain's contribution was 24.6 per cent higher at €465 million, due to the broadening and improvement in the range of products and intensive marketing. Of note was the good performance of new products, particularly insurance savings products at the Santander Branch Network, and extending coverage of death, incapacity and unemployment insurance to include products with features such as direct deposit of payroll cheques and direct debits. Premium income rose strongly (to around €2,900 million).

In Portugal insurance linked to loans and capitalisation-savings products grew strongly. The total contribution to the Group was 32.8 per cent higher at €102 million.

Santander Consumer Finance kept up a strong pace of growth in credit-linked insurance. Its contribution increased 21.0 per cent to €381 million.

The UK's total contribution was €286 million, virtually unchanged in sterling. This was due to the slower pace of business in the last part of 2007 and the cancellation of the distribution agreement with intermediaries, in contrast to the positive impact of new life-protection products sold via Abbey's branches.

Latin America generated 26 per cent (€441 million) of the area's total contribution, offering the fastest growth (+40.8 per cent without the exchange-rate impact). The drive in marketing products via banking networks and other channels such as telemarketing, together with development of streamlined and transparent life-risk products, increased the results of the region by more than 30 per cent. Of note was Mexico, which doubled its contribution, and Brazil which contributed almost half the region's total. Its solid growth was based on the sale of more products.

Financial Management and Equity Stakes

At the end of 2007, this area had 1,526 employees (direct and assigned) (1,498 employees at the end of 2006), of which 193 were temporary.

This area is responsible for a series of centralised activities and acts as the Group's holding entity, managing all capital and reserves and assigning capital and liquidity to the other businesses. The cost of liquidity, via the transfer of funds to various businesses, is calculated at the short-term market rate, which was 4.06 per cent in 2007 (2.96 per cent in 2006).

The area made a profit of €754 million including ABN AMRO's net contribution of €60 million and a net figure for extraordinary capital gains and allowances of €934 million.

ABN AMRO's incorporation in the Group's financial statements had the following effects: revenue of €141 million (recorded in share of results from entities accounted for by the equity method) and financing costs of €121 million (recorded in net interest income) which, net of tax, was €81 million, making the total net contribution €60 million.

Excluding capital gains and ABN AMRO's net contribution, this area, as is usual, made a loss of €239 million (€178 million in 2006).

The main positive impact was on trading gains which increased €803 million, to €1,217 million (€414 million in 2006). This increase was basically due to the positive effect of the euro/dollar and euro/sterling position (which covers the negative impact of the depreciation of the respective currencies on the results in Latin America and the UK), and the larger contribution of the portfolios of interest rate risk

hedging. Interest rate risk hedging in 2007 made a slightly positive contribution, whereas it recorded losses in 2006 due to write-downs.

The negative effects were the impact on net interest income that the rise in interest rates had on the cost of financing, the higher cost from the larger volume of securitisations and lower profits from Cepsa (part of this decline was offset in minority interests).

Equity Stakes:

This sub segment centralises the management of equity stakes in financial and industrial companies.

The main developments between 2006 and 2007 were the sale of 4.8 per cent of Sanpaolo IMI at the end of 2006 and of 1.79 per cent of Intesa Sanpaolo in the second quarter of 2007 (the latter generating a capital gain of €566 million).

Financial Investments

The Group has financial investments in a number of banking companies, principally in Europe. The following summarises the Group's most important financial investments:

RFS Holdings B.V. As of 31 December 2007, the Group had a 27.91 per cent stake in RFS Holdings (the holding company of the ABN AMRO Group).

Sovereign Bancorp Inc. As of 31 December 2007, the Group had a 24.43 per cent stake in Sovereign.

Attijariwafa Bank. As of 31 December 2007, the Group had a 14.5 per cent interest in Attijariwafa Bank, which engages mainly in trade finance and foreign investment activities. Together with Attijariwafa Bank the Group has a 50 per cent joint venture in Attijari International Bank Société Anonyme, which specialises in trade finance in Tangier's free trade zone.

Industrial Portfolio

The majority of the Group's industrial holdings portfolio consists of investments in strategic sectors related to the growth of the Spanish economy. Through the Group's investments in these areas, the Group aims to contribute to the Group's consolidated results.

The following table summarises the Group's main industrial holdings at 31 December 2007:

<u>Company</u>	<u>Business</u>	<u>Percentage held at 31 December 2007</u>
France Telecom España, S.A	Telecommunications	5.01
CEPSA	Oil and Petrochemicals	31.64
Grupo Corporativo ONO, S.A.	Telecommunications	4.47

At the end of 2007, the Group's unrealised capital gains in listed financial and industrial stakes were estimated at around €4,000 million.

Financial Management:

This area carries out the global functions of managing the structural exchange rate position, the structural interest rate risk of the parent bank and the liquidity risk. The latter is conducted through debt issuance and securitisations.

The cost of hedging the capital of the Group's non-euro denominated investments is another activity of this sub-segment. The current hedging policy is aimed at protecting the capital invested and the year's results through various instruments that are deemed to be the most appropriate for their management. The main units with exchange rate risk continued to be hedged in 2006 and 2007.

This sub-segment also manages shareholders' equity, the allocation of capital to each business unit, and the cost of financing investments, the result of which being a negative contribution to earnings.

The summarised balance sheets and income statements of the various geographical segments (principal level) are as follows:

		Millions of Euro						
		2007						
(Summarised) Balance Sheet		Continental Europe	Abbey	Latin America	Financial Management and Holdings	Total	Continental Europe	Abbey
Loans and advances to customers		310,618	184,086	68,854	1,919	565,477	271,687	190,512
Financial assets held for trading (excluding loans and advances)		44,846	53,782	22,845	1,328	122,801	33,831	61,507
Available-for-sale financial assets		10,149	44	12,628	21,528	44,349	13,126	23
Loans and advances to credit institutions		53,205	19,810	11,146	25,429	109,590	67,061	18,185
Non-current assets		5,373	4,685	1,805	(202)	11,661	4,558	5,059
Other asset accounts		25,876	9,458	24,707	170,154	230,195	18,583	8,691
Total assets/liabilities		450,067	271,865	141,985	220,156	1,084,073	408,846	283,977
Customer deposits		149,167	122,514	82,054	1,969	355,704	140,231	115,194
Marketable debt securities		70,344	76,055	5,039	82,196	233,634	47,633	72,858
Subordinated liabilities		2,379	7,876	2,540	22,875	35,670	2,362	9,430
Liabilities under insurance contracts		10,907	6	2,121	—	13,034	8,547	71
Deposits from credit institutions		66,027	38,688	19,017	47,834	171,566	89,016	51,020
Other liability accounts		130,970	23,549	22,626	18,326	195,471	103,090	32,076
Equity		20,274	3,177	8,588	46,955	78,994	17,967	3,328
Off-balance-sheet customer funds		92,761	10,225	47,991	—	150,977	102,465	8,307
Total funds under management		542,829	282,090	189,976	220,155	1,235,050	511,311	292,284

(Summarised) Income Statement	Millions of Euro					
	2007					
	Continental Europe	Abbey	Latin America	Financial Management and Holdings	Total	Continental Europe
Net Interest Income	7,894	2,335	6,654	(1,588)	15,295	6,654
Share of results of entities accounted for using the equity method	9	2	4	427	442	442
Net fee and commission income	4,137	1,007	2,866	30	8,040	3,040
Insurance activity income	148	—	171	—	319	319
Gains/losses on financial assets and liabilities and Exchange differences	732	436	691	1,113	2,972	2,972
Gross Income	12,920	3,780	10,386	(18)	27,068	10,386
Sales and income from the provision of non-financial services (net of expenses) and Other operating income/expense	30	51	(141)	15	(45)	(45)
General administrative expenses:						
Personnel expenses	(3,014)	(1,037)	(2,222)	(236)	(6,509)	(2,222)
Other administrative expenses	(1,513)	(780)	(1,867)	(270)	(4,430)	(1,867)
Depreciation and amortisation	(559)	(102)	(348)	(259)	(1,268)	(348)
Net Operating Income	7,864	1,912	5,808	(768)	14,816	5,808
Net impairment losses	(1,580)	(312)	(1,660)	(1,527)	(5,079)	(1,660)
Other gains/losses	39	22	(368)	1,745	1,438	(368)
Profit/(Loss) Before Tax	6,323	1,622	3,780	(550)	11,175	3,780
Profit from ordinary activities	4,546	1,201	2,958	134	8,839	2,958
Profit from discontinued operations	—	—	112	685	797	112
Consolidated profit for the year	4,546	1,201	3,070	819	9,636	3,070
Profit attributed to the group	4,439	1,201	2,666	754	9,060	2,666

Business Segments (secondary level): At the secondary level of segment reporting, the Group is structured into Retail Banking, Insurance and Financial Management and Insurance; the sum of these three segments is equal to that of the three primary operating geographical segments. The consolidated profit for the year is obtained by adding to the business segments the data for the Financial Management and Equity Stakes segment.

The summarised income statements and other significant data are as follows:

(Summarised) Income Statement	Millions of Euro					
	2007				Total	Commercial Banking
	Commercial Banking	Global Wholesale Banking	Asset Management and Insurance	Financial Management and Holdings		
Net Interest Income	15,339	1,492	52	(1,588)	15,295	12,310
Share of results of entities accounted for using the equity method	15	—	—	427	442	16
Net fee and commission income	6,668	919	423	30	8,040	5,966
Insurance activity income	—	—	319	—	319	—
Gains/losses on financial assets and liabilities and exchange differences	1,349	491	19	1,113	2,972	1,042
Gross Income	23,371	2,902	813	(18)	27,068	19,334
Sales and income from the provision of non-financial services (net of expenses) and Other operating income/expense	(30)	(29)	(1)	15	(45)	(4)
General administrative expenses:						
Personnel expenses	(5,603)	(542)	(128)	(236)	(6,509)	(5,165)
Other administrative expenses	(3,737)	(310)	(113)	(270)	(4,430)	(3,455)
Depreciation and amortisation	(899)	(91)	(19)	(259)	(1,268)	(848)
Net Operating Income	13,102	1,930	552	(768)	14,816	9,862
Net impairment losses	(3,488)	(63)	(1)	(1,527)	(5,079)	(2,324)
Other gains/losses	(256)	(35)	(16)	1,745	1,438	(412)
Profit/(Loss) Before Tax	9,358	1,832	535	(550)	11,175	7,126
Other aggregates:						
Total assets	678,867	166,979	18,071	220,156	1,084,073	668,960
Loans and advances to customers	510,561	52,975	22	1,919	565,477	474,253
Customer deposits	308,652	45,082	1	1,969	355,704	288,533

Significant New Products and/or Activities

The Group is continuously incorporating new financial products in an attempt to satisfy its customers' needs and to maintain its competitive position within the financial services market.

Global New Products Committee (GNPC)

All new products or services that any entity of the Group seeks to market must be submitted to this Committee for approval.

In 2007, 14 Committee sessions were held (two of them in writing and without a meeting), in which 186 products or product families were analysed.

A Local New Products Committee is created in each country where an entity of the Group is located. Once a new product or service undergoes the established procedure, this Committee must seek the approval of the Global New Products Committee. In Spain, the functions of the Local New Products Committee are vested in the Global New Products Committee itself.

The areas that participate in the Global New Products Committee, chaired by the General Secretary, are: Tax Advice, Legal Advice, Customer Service, Internal Audit, Retail Banking, Global Corporate Banking, Risk Internal Control and Comprehensive Assessment, Compliance, Financial Accounting and Management Control, Financial Transactions and Markets, Transactions and Services, Risks (Methodology, Processes and Infrastructure), Global Wholesale Banking Risks, Corporate Risks and IFIs, Market Risks, Solvency Risk, Technological and Operating Risk, Santander Private Banking, Technology, Global Treasury, Universities and, finally, the unit proposing the new product or a representative of the Local New Products Committee.

