



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

GBP 250,000,000 Series 7
Fixed/Floating Rate Non-cumulative Perpetual Guaranteed
Preferred Securities

irrevocably and unconditionally guaranteed to the extent set forth herein by

BANCO SANTANDER CENTRAL HISPANO, S.A.
(incorporated with limited liability under the laws of Spain)

Issue price: 100.00 per cent.

GBP 250,000,000 Series 7 Fixed/Floating Rate Non-cumulative Perpetual Guaranteed Preferred Securities (the "Preferred Securities") of GBP 50,000 liquidation preference (the "Liquidation Preference") are being issued by Santander Finance Preferred, S.A. Unipersonal (the "Issuer") on 10 July 2007 (the "Closing Date").

Each Preferred Security will entitle its holder to receive (subject to the limitations described under "Conditions of the Preferred Securities") non-cumulative cash distributions ("Distributions"). From (and including) the Closing Date to (but excluding) 10 July 2012 Distributions will accrue at a rate of 7.005 per cent. per annum and, subject as aforesaid, will be payable on each 10 January and 10 July commencing 10 January 2008. From (and including) 10 July 2012, Distributions will accrue at a rate of 0.835 per cent. per annum above Three Month LIBOR (as defined in "Conditions of the Preferred Securities – Distributions") and, subject as aforesaid, will be payable on 10 January, 10 April, 10 July and 10 October in each year commencing 10 October 2012. In each case Distributions accrue on the Liquidation Preference. 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 "Conditions of the Preferred Securities – Definitions") falling on or after 10 July 2012 (the "First Call Date"), at the Redemption Price (as defined in "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 Central Hispano, S.A. (the "Bank" or the "Guarantor") to the extent described under "The 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.

An investment in the Preferred Securities involves certain risks. For a discussion of these risks see "Risk Factors".

Potential holders are alerted to the information in "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 Gilt Edged and Fixed Interest 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 Gilt Edged and Fixed Interest Market of the London Stock Exchange.

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

The Gilt Edged and Fixed Interest Market of the London Stock Exchange is a regulated market for the purpose of the Investment Services Directive 93/22/EEC.

The Preferred Securities have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act") and are subject to United States tax law requirements. The Preferred Securities are being offered outside the United States by the Manager (as defined in "Subscription and Sale") in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

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

Manager and Sole Structuring Advisor
The Royal Bank of Scotland

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 to the best of its knowledge is 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 is 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.

The Manager has not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Manager as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Preferred Securities or their distribution.

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, the Guarantor or the Manager.

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, the Guarantor and the Manager 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 Securities Act 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 "€", "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 and reference to "£", "GBP" or "Pounds Sterling" are to the lawful currency of United Kingdom for the time being.

In this Prospectus, the words "Santander," "Banco Santander," "Guarantor," "Bank," "we," "our," "ours" and "us" refer to Banco Santander Central Hispano, S.A. The words "Group" and "Santander Group" refer to Banco Santander Central Hispano, S.A. and its other banking and financial subsidiaries. The word "Issuer" refers to Santander Finance Preferred, S.A. Unipersonal.

IN CONNECTION WITH THE ISSUE OF THE PREFERRED SECURITIES, THE ROYAL BANK OF SCOTLAND PLC (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER ALLOT PREFERRED SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE PREFERRED SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE PREFERRED SECURITIES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE PREFERRED SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE PREFERRED SECURITIES.

DOCUMENTS INCORPORATED BY REFERENCE

Direct and accurate English translations of the following documents shall be deemed to be incorporated in, and to form part of, the Prospectus:

1. the Guarantor's 2006 Annual Report for the year ended 31 December 2006 (the "**2006 Annual Report**"), which includes the consolidated and non-consolidated financial statements, as well as the management report and the auditor's report on the consolidated financial statements thereon; and the Guarantor's 2005 Annual Report for the year ended 31 December 2005 (the "**2005 Annual Report**"), which includes the consolidated and non-consolidated financial statements, as well as the management report and the auditor's report on the consolidated financial statements thereon;
2. the interim consolidated audited financial statements of the Group for the 3 month period ended 31 March 2007 including the auditor's report (the "**March 2007 Financial Statements**").
3. the financial statements, management report and auditor's report of the Issuer for the year ended 31 December 2005 (the "**Issuer's 2005 Financial Statements**") and the financial statements, management report and auditor's report of the Issuer for the year ended 31 December 2006 (the "**Issuer's 2006 Financial Statements**");

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 incorporated by reference in the documents listed at 1. to 4. above do not form part of this Prospectus.

From the date hereof and throughout the period that the Preferred Securities remain listed on the Gilt Edged and Fixed Interest 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 to the Paying Agent (as defined below).

TABLE OF CONTENTS

Responsibility Statement	2
Documents Incorporated By Reference	3
Key Features	5
Risk Factors	9
Conditions Of The Preferred Securities	15
The Guarantee	27
The Issuer	33
Banco Santander Central Hispano, S.A. As Guarantor	35
Litigation And General Information	54
Material Contracts	55
Documents on Display	56
Recent Developments	57
Use Of Proceeds	62
Selected Consolidated Financial Information	63
Taxation	69
Subscription And Sale	79
General Information	81

KEY FEATURES

The following key information has been extracted without material adjustment from, and is qualified in its entirety by the more detailed information included elsewhere in this Prospectus with which it should be read in conjunction.

Capitalised terms herein shall have the meaning given to them in “Conditions of the Preferred Securities”.

Issuer:	Santander Finance Preferred, S.A. Unipersonal
Guarantor:	Banco Santander Central Hispano, S.A.
Manager:	The Royal Bank of Scotland plc
Issue Size:	GBP 250,000,000
Issue Details:	GBP 250,000,000 Series 7 Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities (<i>participaciones preferentes</i>) (the “Preferred Securities”).

The Bank will apply for the Preferred Securities to qualify as Tier 1 capital of the Bank and its consolidated Subsidiaries (the “Group”) pursuant to Spanish banking regulations.

Liquidation Preference:	GBP 50,000 per 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.
---	---

Use of Proceeds:	General corporate purposes. See “Use of Proceeds”.
-------------------------	--

Distributions:	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.
-----------------------	---

Distributions will accrue from the Closing Date at the fixed Distribution rate of 7.005 per cent. per annum for the period from (and including) the Closing Date to (but excluding) 10 July 2012 (the “First Call Date”) and thereafter in respect of each Distribution Period (Floating) at a rate of Three Month LIBOR for the relevant Distribution Period (Floating) plus a margin equal to 0.835 per cent. per annum.

Distributions are payable on each 10 January and 10 July up to and including 10 July 2012 (each, a “Distribution Payment Date (Fixed)”) commencing on 10 January 2008 and, thereafter, on 10 January, 10 April, 10 July and 10 October of each year falling after the First Call Date (each, a “Distribution Payment Date (Floating)”) commencing on 10 October 2012. For further information, see “Conditions of the Preferred Securities – Distributions”.

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 (as defined herein) 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 (as defined herein) 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.

If Distributions are not paid or are paid partially on a Distribution Payment Date, as a consequence of the above Limitations on Distributions, 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.

If 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.

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 above limitations, 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 in full of Distributions on the Preferred Securities for two consecutive Distribution Periods (Fixed) or for four consecutive Distribution Periods (Floating) (or, if applicable, for one Distribution Period (Fixed) and two consecutive Distribution Periods (Floating)).

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 accrued and unpaid Distributions relating to the Redemption Price, or the Liquidation Distribution) on the Preferred Securities to the extent that:

(a) the aggregate of such Distributions, together with any 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 affecting financial institutions which fail to meet their capital ratios, the Bank would be prevented at such time from making payments on its ordinary shares or Parity Securities issued by it.

For a full description of the Guarantee, see "The Guarantee".

Ranking of the Guarantee:

The Bank's obligations under the Guarantee will rank (a) junior to all liabilities of the Bank (including subordinated liabilities); (b) *pari passu* with any Parity Securities issued by the Bank and any obligation assumed by the Bank under any guarantee of any Parity Securities of 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, in whole but not in part, at the Redemption Price (as defined herein) per Preferred Security on any Distribution Payment Date falling on or after the First Call Date.

For further information, see "Conditions of the Preferred Securities – Optional Redemption".