Prior to the launch of a new product or service, the aforementioned areas, as well as, where applicable, other independent experts considered necessary for the proper assessment of the risks incurred (for instance, in relation to Anti-Money Laundering), perform an exhaustive analysis of the aspects that may have an impact on the process and state their opinion regarding the marketing of the product or service in question.

Having examined the documents received, and after verifying that all the requirements are satisfied for the approval of a new product or service, and taking into account the risk guidelines established by the Risk Committee of the Group, the Global New Products Committee then approves, rejects or establishes conditions for the new product or service proposed.

The Global New Products Committee particularly focuses on the suitability of the new product or service to the framework within which it will be marketed. For such purpose, it pays special attention to the following:

- that each product or service is sold by the person that knows how to sell it;
- that customers know what they are investing in and the risk entailed by the product or service in which they invest and that this is supported by documentary evidence;
- that the product or service suits the customer's risk profile;
- that each product or service is sold where it can be sold, not only for legal or tax reasons, i.e., from the viewpoint of its consistency with the legal and tax system of each country, but also by taking into consideration the financial culture prevailing therein; and
- that when a product or service is approved, maximum limits are established regarding its placement.

Manual of Procedures for the Marketing of Financial Products (the "Manual")

The Manual, which has been used at Banco Santander since 2004 in the retail marketing of financial products in Spain, was subject to a thorough review in 2007, as a consequence of the entry into force on November 1 of Directive 2004/39 on Markets in Financial Instruments ("MiFID"), which sets out new requirements for the sale of financial products.

The purpose of the Manual is to ensure: (i) the appropriate assessment of financial products prior to their commercial use; (ii) the appropriate conduct of commercial activities in accordance with the characteristics of the service, the product and the customer; and (iii) compliance with the regulations governing the processes for marketing financial products, including MiFID.

Services consisting of the investment in financial products are subject to the Manual, which includes: securities or other fixed or variable income financial instruments, money market instruments, stakes in mutual funds, deposit and investment insurance, traded derivatives and OTC transactions, and atypical financial contracts. However, the Global New Products Committee may bring other products within the scope of the Manual.

The Manual uses customer and product segmentation as a starting point, and provides for various commercial treatment regimes primarily in terms of the type of service rendered. The combination of these elements (type of customer, type of product and commercial treatment) results in a matrix that determines what kind of mechanism should be applied (appropriateness test, suitability test) in order to evaluate the customer-product match, as well as what kind of warnings must be issued to the customer.

Customer and product segmentation results from cross-matching the internal classification already applied by Santander before MiFID to the classification established by MiFID, which yields a protection level that is greater than the minimum required by MiFID.

The different types of commercial treatment, graded in terms of greater to lesser Bank involvement, are: (i) advised sale, which includes portfolio advice and management; and (ii) non-advised sale, which comprises marketing and mere execution.

During fiscal year 2007, 120 products subject to the Manual were submitted for approval. Although the large majority of the products submitted were investment funds, the marketing of other types of products was also approved, such as warrants, hedging products, preferred interests, and public offers for sale and/or initial public offerings of securities.

Of these 120 products, 68 were new products submitted to the Global New Products Committee, and 52 were non-new products submitted to the Office for the Manual (a specific body created to ensure the implementation of the Manual, reporting to the Compliance Area). These 120 products were categorised as follows: 36 were classified as green products (30 per cent), 49 as yellow products (41 per cent) and 32 as red products (27 per cent). There are three products to which no colour was assigned: two of them are generic, and therefore, a colour will be assigned to each issue sought to be marketed, and the other one is a product whose approval has been made conditional upon a subsequent review. The colour red, yellow or green is assigned by taking into account not only the risk of loss posed by the product but also the degree of difficulty the public may have in understanding its features.

Principal Markets in which the Guarantor Competes

The Group is one of the principal financial groups in the Spanish banking sector. At 31 December 2007 it was the leading Spanish banking group in terms of total assets, customer lending, on balance sheet customer funds, net worth and profits.

The information sourced from the annual report of Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") contained in this section "*Principal Markets in which the Guarantor Competes*" has been accurately reproduced and, as far as the Issuer or the Guarantor is aware and is able to ascertain from information published by BBVA, no facts have been omitted which would render the reproduced information inaccurate or misleading.

(*)	Santander Group Millions of EUR	BBVA Millions of EUR
Total assets	912,915	502,204
Gross customer lending	574,172	317,998
On Balance Sheet Customer Funds ⁽¹⁾	625,009	334,844
Book net worth ⁽²⁾	54,478	24,811
Consolidated profit for the year	9,636	6,415
Profit attributed to the Group	9,060	6,126

	Santander Group(**)	BBVA
(*)		
Banking branch network ⁽³⁾	11,178	8,028
Workforce	131,819	111,913
RATIOS:		
– ROE	21.91	34.2
– Efficiency	44.22	38.1
– Level of default	0.95	0.89
– Coverage for default	150.55	224.8

(*) According to data published by the Group or BBVA, as the case may be, in their respective annual reports.

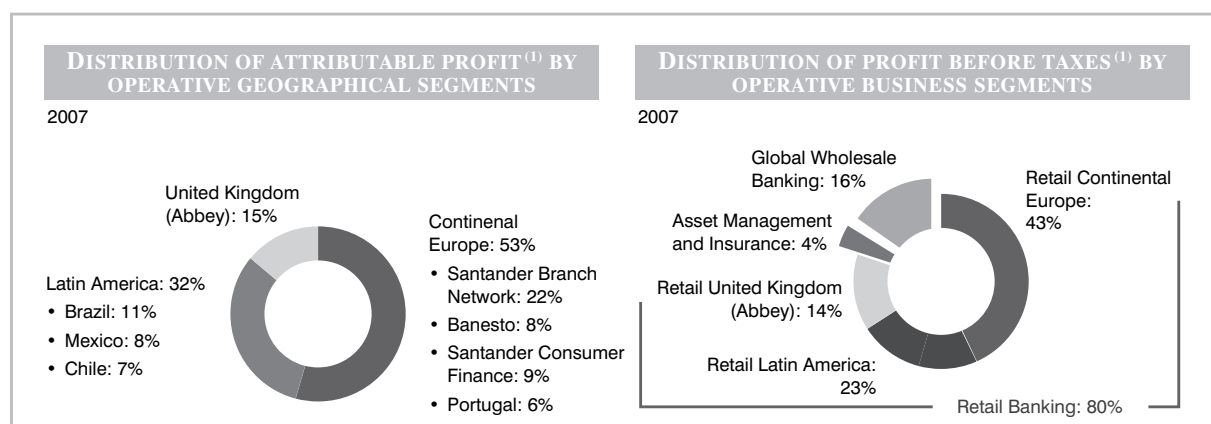
(**) The amounts contained in this column are unaudited.

(1) On Balance Sheet Customer Funds = Customer Deposits + Debt Securities + Subordinated Debt + Insurance Liabilities.

(2) Net of own shares and after applying profit and loss for the year. Does not include minority interests nor valuation adjustments.

(3) In Spain and abroad.

The following charts illustrate the Group's attributable profit broken down by operative geographical segments and the Group's profit before taxes broken down by operative business segments for the 2007 financial year:



ORGANISATIONAL STRUCTURE

Banco Santander, S.A. is the parent company of the Group which was comprised at 31 December 2007 of 636 companies that consolidate by the global integration method. In addition, there are 120 companies that are accounted for by the equity method.

The Guarantor is not dependent upon any other entity within the Group.

TREND INFORMATION

There has been no material adverse change in the prospects of the Guarantor and its subsidiaries taken as a whole since 31 December 2007, the date to which the most recently published audited consolidated financial statements of the Guarantor were made up.

The following are the most important trends, uncertainties and events that are reasonably likely to have a material adverse effect on the Guarantor or that would cause the disclosed financial information not to be indicative of the Group's future operating results or of its financial condition:

- a continued downturn in the Spanish, UK and U.S. real estate markets, and a corresponding increase in mortgage defaults;
- uncertainty regarding interest rates in the United States and other countries;
- uncertainties relating to the current economic crisis and interest rates cycles, especially in the United States, Spain, the United Kingdom, other European countries and Latin America, and the impact they may have over the yield curve and exchange rates;
- the effect that the current economic slowdown will have over the U.S., Spain, the UK, other European countries and Latin America and fluctuations in local interest and exchange rates;

- continued instability and volatility in the financial markets;
- the chance that changes in the macroeconomic environment will lead to a deterioration in the quality of the Group's customers' credit;
- increases in the Group's cost of funding could adversely affect the Group's net interest margin as a consequence of timing differences in the repricing of the Group's assets and liabilities;
- a drop in the value of the Euro relative to the U.S. dollar, the Sterling pound or Latin American currencies;
- inflationary pressures, because of the effect they may have in relation to increases of interest rates and decreases of growth;
- increased consolidation of the European financial services sector, which could further reduce the Group's spread;
- although it is foreseeable that entry barriers to domestic markets in Europe will be lowered, the Group's possible plans of expansion into other markets could be affected by regulatory requirements of the national authorities of these countries;
- acquisitions or restructurings of businesses that do not perform in accordance with the Group's expectations or that subject the Group to previously unknown risks;
- increased regulations and government intervention prompted by the recent turmoil in global financial markets;
- the risk of further reductions in liquidity and increases of credit spreads as a consequence of the recent crisis in the financial markets which could affect not only the Group's cost of funding but also the value of its proprietary portfolios and its assets under management; and
- regulatory changes will take place in future that may increase the overall level of regulation in the markets.

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The Articles of Association of the Guarantor (Article 41) provide that the maximum number of Directors is 22 and the minimum number 14.

The Board of Directors of the Guarantor is presently made up of 19 directors.

The following table displays the composition, position and structure of the Board of Directors and its Committees.

For this sole purpose, the business address of each of the persons listed below is: Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid.

Board of Directors	Executive Committee	Risk Committee	Audit and Compliance Committee	Appointments and Remuneration Committee	International Committee	Technology, Productivity and Quality Committee	Executive	External
Chairman Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos	C				C	C		
First Deputy Chairman Mr. Fernando de Asúa Álvarez (3)		V		C				I
Second Deputy Chairman and Chief Executive Officer Mr. Alfredo Sáenz Abad								
Third Deputy Chairman Mr. Matías Rodríguez Inciarte		C						
Fourth Deputy Chairman Mr. Manuel Soto Serrano								I
Members								
Assicurazioni Generali S.p.A. (represented by Mr. Antoine Bernheim)								P
Mr. Antonio Basagotti García-Tuñón								I
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea								
Mr. Javier Botín-Sanz de Sautuola y O'Shea (1)								P
Lord Burns (Terence)								E
Mr. Guillermo de la Dehesa Romero								I
Mr. Rodrigo Echenique Gordillo								E
Mr. Antonio Escámez Torres								I
Mr. Francisco Luzón López								
Mr. Abel Matutes Juan								I
Mr. Juan Rodríguez Inciarte								
Mr. Luis Ángel Rojo Duque			C					I
Mr. Luis Alberto Salazar-Simpson Bos								I
Ms. Isabel Tocino Biscarolasaga								I
General Secretary and of the Board Mr. Ignacio Benjumea Cabeza de Vaca (2)								
Deputy General Secretary and of the Board Jaime Perez Renovaes (2)								

C: Chairman, V: Vice Chairman, P: Proprietary, I: Independent, E: External; Neither proprietary nor independent.

(1) External proprietary Director who represents in the Board of Directors the capital stock corresponding to the Marcelino Botín Foundation, Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos, Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea, Mr. Emilio Botín-Sanz de Sautuola y O'Shea, Mr. Jaime Botín-Sanz de Sautuola y García de los Ríos, Ms. Paloma O'Shea Artiñano and his own.

(2) Not Directors.

Audit and Compliance Committee

The Audit and Compliance Committee was created primarily in order to evaluate the systems in place for information control and accounts oversight, to safeguard the independence of the accounts auditor and to review the control and compliance systems of the Guarantor and the Group whilst reporting to the Board of Directors on its conduct and findings of these matters. The committee is composed of no less than three and no more than seven members (at the date of this Prospectus there are 5 members: Fernando de Asúa Álvarez, Manuel Soto Serrano, Abel Matutes Juan, Luis Alberto Salazar Simpson Bos, and its chairman is Luis Ángel Rojo Duque; the secretary (not a member) is Ignacio Benjumea de Vaca all of whom are external independent directors.

Members of the Audit and Compliance Committee are selected by the Board with reference to their knowledge, aptitude and experience in accounting, auditing and risk management matters. The Audit and Compliance Committee must be chaired by an independent member of the Board who must have knowledge and experience in accounting, auditing and risk management. Currently it is Mr. Luis Ángel Rojo Duque. All the current members of the committee are external and independent.

PART 8

PRINCIPAL ACTIVITIES OUTSIDE THE GUARANTOR

The current Directors of the Guarantor at the date hereof carry out among others the following functions in other companies:

Directors	Company Name	Functions
Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos	SHINSEI BANK, LIMITED	Director
Mr. Fernando de Asúa Álvarez	IBM ESPAÑA, S.A. COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A. (CEPSA) TÉCNICAS REUNIDAS, S.A. CONSTRUCTORA INMOBILIARIA URBANIZADORA VASCO-ARAGONESA, S.A.	Honorary Chairman Director Vice Chairman Director
Mr. Alfredo Sáenz Abad	COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A. (CEPSA) FRANCE TELECOM ESPAÑA, S.A.	Vice Chairman Director
Mr. Matías Rodríguez Inciarte	BANCO ESPAÑOL DE CRÉDITO, S.A. UCI, S.A. FINANCIERA PONFERRADA, S.A. GRUPO CORPORATIVO ONO, S.A. OPERADOR DEL MERCADO IBERICO DE ENERGIA POLO ESPAÑOL, S.A. FUNDACIÓN PRÍNCIPE DE ASTURIAS	Director Chairman Director Second Vice Chairman Director Chairman
Mr. Manuel Soto Serrano	INDRA SISTEMAS, S.A. GRUPO LAR INVERSIONES INMOBILIARIAS, S.A. CORPORACIÓN FINANCIERA ALBA, S.A. MERCAPITAL, S.L. CARTERA INDUSTRIAL REA, S.A.	Vice Chairman Director Director Chairman of the Advisory Committee Director
Mr. Antoine Bernheim ⁽¹⁾	ASSICURAZIONI GENERALI, S.p.A. INTESA SAN PAOLO S.p.A. ALLEANZA ASSICURAZIONI S.p.A MEDIOBANCA—BANCA DI CREDITO FINANZIARIO S.p.A LVMH BOLLORE GENERALI FRANCE GENERALI DEUTSCHLAND, AG GENERALI ESPAÑA HOLDING ENTIDADES DE SEGUROS, S.A. BSI GENERALI HOLDING VIENNA GENERALI HOLDING DEUTSCHLAND AG GRAAFSCHAP HOLLAND CHRISTIAN DIOR, S.A. EURAZEO CIMENTA FRANCAIS HAVAS CHRISTIAN DIOR COUTURE	Chairman Vice Chairman of the Supervisory Board Vice Chairman Director Vice Chairman Vice Chairman Director Director Director Director Director Director Director Director Director Director Director Director Member of the Supervisory Board Director Director Director
Mr. Antonio Basagoiti García-Tuñón	FAES FARMA, S.A. PESCANOVA, S.A. A.T. KEARNEY UNION FENOSA, S.A.	Vice Chairman Director Member, External Advisory Committee Honorary Chairman
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea	BANCO ESPAÑOL DE CRÉDITO, S.A. ASSICURAZIONI GENERALI, S.p.A.	Executive Chairwoman Director
Mr. Javier Botín-Sanz de Sautuola y O'Shea	M&B CAPITAL ADVISERS, SOCIEDAD DE VALORES, S.A. FUNDACIÓN MARCELINO BOTÍN	Chairman and Chief Executive Officer Trustee

Directors	Company Name	Functions
Lord Burns (Terence)	ABBEY NATIONAL PLC	Chairman
	GLAS CYMRU (WELSH WATER)	Chairman
	PEARSON GROUP PLC	Director
	ALLIANCE & LEICESTER Plc	Chairman
Mr. Guillermo de la Dehesa Romero	AVIVA VIDA Y PENSIONES, S.A. DE SEGUROS Y REASEGUROS	Chairman
	CAMPOFRÍO FOOD GROUP, S.A.	Director
	GOLDMAN SACHS EUROPE LTD	Director
Mr. Antonio Escámez Torres	SANTANDER CONSUMER FINANCE, S.A.	Chairman
	OPEN BANK SANTANDER CONSUMER, S.A.	Chairman
	ATTIJARIWafa BANK, SOCIÉTÉ ANONYME	Vice Chairman
	ARENA MEDIA COMMUNICATIONS ESPAÑA, S.A.	Chairman
	GRUPO KONECTANET, S.L. ⁽²⁾	Vice Chairman
	FUNDACIÓN BANCO SANTANDER	Chairman
Mr. Francisco Luzón López	INDUSTRIA DE DISEÑO TEXTIL, S.A. (Inditex)	Director
Mr. Abel Matutes Juan	FIESTA HOTELS & RESORTS, S.L.	Chairman
	EURIZON FINANCIAL GROUP	Director
	FCC CONSTRUCCIÓN, S.A.	Director
	TUI AG	Member of the Supervisory Board
Mr. Juan Rodríguez Inciarte	SANTANDER CONSUMER FINANCE, S.A.	Director
	COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A. (CEPSA)	Director
	BANCO BANIF, S.A.	Director
	RFS HOLDINGS	Director
	ABN AMRO BANK, N.V.	Member of the Supervisory Committee
	ABN AMRO HOLDING N.V.	Member of the Supervisory Committee
	JCF SERVICES CO LLC.	Advisor
	SAAREMA INVERSIONES, S.A.	Chairman and Chief Executive Officer
	ABBEY NATIONAL PLC	Vice Chairman
	ALLIANCE & LEICESTER PLC	Director
	VISTA CAPITAL DE EXPANSIÓN, S.A.	Director
Mr. Luis Alberto Salazar-Simpson Bos	FRANCE TELECOM ESPAÑA, S.A.	Chairman
	CONSTRUCTORA INMOBILIARIA	Chairman
	URBANIZADORA VASCO-ARAGONESA, S.A.	
	MUTUA MADRILEÑA AUTOMOVILISTA,	Director
	SOCIEDAD DE SEGUROS A PRIMA FIJA	
	MUTUACTIVOS PENSIONES, S.A. SGFP	Director
Ms. Isabel Tocino Biscarolasaga	CLIMATE CHANGE CAPITAL	Director
	TELEMADRID	Director
	DIAGONALGEST	Director

(1) Mr. Antoine Bernheim is the representative at the Guarantor's board of the company Director Assicurazioni Generali, S.p.A.

(2) Mr. Antonio Escámez Torres is an individual representative of Santander Consumer Finance in the board of directors and at the office of the Vice Chairman of GRUPO KONECTANET S.L.

There are no potential conflicts of interests between any duties owed to the Guarantor by the Directors and their private interests and/or other duties.

During the 2007 financial year there were 50 cases in which Directors, including those who are members of senior management, abstained from taking part in voting in deliberations or meetings of the Board of Directors or its Committees.

In the specific case of Directors of the Guarantor, conflict of interest situations are regulated by Section 30 of the Rules and Regulations of the Board. This section lays down an obligation for Directors to notify the Board of Directors of any situation of conflict, whether direct or indirect, which they have with the interests of the Guarantor. If the conflict relates to an operation, the Director may not carry out the same without the approval of the Board on prior report from the Appointments and Remuneration Committee. The Director concerned must abstain from deliberating and voting on the operation to which the conflict relates.

Major Shareholders

The Guarantor is not aware of any person which exerts or may exert control over the Guarantor within the terms of Article 4 of Ley 24/1988, de 28 de Julio, del Mercado de Valores (Law 24/1988 of 28 July of Securities Market).

The Guarantor is not aware of any arrangements the operation of which may at a date subsequent to that of the date hereof result in a change in control of the Guarantor.

Financial Information Concerning the Guarantor's Assets and Liabilities, Financial Position and Profits And Losses

The Guarantor prepares audited consolidated and non-consolidated annual financial statements. English language translations of the audited consolidated financial statements and the audited non-consolidated balance sheet and income statement of the Guarantor as at and for the years ended 31 December 2007 and 31 December 2006, have been incorporated by reference in this Prospectus.

The consolidated and non-consolidated annual financial statements of the Guarantor for the 2006 and 2007 financial years were audited by the external audit firm Deloitte, S.L. (formerly Deloitte & Touche España, S.L.). There are no reservations or qualifications of the auditors in relation to the individual and consolidated annual financial statements of the Guarantor for the 2006 and 2007 financial years.

The Guarantor also prepares unaudited consolidated financial statements. An English language translation of the unaudited financial report for the period January to December 2008 including the unaudited consolidated financial statements for the year ended 31 December 2008 have been incorporated by reference in this Prospectus.

The information relating to the Group contained in Part 7 (*Banco Santander, S.A. as Guarantor*), in the second table of "Business Overview, Principal Markets in which the Guarantor Competes" is not audited.

No other information relating to the Guarantor in this Prospectus has been audited by Deloitte S.L.

The date of the most recent audited financial information of the Guarantor is 31 December 2007.

The audited consolidated and non-consolidated financial statements of the Guarantor for each of the years ended 31 December 2007 and 2006 have been filed with the Spanish securities market regulator.

PART 9
LITIGATION AND GENERAL INFORMATION

Legal Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware) during the 12 months prior to the date of this Prospectus which may have, or have had in the recent past, significant effects on the Group and/or the Group's financial position or profitability.

Wherever possible the proceedings listed below are quantified. However, in view of the inherent difficulty of predicting the outcome of contentious matters, the Group is sometimes unable to quantify the potential loss or practical consequences of a judgment against it and, accordingly, no specific amount has been attributed to such claims.

Tax Litigation

As at the date of this Prospectus, the main tax litigation concerning the Group are as follows:

- A “*Mandado de Segurança*” was filed by Banco Santander and other Group companies claiming their right to pay Brazilian social contribution tax on net income at a rate of 8 per cent. In the case of Banco Santander, on 9 June 2008 a special and extraordinary appeal was filed by Banco Santander at the Federal Supreme Court against the judgment of the Federal Regional Court dated 14 January 2008. Banco Santander awaits a decision in respect of this appeal. In the case of Banco ABN AMRO Real, S.A., two “*Mandados de Segurança*” were filed; the first relates to an appeal filed at the Supreme Court and Federal Supreme Court and the second to an appeal filed on 12 February 2008 at the Federal Regional Court in response to the unfavourable judgement of 29 January 2008.
- A “*Mandado de Segurança*” was filed by Banco Santander and other Group companies claiming their right to consider the social contribution tax on net income as deductible in the calculation of Brazilian corporation tax. In the case of Banco Santander this action was declared unwarranted and an appeal was filed at the Federal Regional Court, requesting as a precautionary remedy, stay of the claimability of the tax credit. Permission was granted to deposit the disputed amounts with the court. On 1 October 2007, a judgment was handed down by the Federal Regional Court which was subsequently appealed by Banco Santander, S.A. (Brazil) through the presentation of “*Embargos de Declaração*” on 8 October 2007. On 6 March 2008 the Court rejected the “*Embargos de Declaração*” and dismissed the appeal. On 1 July 2008 a related special and extraordinary appeal was filed.
- A “*Mandado de Segurança*” was filed by Banco Santander and other Group entities claiming their right to pay the Brazilian PIS and COFINS social contributions only on the income from the provision of services. In the case of Banco Santander, the “*Mandado de Segurança*” was declared unwarranted and an appeal was filed at the Federal Regional Court by Banco Santander. On 13 September 2007, the Federal Regional Court found in favour of Banco Santander. União Federal has subsequently filed an appeal against this judgment. In the case of Banco ABN AMRO Real, S.A., on 9 March 2007, the court found in favour of Banco AMRO Real, S.A.. União Federal has lodged an appeal against this judgment.
- Legal proceedings were filed on 24 August 2000 by ABN AMRO Arrendamiento Mercantil, S.A. (“Arrendamiento Mercantil”) requesting the Income Tax deductibility of the depreciation and amortisation expense in the same period in which the income on leasing transaction is recognised. The entity had a favourable judgment handed down on 16 April 2008 which was appealed against by the Brazilian tax authorities. A decision has yet to be made by the Federal Regional Court in respect of this appeal.
- Real Leasing, S.A., Arrendamiento Mercantil and Banco ABN AMRO Real, S.A. have filed various administrative and legal claims in connection with the deductibility of the provision for doubtful debts for 1995.
- Banco Santander and other Group companies are involved in several administrative and legal proceedings against various municipalities that demand payment of Service Tax on certain items of income from transactions not classified as provisions of services.

- A claim was filed against Abbey Treasury Services by non-UK tax authorities in relation to the refund of certain tax credits and other associated amounts. The legal advisers of Abbey Treasury Services considered that the grounds to contest this claim were well-founded. The basis of this belief is the favourable judgment at first instance of September 2006 although, this judgment was subsequently appealed in January 2007 by the tax authorities. However, an unfavourable judgement of December 2006 in respect of an unconnected case may adversely affect this case.

Legal Litigation

As at the date of this Prospectus, the main legal litigation concerning the Group are as follows:

- *Misselling: claims associated with the sale by Abbey of certain financial products to its customers.*

The provisions recorded by Abbey in connection with these misselling claims were calculated on the basis of the best estimate of the number of claims that will be received, of the percentage of claims that will be upheld and of the related amounts.

- *LANETRO, S.A.:* Ordinary lawsuit no. 558/2002 was filed by LANETRO, S.A. against Banco Santander at Madrid Court of First Instance no. 34, requesting that Banco Santander comply with the obligation to subscribe for securities in respect of the €30.05 million capital increase by the plaintiff.

On 16 December 2003, a judgment was passed dismissing the plaintiff's request. However, a subsequent appeal filed by LANETRO, S.A. was upheld by the Madrid Provincial Appellate Court on 27 October 2006. Banco Santander has filed extraordinary appeals on grounds of procedural infringements and an extraordinary cassation appeal against the October 2006 decision.

- Ordinary proceedings were filed by Galesa de Promociones, S.A., against Banco Santander at the Elche Court of First Instance no. 5, Alicante (proceeding no.1946/2008). The claim requests damages amounting to €51,396,971.43 as a result of a judgment passed by the Supreme Court on 24 November 2004 setting aside a summary mortgage proceeding filed by Banco Santander against the plaintiff company, which resulted in the foreclosure by Banco Santander of the mortgaged properties and their subsequent sale by Banco Santander to third-party buyers. The judgment of the Supreme Court ordered the reversal of the court foreclosure proceeding prior to the date on which the auctions were held, a circumstance impossible to comply with due to the sale of the properties by Banco Santander to the aforementioned third parties, which prevented the return of the properties to the debtor company's assets and their re-auction.

The damages claimed have been broken down as follows: (i) €18,428,076.43 relating to the value of the property auctioned; (ii) €32,608,895 relating to the loss of profit on the properties lost by the plaintiff, which prevented the plaintiff company from continuing its business activity as a property developer; and (iii) €360,000 relating to the loss of rental income.

On 31 October 2008 a summons to answer and oppose the claim, was served on Banco Santander and it has answered and opposed the plaintiff's requests on a timely basis, filing at the same time, a counterclaim against *Galesa de Promociones, S.A.* for the amount owed to the Bank, basing its calculation on the difference between the value of the properties and the amount of the loan.

Galesa de Promociones, S.A. replied to the counterclaim on 12 January 2009 and the parties' pre-trial hearing has been scheduled for 7 April 2009.

- A declaratory large claims action has been brought at Madrid Court of First Instance no. 19 (proceeding no. 87/2001) in connection with a claim filed by *Inversión Hogar, S.A.* against Banco Santander. The claim sought the termination of a settlement agreement entered into between Banco Santander and the plaintiff on 11 December 1992.

On 19 May 2006, a judgment was handed down at first instance, whereby the agreement was declared to be terminated and Banco Santander was ordered to pay €1.8 million, plus the related legal interest since February 1997; to return a property that was given in payment under the agreement; to pay an additional €72.9 million relating to the replacement value of the assets foreclosed, and subsequently sold, by Banco Santander; and to pay all the related court costs. Banco Santander and *Inversión Hogar, S.A.* filed appeals against the judgment.

On 30 July 2007, the Madrid Provincial Appellate Court handed down a decision upholding in full the appeal filed by Banco Santander, overturning the decision issued at first instance and dismissing

the appeal lodged by *Inversión Hogar, S.A.*. *Inversión Hogar, S.A.* has announced that, on completion of the clarification procedure, it will file a cassation appeal against the aforementioned decision at the Civil Chamber of the Supreme Court.

- A complaint in an ordinary proceeding was filed by Inés Arias Domínguez and 17 others against Santander Investment, S.A. at Madrid Court of First Instance no. 13 (proceeding no. 928/2007), seeking damages of approximately €43 million, plus interest and costs. The plaintiffs, who are former shareholders of Yesocentro, S.A. (*Yesos y Prefabricados del Centro, S.A.*), allege that Santander Investment, S.A. breached the advisory services agreement entered into on 19 October 1989 between the former Banco Santander de Negocios, S.A. and the plaintiffs, the purpose of which was the sale of shares owned by the plaintiffs to another company called Invercámara, S.A.

This complaint was duly answered by Santander Investment, S.A. on 5 November 2007 and the pre-trial hearing set for 28 April 2008 was stayed until the exception to the civil preliminary ruling filed by Banco Santander was resolved.

In a decision issued by the Madrid Court of First Instance no. 13 on 11 September 2008, the proceeding in connection with the civil preliminary ruling proceeding was stayed.

- On 6 February 2008, Banco Santander filed a request for arbitration with the Secretary of the Spanish Arbitration Court against the business entity Gaesco Bolsa, Sociedad de Valores, S.A., in respect of the claim for €66,418 that the latter owes Banco Santander as a result of the early termination of the financial transaction framework agreement entered into by the aforementioned company and Banco Santander and the financial transactions per the agreement. To date, an arbitral award has not yet been made in respect of this matter.
- *Former Banespa employees:* In 1998 a claim was filed by the association of retired Banespa employees (“AFABESP”) on behalf of its members, requesting the payment of a half-yearly bonus initially envisaged in the entity’s by-laws in the event that the entity obtained a profit and that the distribution of this profit was approved by the Board of Directors. The bonus was not paid in 1994 and 1995 since Banco Santander did not make a profit and partial payments were made from 1996 to 2000 in variable percentages as agreed by the Board of Directors, the aforementioned clause being eliminated from the by-laws in 2001. In September 2005 the Regional Employment Court ordered Banco Santander Banespa, S.A. to pay the half-yearly bonus and Banco Santander lodged an appeal at the High Employment Court. A decision was handed down on 25 June 2008 ordering Banco Santander to pay the half-yearly bonus from 1994 onwards for a maximum amount equivalent to that of the share in profits. The related appeals against this decision will be filed at the High Employment Court and at the Federal Supreme Court, as applicable.
- *Absorption of Banco Noroeste by Banco Santander Brasil:* Three claims have been filed by minority shareholders of the former Banco Noroeste requesting, in addition to compensation for damage and losses, the annulment of the shareholders’ meeting that approved the merger between Banco Noroeste and Banco Santander Brazil, arguing that when the merger took place they should have been offered a market value that would have enabled them to decide whether or not to sell their shares at that value.

In the three cases, judgments were handed down at first instance, one of which found in favour of Banco Santander and the other two against it.

The Sao Paulo Court of Justice has recently handed down joint judgments on three appeals at second instance, considering that Santander should have duly prepared a valuation report using the disposal value method thereby establishing that the minority shareholders be indemnified.

In the case of the shareholders that sold their shares, the Court indicated that they should receive the difference between the value at which they sold their shares (equity value) and market value (calculated as the disposal value) at that time, plus interest. In the case of the shareholders that did not sell, the Court considers that they should receive the market value at that time plus interest, less the present value of their shares. Unlike the judgments handed down at first instance, lost profit and *damnum emergens* were excluded and the amount of lawyers’ fees was reduced. Banco Santander S.A. intends to appeal against this judgment.

- *Bernard L. Madoff Investment Securities LLC:* In relation to the alleged fraud committed by Bernard L. Madoff and the firm Bernard L. Madoff Investment Securities LLC., Banco Santander is aware of two group claims (“*class actions*”) filed subsequent to the 2008 year-end in US Courts. The

proceedings in these two class actions are in their very early stages and subject to US jurisdiction. The possible contingencies thereof for the Group have yet to be determined. Private banking clients who have accepted the asset exchange referred to in Part 10 (*Recent Developments*) have waived any rights they might have to join such litigation.

- *Lehman Brothers*: In relation to the bankruptcy of Lehman Brothers, please see Part 10 (*Recent Developments*).

Other Litigation

In addition to the matters described above, Banco Santander and its subsidiaries are from time to time subject to certain claims and party to certain legal proceedings incidental to the normal course of the Group's business, including in connection with the Group's lending activities, relationships with the Group's employees and other commercial or tax matters. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in early stages of discovery, Banco Santander cannot state with confidence what the eventual outcome of these pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines or penalties related to each pending matter may be. Banco Santander believes that it has made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings and believes that liabilities related to such claims and proceedings should not have, in the aggregate, a material adverse effect on the Group's business, financial condition, or results of operations. However, in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by Banco Santander; as a result, the outcome of a particular matter may be material to Banco Santander's operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and the level of Banco Santander's income for that period.

The total amount of payments made by the Group arising from lawsuits in 2008 and 2007 is not material in respect of the consolidated financial statements of the Group as a whole, and, as of the date of this Prospectus, the Group has recorded provisions that it believes reasonably cover any contingencies that might arise from these tax-related and non-tax related Proceedings.

Significant Change

There has been no significant change in the financial or trading position of the Group since 31 December 2008, being the date of the most recently published unaudited report, which includes the consolidated financial statements of the Group.

Material Contracts

During the past two years, neither the Issuer nor Banco Santander have been a party to any contracts that were entered into outside of the ordinary course of business of the Issuer or Banco Santander and, which were material to the Group as a whole, except for the transaction in relation to ABN AMRO and the acquisition of 75.65 per cent of Sovereign Bancorp Inc., each as disclosed in Part 10 (*Recent Developments*). In addition, the acquisition of Alliance & Leicester plc has been executed by means of a scheme of arrangement. For more information, see Part 10 (*Recent Developments*), "Recommended Acquisition of Alliance & Leicester plc".

Documents on Display

Copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the office of the Paying Agent at One Canada Square, London E14 5AL and at the registered office of the Issuer and the head office of the Guarantor being Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain):

1. the By-laws of Santander Finance Capital, S.A. Unipersonal;
2. the Guarantor's audited consolidated financial statements, together with the notes thereto as well as the management report and the auditor's report on the consolidated financial statements, and the audited non-consolidated balance sheet and income statement for the year ended 31 December 2007;

3. the Guarantor's audited consolidated financial statements, together with the notes thereto as well as the management report and the auditor's report on the consolidated financial statements, and the audited non-consolidated balance sheet and income statement for the year ended 31 December 2006;
4. the Guarantor's unaudited financial report for the period January to December 2008, which includes the unaudited consolidated financial statements for the year ended 31 December 2008;
5. the Issuer's audited financial statements, together with the notes thereto as well as the management report and the auditor's report on the financial statements for the year ended 31 December 2007;
6. the Issuer's audited financial statements, together with the notes thereto as well as the management report and the auditor's report on the financial statements for the year ended 31 December 2006; and
7. the Issuer's unaudited interim financial statements for the six months ended 30 June 2008.

PART 10

RECENT DEVELOPMENTS

The financial data for the years ended 31 December 2007 and 2006 set out below has been extracted without material adjustment from, and should be read together with, the Guarantor's audited consolidated financial statements for those years, which are incorporated by reference into this document. The financial data for the year ended 31 December 2008 set out below has been extracted without material adjustment from the Guarantor's unaudited financial report for the period January to December 2008, which includes the consolidated financial statements for the year ended 31 December 2008, and is incorporated by reference into this document.

Capital Increase/Rights Issue

On 10 November 2008 Banco Santander announced a capital increase in the nominal amount of €799,405,940 and total cash amount of €7,194,653,460 through the issue of 1,598,811,880 shares of Banco Santander, par value fifty Euro cents (€0.50) each of the same class and series as those shares currently outstanding, and represented by book-entry notation (hereinafter the “New Shares” and the “Capital Increase,” respectively). As of 12 November 2008, each existing Santander ordinary share received one pre-emptive subscription right to subscribe for the New Shares in the ratio of 1 New Share for every 4 existing Santander shares.

On 27 November 2008, the pre-emptive subscription period ended and the New Shares were fully subscribed for.

On 3 December 2008, the New Shares were paid for. On the same date Banco Santander granted the Capital Increase public deed, which was registered with the Commercial Registry of Cantabria.

On 4 December 2008, the trading of the New Shares commenced on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Automated Quotation System (Continuous Market).

RBS's European Consumer Finance Unit

On 1 July 2008, Santander Consumer Finance, S.A. acquired The Royal Bank of Scotland's (“RBS”) continental European consumer finance business. The package included activities in Germany, the Netherlands, Belgium and Austria. The acquisition has been carried out for a consideration of €306 million generating a goodwill of €85 million.

The RBS European consumer finance business (“RBS ECF”) has 2.3 million customers. RBS ECF makes instalment loans both directly and via partners. It is strongly represented in the credit card business both in terms of individual and corporate customers, and provides consumer finance via retail chains. The business acquired in Germany was integrated into Santander Consumer Bank in December 2008.

ABN AMRO Holding N.V. (“ABN AMRO”) Acquisition

On 20 July 2007, having obtained the regulatory authorisations required to publish the documentation on the takeover bid for ABN AMRO, Banco Santander, together with The Royal Bank of Scotland Group plc, Fortis N.V. and Fortis S.A./N.V. (together, “the Offering Banks” or the “Consortium”) formally launched, through RFS Holdings B.V., the offer for all the ordinary shares, ADSs and previously convertible preference shares of ABN AMRO. The initial acceptance period of this offer (“the Offer”) ended on 5 October 2007.

On 10 October 2007, the Offering Banks declared the Offer to be unconditional. At that date, the owners of 86 per cent of the ordinary share capital of ABN AMRO had accepted the Offer (including certain shares that the Offering Banks already owned and had undertaken to contribute to RFS Holdings B.V.).

On this same date the commencement of an additional offer period was announced, during which the holders of ordinary shares and ADSs of ABN AMRO could sell them, under the same terms and conditions as those of the Offer, until 31 October 2007.

Once the additional offer period had ended, the owners of 98.8 per cent of the ordinary share capital of ABN AMRO (excluding its treasury shares) had definitively accepted the Offer.

At 31 December 2007, the investment made by Banco Santander amounted to €20,615 million and consisted of the Guarantor's 27.9 per cent ownership interest in the share capital of RFS Holdings B.V., the holding entity of the shares of ABN AMRO.

Following all these actions, the spin-off of the business lines of ABN AMRO commenced with a view to their subsequent integration into each of the Offering Banks. The following correspond to Santander: the Latin American Business Unit of ABN AMRO, basically Banco ABN AMRO Real S.A. ("Banco Real") in Brazil; the Banca Antoniana Popolare Veneta Spa Banking Group ("Antonveneta"); the cash relating to the sale of the consumer banking unit of ABN AMRO in the Netherlands; Interbank; and DMC Consumer Finance, plus 27.9 per cent of the assets that were not allocated to any of the Offering Banks of the Consortium and which are intended to be disposed of. The spin-off process continued in 2008.

Accordingly, on 4 March 2008, the Dutch Central Bank expressed its acceptance of the overall spin-off plan, and in July 2008 it approved the individual spin-off plan of Banco Real and the businesses in Brazil. Subsequently, the Brazilian Central Bank approved Santander's purchase transaction, thereby rendering it effective.

The Group's assets in Brazil will also comprise those corresponding to the asset management business of ABN AMRO in Brazil which were initially allocated to Fortis in the process of spinning off and integrating the assets of ABN AMRO which were acquired therefrom by the Bank in the first half of 2008 for €209 million.

As part of the separation of assets process, in December 2008 Banco Santander Uruguay acquired the assets and liabilities of ABN AMRO's Montevideo office, after which the businesses merged.

Also, on 30 May 2008 Banco Santander and Banca Monte dei Paschi di Siena completed the purchase and sale of Antonveneta (excluding Interbanca, its corporate banking subsidiary) for €9,000 million, in execution of the agreement announced on 8 November 2007 and which was subject only to the competent authorities' approval.

On 2 June 2008 Banco Santander announced that it had entered into a definitive agreement with General Electric whereby a GE group company would acquire Interbanca and Banco Santander would acquire the units of GE Money in Germany, Finland and Austria, GE's card units in the UK and Ireland and GE's car finance unit in the UK. The base price agreed for the two transactions is €1,000 million each, subject to various adjustments. These operations were concluded with the acquisition of GE Germany in the fourth quarter of 2008 and the acquisition of the remaining GE units and the sale of Interbanca in the first quarter of 2009.

In the third quarter of 2008 45 per cent of ABN AMRO Asset Management Italy SGR S.p.A was sold to Banca Monte di Paschi di Siena for €35 million; the remaining 55 per cent had already been acquired by the same company as a result of the purchase of Antonveneta.

The businesses shared by the members of the Consortium included subordinated liabilities issued by ABN AMRO. However, the liabilities which corresponded to Santander were transferred to RBS and Fortis at market value, generating a capital gain of €741 million for Banco Santander. This was recorded under "Profit from Financial Operations" in the 2008 profit and loss account.

On 22 September 2008 RFS completed the squeeze-out of ABN AMRO's minority shareholders by paying them €712 million. Since that date, RFS has been the sole shareholder of ABN AMRO. Due to its holding in RFS, Banco Santander had to pay €200 million to complete the process.

Banco Real was consolidated in the Group's accounts using the full integration method in the fourth quarter of 2008. The volume of assets brought to the Group by Banco Real is approximately €44,000 million at the exchange rate applicable at the 2008 year end.

The goodwill assigned to Banco Real following all the above operations at the 2008 year end adds up to €6,446 million.

Santander Consumer USA Inc. (formerly Drive Consumer USA Inc.) ("Drive")

In June 2008, the Group bought an additional 1 per cent stake in Drive for \$17 million. The Group can buy the 9 per cent stake still owned by the Chief Executive Officer of Drive between 2009 and 2013 at prices linked to the company's earnings performance.

Acquisition of Alliance & Leicester plc

On 14 July 2008, Banco Santander and Alliance & Leicester plc (“A&L”) reached an agreement in relation to the terms of a recommended acquisition by Banco Santander of the entire share capital, whether issued or yet to be issued, of A&L.

Under the terms of the agreement, the shareholders of A&L received one Banco Santander share for every three A&L shares. Prior to the share exchange date, A&L approved and paid an interim dividend in cash amounting to 18 pence per share. In order to action the exchange, the shareholders of Banco Santander, acting at the Extraordinary General Shareholders’ Meeting held on 22 September 2008, agreed to increase the Bank’s capital by a nominal amount of up to €71,688,495, through the issuance of a maximum of 143,376,990 ordinary shares with a nominal value of fifty Euro cents (€0.50) per share.

Key features of the acquisition

- At the time of the announcement each A&L share was valued by the offer at 299 pence, and the total issued share capital was valued at approximately £1,259 million (€1,579 million). The proposed exchange represented a premium of approximately 36.4 per cent to the closing price at 11 July 2008. Considering the above interim dividend, the premium amounts to approximately 44.6 per cent of the aforementioned closing price.
- The acquisition affords the integration of the businesses of A&L and Abbey, thereby strengthening the competitive positioning of the products and services offered by the Group and benefiting its customers. It can be expected that the combined group will also benefit in terms of increased efficiency and that the borrowing costs relating to A&L may be reduced over time from the current high levels.
- It will increase the critical mass of the Group’s business in the UK market, as part of the Group’s vertical strategy.
- In-market cost synergies through the Group’s presence in the UK, estimated at £180 million per year (before tax) at the end of 2011.
- Complementary geographical nature of both distribution networks. A&L has a major presence in the Midlands and Abbey in the London area.
- Abbey’s expansion process in the SMEs and retail business will be speeded up 2-3 years.
- This transaction complies with the Santander Group’s financial requirements. It is anticipated that it will be accretive from 2009 onwards and that the ROI will be 19 per cent in 2011. These estimates do not guarantee that Santander’s EPS will necessarily reach or exceed the levels achieved in prior years.

The acquisition was completed on 10 October 2008, on which date 140,950,944 new shares in Banco Santander, with a value of €0.50 and an issue premium of €10.73 per share, were issued. The value of the increase (nominal value plus premium) was €1.583 million, generating a goodwill of £442 million (€554 million at the exchange rate applicable on the date of the operation).

The acquisition was completed by means of a scheme of arrangement and was approved by the shareholders of Banco Santander (in relation to the capital increase) and of A&L. Additionally, the scheme of arrangement implementing the acquisition was approved by the appropriate English court and the relevant consents were granted by the UK Financial Services Authority and the Bank of Spain (*Banco de España*).

A&L provided total assets of approximately €79,000 million as at the year end, contributing no results for 2008.

Sale and Leaseback of Real Estate Assets

On 12 September 2008, Banco Santander announced that it had completed, with the consortium led by the UK property investor Propinvest, the sale of Santander Financial City and the simultaneous lease of the same for a period of 40 years, with the Bank also reserving a purchase option right at the end of such period.

The amount of the transaction was €1,900 million, as initially contemplated. The capital gains obtained by Santander from this sale are close to €600 million.

This transaction concludes the process involving the sale of Banco Santander's own buildings in Spain which commenced in 2007 within the framework of the ABN AMRO acquisition transaction. The total sales amount to €4,434 million, with capital gains of approximately €1,680 million.

Bradford & Bingley's Direct Channels and Retail Deposits to Transfer to Abbey

Following the announcement on 29 September 2008 by Her Majesty's Treasury ("HM Treasury") to take Bradford & Bingley plc ("B&B") into public ownership, the retail deposits, branch network and its related employees transferred, to Abbey, a wholly-owned subsidiary of Banco Santander.

As outlined in the HM Treasury statement, all of B&B's customer loans and treasury assets, which includes £41 billion of mortgage assets, have been taken under public ownership.

The transfer to Abbey consists of:

- £20 billion retail deposit base with 2.7 million customers; and
- B&B's direct channels including 197 retail branches, 141 agencies (distribution outlets in 3rd party premises) and related employees.

The acquisition price was £612 million including the transfer of £208 million of capital in off-shore companies. The goodwill assigned to this business is £160 million (£202 million at the exchange rate applicable on the date of the operation).

Acquisition of the outstanding 75.65 per cent of Sovereign Bancorp Inc.

Banco Santander and Sovereign Bancorp Inc. ("Sovereign"), the parent company of Sovereign Bank, announced on 13 October 2008 that Banco Santander would acquire Sovereign in a stock-for-stock transaction. Santander owned, as of the date of such announcement, 24.35 per cent of Sovereign's ordinary outstanding shares. The Capital and Finance Committee, composed of independent directors of Sovereign, requested that Santander consider acquiring the remaining 75.65 per cent of the company it did not currently own. The Capital and Finance Committee evaluated the transaction and recommended the transaction to the full Board.

Under the terms of the definitive transaction agreement, which was approved by the Executive Committee of Santander and unanimously approved by the non-Santander directors of Sovereign, Sovereign shareholders would receive 0.2924 Banco Santander ADSs for each share of Sovereign common stock they own (or 1 Banco Santander ADS for 3.42 Sovereign shares). Based on the closing stock price for Santander ADSs on 10 October 2008, the transaction has an aggregate value of approximately \$1.9 billion (€1.4 billion), or \$3.81 per share. The transaction meets Santander's criteria for acquisitions, both strategically, by significantly enhancing the geographical diversification of the Group, and financially, with a projected net profit for Sovereign of \$750 million in 2011.

At the Extraordinary General Meeting on 26 January 2009, the shareholders of Banco Santander approved the capital increase in respect of the acquisition of 75.6 per cent of Sovereign, agreed in October last year, with 96.9 per cent of the capital present and represented.

On 28 January 2009, the acquisition was approved by the General Shareholders' Meeting of Sovereign.

On 30 January 2009, the acquisition of Sovereign was completed, making it a fully-owned affiliate of Santander, through the issuing of 0.3206 ordinary Banco Santander shares for every 1 ordinary share of Sovereign (equivalent to the approved exchange of 0.2924 ADSs adjusted in view of the dilution caused by the capital increase carried out in December 2008). For this purpose, 161,546,320 ordinary shares have been issued for an actual amount (nominal value plus premium) of €1,302,063,339.20.

Lehman Brothers ("Lehman")

Lehman's bankruptcy was announced on 15 September 2008. Various customers of the Santander Group were affected by this, having invested in securities issued by Lehman or in other products with Lehman-issued securities as their underlying assets.

On 12 November 2008 the Group announced the implementation of a solution (of an exceptional and strictly commercial nature, without any acknowledgement of defective commercialisation) for holders of the commercialised product, Banif Structured Insurance, issued by the insurer Axa Aurora Vida, whose underlying asset was a bond issued and guaranteed by Lehman. The solution announced involved replacing

the Lehman issuer risk with an issuer risk of a Santander Group subsidiary. During the exchange period, which ended on 23 December 2008, the Group received Lehman-issued bonds from its customers for a nominal value of €85 million in exchange for Abbey-issued bonds for the same nominal value.

In February 2009 the Group announced its intention to offer similar solutions to other customers affected by Lehman's bankruptcy and some of the Preferred Securities issued under this Prospectus may be used for delivery to Lehman affected investors. The pre-tax cost of this operation together with the cost of the transaction related to Bernard L. Madoff Investments Securities LLC described below has been estimated at €643 million which has been fully booked against the accounts for 2008.

As at the date of this Prospectus, Banco Santander has been sued for €75,000 plus interest in relation to the marketing of the above mentioned bonds. In the opinion of the Bank's Directors and legal advisors, the various Lehman products were marketed in accordance with the legislation applicable at the time of each sale or subscription, and the Santander Group should not be liable by reason of that entity's insolvency as a result of its intermediation. In view of this, it has not been necessary to record any liabilities in this regard in the Group's financial statements.

Sale of Porterbrook Leasing Company

On 8 December 2008, Abbey completed the disposal of Porterbrook Leasing Company Limited ("Porterbrook"), its rolling stock leasing business, through the sale of 100 per cent of Porterbrook and its subsidiaries to a consortium of investors including Antin Infrastructure Partners (the BNP Paribas sponsored infrastructure fund), Deutsche Bank and Lloyds TSB, for a cash consideration of approximately £1.6bn. This sale has generated a capital gain of €50 million (£40 million).

Bernard L. Madoff Investment Securities LLC

In December 2008 the United States Securities and Exchange Commission (the "SEC") took over the management of the company Bernard L. Madoff Investment Securities LLC ("Madoff Securities"). On 12 March 2009 Mr. Madoff plead guilty to eleven charges of fraud in a New York court and was subsequently jailed. The exposure of the Group's clients through the subfund, Optimal Strategic US Equity ("Optimal Strategic"), was €2,330 million of which €2,010 million related to institutional investments and international private banking clients, and the remaining €320 million belonged to investment portfolios of private banking clients of the Group in Spain, which were "qualifying investors".

On 27 January 2009 the Santander Group announced that it had decided to offer a solution to its private banking clients who had invested in Optimal Strategic and been affected by the fraud. This solution applies to the principal amounts invested, net of redemptions, in Optimal Strategic, which amounts to €1,380 million. The solution consists of an asset exchange, by virtue of which Santander's private banking clients will have the right to exchange their investments in Optimal Strategic for preferred securities to be issued by the Group up to the amount of €1,380 million. These preferred securities will have an annual coupon of 2 per cent and a Santander Group call from year 10. Some of the Preferred Securities issued under this Prospectus may be used for delivery to the Madoff Securities affected investors. The pre-tax cost for the Group in respect of this transaction together with the cost of the transaction related to Lehman described above is €643 million, which has been fully-booked against the accounts for 2008.

At the time the management of Madoff Securities was taken over, Madoff Securities was a broker dealer authorised, registered and supervised by the SEC and was also authorised as an investment advisor by the U.S. Financial Industry Regulatory Authority ("FINRA"). As the SEC has publicly noted, Madoff Securities was regularly subject to SEC inspections during recent years, without its reputation or standing being at all doubted by the market or the U.S. supervisory authorities.

As of the date of this Prospectus the Group has become aware of certain lawsuits relating to this matter. The Group is currently considering the initiation of appropriate legal action.

Metrovacesa, S.A. ("Metrovacesa")

On 20 February 2009 certain credit institutions, including Banco Santander and Banco Español de Crédito, S.A., reached an agreement for the restructuring of Grupo Sanahuja's debt (the "Restructuring Agreement") under which they will receive shares representing 54.75 per cent of Metrovacesa's share capital in accord and satisfaction for Grupo Sanahuja's debts.

The Restructuring Agreement also stipulates that the creditors will acquire an additional 10.77 per cent of Metrovacesa's capital, which includes an additional disbursement of €214 million for Grupo Sanahuja (the Sanahuja family has been granted a four-year call option over these shares), as well as other terms relating to the management of the company.

Following the performance of the Restructuring Agreement, the Santander Group will have a 23.63 per cent holding in Metrovacesa, S.A., with 5.38 per cent of its 23.63 per cent holding being subject to the option mentioned above.

Real Tokio Marine Vida e Previdencia S.A.

On 10 March 2009 the Santander Group announced that Banco Santander Brazil has agreed to acquire from Tokyo Marine the 50 per cent stake that it does not already own in the insurance company Real Tokio Marine Vida e Previdencia, S.A. for 678 million Brazilian Reales (€225 million).

Interim Dividends

In June 2008 the Board of Directors of the Bank approved a first dividend on account of the earnings for the 2008 financial year for a gross amount of €0.135234 per share which was paid on 1 August 2008.

As of 1 November 2008 the Bank has paid a second interim dividend on account of the earnings for the 2008 financial year, for a gross amount per share of €0.135234, 10 per cent higher than the dividend paid in November of last year as the second interim dividend on account of the 2007 financial year.

As of 1 February 2009 Banco Santander paid a third interim dividend on account of the earnings for the 2008 financial year, for a gross amount of €0.12294 per share. This is the same as the dividend paid in February of last year as the third interim dividend on account of the 2007 financial year.

PART 11
USE OF PROCEEDS

The Santander Group intends to use the net proceeds from the sale of the Preferred Securities for general corporate purposes. The net proceeds from the sale of the Preferred Securities will be deposited on a subordinated and permanent basis with the Group by the Issuer, and the Group intends to use those monies for general corporate purposes with any specific allocation of such proceeds to depend on the amount of proceeds then needed, on whether other funds are then available and on how much those funds cost. If the net proceeds are not used immediately, they will be temporarily invested by the Group to reduce the Group's short-term indebtedness.

Certain entities of the Santander Group who subscribe for Preferred Securities may deliver most or some of such Preferred Securities to investors affected by the bankruptcy of Lehman Brothers and the circumstances surrounding Bernard L. Madoff Investment Securities LLC, in each case as described in Part 10 (*Recent Developments*) of this Prospectus. The total amounts of any Preferred Securities to be so transferred remain to be determined.

PART 12

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected Consolidated Financial Information

The selected consolidated financial information presented below relates to the Santander Group and has been extracted or derived from the English translations of:

- the Guarantor's audited consolidated financial statements, together with the notes thereto as well as the management report and the auditor's report on the consolidated financial statements, and the audited non-consolidated balance sheet and income statement for the year ended 31 December 2007;
- the Guarantor's audited consolidated financial statements, together with the notes thereto as well as the management report and the auditor's report on the consolidated financial statements, and the audited non-consolidated balance sheet and income statement for the year ended 31 December 2006; and
- the Guarantor's unaudited financial report for the period January to December 2008, which includes the unaudited consolidated financial statements for the year ended 31 December 2008.

Income Statement

	Million euros				
	Variation				2006
	2008	2007	Amount	%	
Net interest income (w/o dividends)	18,078	14,882	3,196	21.5	12,076
Dividends	548	413	134	32.5	404
Net interest income	18,625	15,295	3,330	21.8	12,480
Income from companies accounted for by the equity method	797	441	356	80.6	427
Net fees	8,451	8,040	410	5.1	7,024
Insurance activity	366	319	47	14.7	253
Commercial revenue	28,240	24,096	4,144	17.2	20,184
Gains (losses) on financial transactions	2,802	2,998	(196)	(6.5)	2,149
Gross operating income	31,042	27,095	3,948	14.6	22,333
Income from non-financial services	118	152	(34)	(22.6)	119
Non-financial expenses	(88)	(78)	(9)	11.7	(70)
Other operating income	(182)	(119)	(63)	—	(119)
Operating expenses	(13,161)	(12,208)	(954)	7.8	(11,045)
General administrative expenses	(11,892)	(10,940)	(952)	8.7	(9,899)
Personnel	(6,923)	(6,510)	(413)	6.3	(5,926)
Other administrative expenses	(4,969)	(4,430)	(539)	12.2	(3,973)
Depreciation and amortisation	(1,270)	(1,268)	(2)	0.1	(1,147)
Net operating income	17,729	14,842	2,887	19.5	11,218
Impairment loss on assets	(6,138)	(3,549)	(2,589)	73.0	(2,551)
Loans	(5,976)	(3,470)	(2,506)	72.2	(2,467)
Goodwill	—	(14)	14	(100.0)	(13)
Other assets	(162)	(65)	(98)	151.0	(70)
Other income	(221)	(383)	162	—	(45)
Profit before taxes (w/o capital gains)	11,370	10,910	460	4.2	8,622
Tax on profit	(2,025)	(2,392)	367	(15.3)	(1,947)
Net profit from ordinary activity	9,346	8,518	827	9.7	6,674
Net profit from discontinued operations	(13)	112	(126)	—	470
Net consolidated profit (w/o capital gains)	9,332	8,631	702	8.1	7,144
Minority interests	456	520	(64)	(12.4)	562
Attributable profit to the Group (w/o capital gains)	8,876	8,111	766	9.4	6,582
Net extraordinary capital gains and allowances	—	950	(950)	(100.0)	1,014
Attributable profit to the Group	8,876	9,060	(184)	(2.0)	7,596
Pro memoria:					
Average total assets	936,945	877,682	59,263	6.8	814,235
Average shareholders' equity	51,986	41,352	10,634	25.7	35,505

Consolidated Balance Sheet

	Million euros				
	Variation				31.12.06
	31.12.08	31.12.07	Amount	%	
Assets					
Cash on hand and deposits at central banks	45,781	31,063	14,719	47.4	13,835
Trading portfolio	151,716	158,800	(7,085)	(4.5)	170,423
Debt securities	43,896	66,331	(22,435)	(33.8)	76,737
Customer loans	632	23,704	(23,072)	(97.3)	30,583
Equities	6,272	9,744	(3,472)	(35.6)	13,491
Other (deposits at credit institutions and trading derivatives)	100,916	59,021	41,895	71.0	49,612
Other financial assets at fair value	25,736	24,829	907	3.7	15,371
Customer loans	8,906	8,022	884	11.0	7,973
Other (deposits at credit institutions, debt securities and equities)	16,830	16,808	22	0.1	7,398
Available-for-sale financial assets	48,920	44,349	4,571	10.3	38,698
Debt securities	42,548	34,187	8,361	24.5	32,727
Equities	6,373	10,162	(3,789)	(37.3)	5,971
Loans	699,797	579,530	120,267	20.8	544,049
Deposits at credit institutions	53,909	31,760	22,149	69.7	45,361
Customer loans	611,811	533,751	78,060	14.6	484,790
Other	34,078	14,019	20,058	143.1	13,897
Investments	1,323	15,689	(14,366)	(91.6)	5,006
Intangible assets and property and equipment	10,289	11,661	(1,373)	(11.8)	12,555
Goodwill	18,836	13,831	5,005	36.2	14,513
Other	47,233	33,162	14,071	42.4	19,423
Total assets	1,049,632	912,915	136,717	15.0	833,873
Liabilities and shareholders' equity					
Trading portfolio	127,510	122,754	4,756	3.9	123,996
Customer deposits	4,896	27,992	(23,096)	(82.5)	16,572
Marketable debt securities	3,570	17,091	(13,521)	(79.1)	17,522
Other (deposits at credit institutions, trading derivatives and other)	119,045	77,671	41,374	53.3	89,902
Other financial liabilities at fair value	24,242	33,156	(8,913)	(26.9)	12,411
Customer deposits	9,318	10,669	(1,351)	(12.7)	273
Marketable debt securities	5,191	10,279	(5,088)	(49.5)	12,138
Deposits at credit institutions	9,733	12,208	(2,474)	(20.3)	—
Financial liabilities at amortized cost	782,387	652,952	129,435	19.8	605,303
Due to central banks and credit institutions	93,302	77,434	15,868	20.5	73,345
Customer deposits	405,615	317,043	88,572	27.9	314,377
Marketable debt securities	227,643	206,265	21,378	10.4	174,409
Subordinated debt	37,822	35,670	2,152	6.0	30,423
Other financial liabilities	18,006	16,540	1,465	8.9	12,749
Insurance liabilities	16,850	13,034	3,816	29.3	10,704
Provisions	17,736	16,571	1,165	7.0	19,227
Other liability accounts	19,853	16,368	3,485	21.3	14,491
Preferred securities	1,051	523	529	101.2	668
Minority interests	2,415	2,358	56	2.4	2,221
Equity adjustments by valuation	(8,300)	722	(9,022)	—	2,871
Capital stock	3,997	3,127	870	27.8	3,127
Reserves	55,707	43,828	11,878	27.1	32,595
Attributable profit to the Group	8,876	9,060	(184)	(2.0)	7,596
Less: dividends	(2,693)	(1,538)	(1,156)	75.1	(1,337)
Total liabilities and shareholders' equity	1,049,632	912,915	136,717	15.0	833,873

PART 13

TAXATION

The following is a general description of certain Spanish tax considerations relating to the Preferred Securities. It does not purport to be a complete analysis of all tax considerations relating to the Preferred Securities. Prospective purchasers of Preferred Securities should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Preferred Securities and receiving any payments under the Preferred Securities. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Preferred Securities, or any person through which an investor holds Preferred Securities, of a custodian, collection agent or similar person in relation to such Preferred Securities in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. On 13 November 2008, the European Commission proposed certain changes to these provisions which would, if implemented, cause them to apply in a wider range of circumstances.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

Taxation in the Kingdom of Spain

Introduction

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Prospectus:

- (a) of general application, Additional Provision two of Spanish Law 13/1985, of 25 May on investment ratios, own funds and information obligations of financial intermediaries, as amended by Law 19/2003, of 4 July on legal rules governing foreign financial transactions and capital movements and various money laundering prevention measures, Law 23/2005, of 18 November on certain tax measures to promote the productivity and Law 4/2008, of 23 December, that abolishes the Net Wealth Tax, generalises the VAT monthly refund system and introduces other tax measures as well as Royal Decree 1065/2007 of 27 July, approving the general regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes;
- (b) for individuals with tax residence in Spain which are Individual Income Tax taxpayers, Law 35/2006, of 28 November, on Individual Income Tax and partial amendment of Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law, (the “Individual Income Tax Law”), and Royal Decree 439/2007, of 30 March promulgating the Individual Income Tax Regulations along with Law 29/1987, of 18 December on Inheritance and Gift Tax;
- (c) for legal entities resident for tax purposes in Spain which are corporate income tax taxpayers, Royal Legislative Decree 4/2004, of 5 March promulgating the Consolidated Text of the Corporate Income Tax Law, and Royal Decree 1777/2004, of 30 July promulgating the Corporate Income Tax Regulations (the “Corporate Income Tax Regulations”); and

- (d) for individuals and entities who are not resident for tax purposes in Spain which are non-resident income tax taxpayers, Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the Non-Resident Income Tax Law, and Royal Decree 1776/2004, of 30 July promulgating the Non-Resident Income Tax Regulations, along with Law 29/1987, of 18 December on Inheritance and Gift Tax.

Whatever the nature and residence of the holder of Preferred Securities, the acquisition and transfer of the Preferred Securities will be exempt from indirect taxes in Spain, for example, exempt from Capital Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December regulating such tax.

1. Individuals with Tax Residence in Spain

1.1 *Individual Income Tax (Impuesto sobre la Renta de las Personas Físicas)*

Both Distributions periodically received and income deriving from the transfer, redemption or repayment of the Preferred Securities constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25 of the Individual Income Tax Law, and therefore will form part of the so called savings income tax base pursuant to the provisions of the aforementioned Law. Accordingly, such income will be subject to the flat 18 per cent rate applicable to savings income.

Both types of income are subject to a withholding tax on account of the Individual Income Tax at the rate of 18 per cent. The individual holder may credit the withholding against his or her final Individual Income Tax liability for the relevant tax year.

1.2 *Wealth Tax (Impuesto sobre el Patrimonio)*

Pursuant to Spanish Law 4/2008, the Net Wealth Tax has been abolished effective from 1 January 2008.

1.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals with tax residence in Spain who acquire ownership or other rights over any Preferred Securities by inheritance, gift or legacy will be subject to Inheritance and Gift Tax in accordance with the applicable regional or national rules. The applicable tax rates currently range between 7.65 per cent and 81.6 per cent depending on relevant factors.

2. Legal Entities with Tax Residence in Spain

2.1 *Corporate Income Tax (Impuesto sobre Sociedades)*

Both Distributions periodically received and income deriving from the transfer, redemption or repayment of the Preferred Securities are subject to Corporate Income Tax (at the current general rate of 30 per cent) in accordance with the rules for this tax.

In accordance with Section 59.s) of the Corporation Tax Regulations there is no obligation to make a withholding on income obtained by Spanish corporation tax taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD countries. Since applications will be made for the Preferred Securities to be admitted to listing on the Official List of the FSA and to trading on the London Stock Exchange's regulated market, they would in principle, upon admission to trading on the London Stock Exchange's regulated market, fulfil the requirements laid down by the legislation for exemption from withholding. However, the Directorate General for Taxation (*Dirección General de Tributos*, "DGT"), on 27 July 2004, issued a reply to a consultation indicating that in the case of issues made by entities resident in Spain, such as the Issuer, application of the exemption requires that, in addition to being traded on organised markets in OECD countries, the Preferred Securities be placed outside Spanish territory in another OECD country. The Issuer considers that the issue of the Preferred Securities does not fall within this exemption as the Preferred Securities are to be sold and placed amongst Spanish resident investors.

Consequently, the Issuer will make a withholding at 18 per cent rate on Distributions made to Spanish corporate income tax taxpayers. The Issuer will not pay additional amounts in respect of such withholding tax.

Please see Clause 4 (*Disclosure of Holder Information in Connection with Payments of Distributions*) of this Part 13 (*Taxation*).

2.2 *Wealth Tax (Impuesto sobre el Patrimonio)*

Please see Clause 1.2 (*Wealth Tax*) of this Part 13 (*Taxation*).

2.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Legal entities with tax residence in Spain which acquire ownership or other rights over the Preferred Securities by inheritance, gift or legacy are not subject to Inheritance and Gift Tax and must include the market value of the Preferred Securities in their taxable income for Spanish Corporation Tax purposes.

3. *Individuals and Legal Entities with no tax residence in Spain*

3.1 *Non-resident Income Tax (Impuesto sobre la Renta de no Residentes)*

(a) *With permanent establishment in Spain*

Ownership of the Preferred Securities by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Preferred Securities form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the legal rules applicable to income deriving from such Preferred Securities are the same as those previously set out for Spanish Corporation Tax taxpayers.

(b) *With no permanent establishment in Spain*

Both Distributions periodically received and income deriving from the transfer, redemption or repayment of the Preferred Securities, obtained by individuals or entities who have no tax residence in Spain, being Non-resident Income Tax ("NRIT") taxpayers with no permanent establishment in Spain, are exempt from such Non-resident Income Tax.

In order to be eligible for the exemption from NRIT, it is necessary to comply with certain information obligations relating to the identity and country of tax residence of the holders of Preferred Securities, in the manner detailed under Clause 4 (*Disclosure of Holder Information in Connection with Payments of Distributions*) of this Part 13 as laid down in section 44 of Royal Decree 1065/2007. If these information obligations are not complied with in the manner indicated the Issuer will apply a withholding, currently at the rate of 18 per cent and the Issuer will not, as a result, be under any obligation to pay additional amounts.

3.2 *Wealth Tax (Impuesto sobre el Patrimonio)*

See Clause 1.2 (*Wealth Tax*) of this Part 13 (*Taxation*).

3.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals who do not have tax residence in Spain who acquire ownership or other rights over the Preferred Securities by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to Inheritance Tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to Inheritance and Gift Tax in accordance with the applicable regional and national legislation.

Non-resident entities which acquire ownership or other rights over the Preferred Securities by inheritance, gift or legacy are not subject to Inheritance and Gift Tax. They will be subject to Non-resident Income Tax. If the entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of the treaty will apply. In general, treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

4. Disclosure of Holder Information in Connection with Payments of Distributions

The European Clearing Systems are currently in discussions to harmonise the procedure for the provision of information as required by Spanish laws and regulations. The following is a summary only and is subject to the European Clearing Systems' discussions as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. Holders of Preferred Securities must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Preferred Securities. None of the Issuer, the Guarantor, the Manager, the Paying Agent or the European Clearing Systems assume any responsibility therefor.

In this regard, please note that Law 4/2008, of 23 December, has modified section 3 of the second additional provision of Law 13/1985, reducing the scope of the beneficial owners for whom certain information must be submitted to the Spanish tax authorities. This new provision also establishes that the submission of the relevant beneficial owner information will be made in the form to be developed in accordance with future regulations.

In connection with the above, the General Tax Directorate issued a binding ruling dated 20 January 2009 (num. V0077/09) stating that until new regulations are approved to develop the procedures that will have to be utilised under the new legal framework established by Law 4/2008, the procedures established in article 44 of Royal Decree 1065/2007 will still apply, as explained below.

4.1 *Individuals and Legal Entities with no tax residence in Spain*

The information obligations to be complied with in order to apply the exemption are those laid down in Section 44 of Royal Decree 1065/2007 ("Section 44"), being the following:

In accordance with sub-section 1 of such Section 44, a return must be filed with the Spanish tax authorities specifying the following information with respect to the Preferred Securities:

- (a) the identity and country of residence of the recipient of the income. When the income is received on behalf of a third party, the identity and country of residence of that third party;
- (b) the amount of income received; and
- (c) details identifying the Preferred Securities.

In accordance with sub-section 2 of such Section 44, for the purpose of preparing the return referred to in sub-section 1 of Section 44, the following documentation must be obtained on each payment of income evidencing the identity and residence of each holder of Preferred Securities:

- (a) if the non-resident holder of Preferred Securities acts on its own account and is a central bank, other public institution or international organisation, a bank or credit institution or a financial entity, including collective investment institutions, pension funds and insurance entities, resident in an OECD country or in a country with which Spain has entered into a double tax treaty subject to a specific administrative registration or supervision scheme, the entity in question must certify its name and tax residence in the manner laid down in Annex I of the Order of 16 September 1991, promulgated pursuant to Royal Decree 1285/1991 (see Annex I below), of 2 August establishing the procedure for the payment of interest on Book Entry State Debt (as defined therein) to non-residents who invest in Spain without the intervention of a permanent establishment;
- (b) in the case of transactions in which any of the entities indicated in the foregoing paragraph a) acts as intermediary, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residence of each holder of Preferred Securities in the manner laid down in Annex II of the Order of 16 September 1991 (see Annex II below);
- (c) in the case of transactions which are channelled through a securities clearing and deposit entity recognised for these purposes by Spanish law or by that of another OECD member country, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residence of each holder of Preferred Securities in the manner laid down in Annex II of the Order of 16 September 1991 (see Annex II below);

- (d) in other cases, residence must be evidenced by submission of the residence certificate issued by the tax authorities of the country of residence of the holder of Preferred Securities. These certificates will be valid for one year as from the date of issue.

In accordance with sub-section 3 of Section 44, for the purpose of implementing the exemption provided for, the following procedure must be followed: on the due date of each Distribution the Issuer must transfer the net amount to the entities referred to in paragraphs (a), (b) and (c) resulting from applying the general withholding rate (currently 18 per cent) to the whole of the Distribution. If the certificates referred to are received prior to the Distribution Payment Date, the Issuer will pay the amounts withheld to the extent that they correspond with the information provided. In the case of both paragraph 4.1 and paragraph 4.2 above, in order for a beneficial owner to benefit from an exemption from withholding, the above documentation should be received by the Paying Agent in accordance with the procedures established in the Agency Agreement, which may be inspected during normal business hours at the specified office of the Paying Agent.

If the Paying Agent does not receive complete documentation in respect of an eligible holder of Preferred Securities by the Distribution Date, such holder may obtain a quick refund of the full amount of withholding tax by ensuring that the documentation described above is received by the Paying Agent no later than 10:00 am (CET) on the second Business Day prior to the 10th calendar day of the month following the relevant Distribution Date (or if such date is not a Business Day, the Business Day immediately preceding such date) (the “Quick Refund Deadline”).

Holders of Preferred Securities entitled to a refund but in respect of whom the Paying Agent does not receive relevant documentation on or before a Quick Refund Deadline may seek a full refund of withholding tax directly with the Spanish tax authorities.

Set out below are Annexes I and II. Sections in English have been accurately and completely translated from the original Spanish. In the event of any discrepancy, the Spanish versions shall prevail.

ANNEX I

Modelo de certificación en inversiones por cuenta propia

Form of Certificate for Own Account Investments

(nombre) (name)

(domicilio) (address)

(NIF) (fiscal ID number)

(en calidad de) , en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 44.2.a) del Real Decreto 1065/2007,

(function) , in the name and on behalf of the Entity indicated below, for the purposes of article 44.2.a) of Royal Decree 1065/2007,

CERTIFICO:

CERTIFY:

1. **Que el nombre o razón social de la Entidad que represento es:**
that the name of the Entity I represent is:
2. **Que su residencia fiscal es la siguiente:**
that its residence for tax purposes is:
3. **Que la Entidad que represento está inscrita en el Registro de**
that the institution I represent is recorded in the Register of
(país estado, ciudad), con el número
(country, state, city), under number
4. **Que la Entidad que represento está sometida a la supervisión de**
that the institution I represent is supervised by
en virtud de
under

(Organo supervisor)
(Supervision body)
(normativa que lo regula)
(governing rules).

Todo ello en relación con:

All the above in relation to:

Identificación de los valores poseídos por cuenta propia

Identification of securities held on own account

Importe de los rendimientos

Amount of income

Lo que certifico en	a	de	de 20
I certify the above in	on the	of	of 20

ANNEX II

Modelo de Certificación en inversiones por cuenta ajena

Form of certificate for third party investments

(nombre) (name)

(domicilio) (address)

(NIF) (fiscal ID number)

(en calidad de) , en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 44.2.b) y c) del Real Decreto 1065/2007,

(function) , in the name and on behalf of the Entity indicated below for the purposes of article 44.2.b) y c) of Royal Decree 1065/2007,

CERTIFICO:

CERTIFY:

1. **Que el nombre o razón social de la Entidad que represento es:**
that the name of the Entity I represent is:
2. **Que su residencia fiscal es la siguiente:**
that its residence for tax purposes is:
3. **Que la Entidad que represento está inscrita en el Registro de**
that the institution I represent is recorded in the Register of
(país estado, ciudad), con el número
(country, state, city), under number
4. **Que la Entidad que represento está sometida a la supervisión de** *(Organo supervisor)*
that the institution I represent is supervised by *(Supervision body)*
en virtud de *(normativa que lo regula)*
under *(governing rules)*
5. **Que, de acuerdo con los Registros de la Entidad que represento, la relación de titulares adjunta a la presente certificación, comprensiva del nombre de cada uno de los titulares no residentes, su país de residencia y el importe de los correspondientes rendimientos, es exacta, y no incluye personas o Entidades residentes en España.**

That, according to the records of the Entity I represent, the list of beneficial owners hereby attached, including the names of all the non-resident holders, their country of residence and the corresponding income amounts are accurate, and does not include person(s) or institution(s) resident in Spain.

Lo que certifico en **a** **de** **de 20**
I certify the above in on the of of 20

RELACIÓN ADJUNTA A CUMPLIMENTAR:

TO BE ATTACHED:

Identificación de los valores:

Identification of the securities:

Listado de titulares:

List of beneficial owners:

Nombre/País de residencia/Importe de los rendimientos

Name/Country of residence/Amount of income

PART 14
SUBSCRIPTION AND SALE

Certain entities of the Santander Group (together the “Subscribers”) have, in a subscription agreement dated 13 March 2009 (the “Subscription Agreement”) and made between the Issuer, the Guarantor and the Subscribers upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Preferred Securities at their issue price of USD 1,500 per Series VI Dollar Preferred Security; USD 75,000 per Series VII Dollar Preferred Security; EUR 1,000 per Series VIII Euro Preferred Security; and EUR 50,000 per Series IX Euro Preferred Security.

United Kingdom

The Subscribers have each represented, warranted and undertaken that:

- (a) they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by them in connection with the issue or sale of the Preferred Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Preferred Securities in, from or otherwise involving the United Kingdom.

United States of America

The Preferred Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”).

The Kingdom of Spain

The Preferred Securities will not be offered or sold in Spain by means of a public offer as defined and construed by Spanish Law save in compliance with the requirements of the Spanish Securities Market Law of 28 July 1988, as amended and restated, and other applicable regulations.

This Prospectus has not been registered with the *Comisión Nacional del Mercado de Valores* (the Spanish Securities Market Commission) and therefore it is not intended for any public offer of the Preferred Securities in Spain.

General

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Subscribers that would, or is intended to, permit a public offering of the Preferred Securities, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Subscribers to comply with all applicable securities laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Preferred Securities or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Preferred Securities, in all cases at their own expense.

PART 15
GENERAL INFORMATION

1. The creation and issue of the Preferred Securities was authorised by resolutions of the shareholders of the Issuer dated 16 March 2009 and a resolution of the board of directors of the Issuer dated 16 March 2009. The Guarantee of the Preferred Securities was authorised by a resolution of the Executive Committee of the Guarantor dated 16 March 2009.
2. The Preferred Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg. The ISIN for Series VI Dollar Preferred Security is XS0418133426 and the common code is 041813342; the ISIN for Series VII Dollar Preferred Security is XS0418134317 and the common code is 041813431; the ISIN for Series VIII Euro Preferred Security is XS0418134663 and the common code is 041813466; and the ISIN for Series IX Euro Preferred Security is XS0418135041 and the common code is 041813504. The Clearing Systems are expected to follow certain procedures to facilitate the Issuer, the Guarantor and the Paying Agent in the collection of the details from holders of the Preferred Securities. If any Clearing System is, in the future, unable to facilitate the collection of such information, it may decline to allow the Preferred Securities to be cleared through such Clearing System and this may affect the liquidity of the Preferred Securities. Provisions have been made for the Preferred Securities, in such a case, to be represented by definitive Preferred Securities. The procedures agreed and fully described in the Paying Agency Agreement may be amended to comply with Spanish laws and regulations and operational procedures of the Clearing Systems.
3. The Issuer does not intend to provide any post-issuance information in relation to the issue of the Preferred Securities.
4. The total expenses related to the admission of the Preferred Securities to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Regulated Market are approximately £11,742.50.
5. Neither the Issuer nor the Guarantor is aware of any arrangements the operation of which may, at a date subsequent to that of the date hereof, result in a change in control of the Issuer or the Guarantor.
6. Neither the Issuer nor the Guarantor is dependent upon any other entity within the Group.
7. There have been no recent events particular to the Guarantor which are to a material extent relevant to the evaluation of the Guarantor's solvency.

REGISTERED OFFICE OF THE ISSUER

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HEAD OFFICE OF THE GUARANTOR

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