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 the date of payment of the Liquidation Distribution.

Liquidation Rights: Except as described under “Conditions of the Preferred Securities – Distributions” and “-Liquidation Distribution” the Preferred Securities will confer no right to participate in the profits or surplus assets of the Issuer.

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. See “The Guarantee – Limitations to the Guarantee Payments in relation to the Liquidation Distributions”.

Except as described in the previous paragraph, the Bank will undertake not to cause a liquidation of the Issuer.

Purchases: In order to comply with certain Spanish capital adequacy regulations in force at the Closing Date, 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 10 July 2012. Notwithstanding the foregoing, if Spanish law were to change and such purchases were permitted before 10 July 2012, 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.

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 “Conditions of the Preferred Securities – Special General Meetings”.

Withholding Tax: 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.

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.

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 holders who are resident in Spain; and (b) holders who receive payments through a Tax Haven (as defined in Royal Decree 1080/1991 of 5 July 1991). In addition, holders who fail to provide information regarding their identity and tax residence will also receive payments subject to Spanish withholding tax.

For further information, see “Conditions of the Preferred Securities – Taxation”.

Disclosure of identity of holders:	<p>Under Law 13/1985 (as amended), the Bank is obliged to disclose to the Spanish Tax and Supervisory Authorities the identity of holders of the Preferred Securities.</p> <p>The Clearing Systems are expected to follow certain procedures to facilitate the Paying Agent in the collection of the details referred to above from holders of the Preferred Securities. If the Clearing Systems are, in the future, unable to facilitate the collection of such information they may decline to allow the Preferred Securities to be cleared through the relevant 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.</p> <p>For further information see “Taxation – Disclosure of holder information in connection with payments on Distribution”.</p>
Form:	The Preferred Securities will be issued in bearer form and will be represented by a single global Preferred Security deposited with 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 Gilt-Edged and Fixed Interest Market.
Clearing Systems:	Euroclear and Clearstream, Luxembourg.

RISK FACTORS

Risk relating to the Guarantor

The risk factors set out below also relate to the Issuer, as a member 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 2006, Continental Europe accounted for approximately 52% of the Group's total loan portfolio (Spain accounted for 39% of the Group's total loan portfolio), while the United Kingdom and Latin America accounted for 36% and 12%, 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.

Since the Group's principal source of funds is short term deposits, a sudden shortage of these funds could increase the Group's cost of funding.

Historically, the Group's principal source of funds has been customer deposits (demand, time and notice deposits). At 31 December 2006, 17.6% of these customer deposits are time deposits in amounts greater than \$100,000. Time deposits have represented 46.9%, 43.5% and 44.2% of total customer deposits at the end of 2004, 2005 and 2006 respectively. Large-denomination time deposits may be a less stable source of deposits than other type of deposits. In addition, since the Group relies heavily on short-term deposits for its funding, there can be no assurance that the Group will be able to maintain its levels of funding without incurring higher funding costs or liquidating certain assets.

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.

Increased exposure to real estate makes the Group more vulnerable to developments in this market.

The decrease in interest rates globally caused an increase in the demand of mortgage loans in the last few years. This has had repercussions in housing prices, which have also risen significantly. As real estate mortgages are one of the Group's main assets, comprising 51% of the Group's loan portfolio at 31 December 2006, the Group is currently highly exposed to developments in real estate markets. Further interest rate increases could have a significant negative impact on our mortgage payment delinquency rates. An increase in such delinquency rates could have an adverse effect on our 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.

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 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 acquired controlling interests in various companies and has engaged in other strategic partnerships. Additionally, the Group may consider other strategic acquisitions and partnerships from time to time. There can be no assurances that the Group will be successful in its plans regarding the operation of past or future acquisitions and strategic partnerships.

The Group can give no assurance that its acquisition and partnership activities will perform in accordance with the Group's expectations. The Group bases its assessment of potential acquisitions and partnerships on limited and potentially inexact information and on assumptions with respect to operations, profitability and other matters that may prove to be incorrect. The Group can give no assurance that its expectations with regards to integration and synergies will materialize.

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. Recent financial sector reforms in the markets in which the Group operates has 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 companies 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 deregulation 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.

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 EUR. Fluctuations in the value of the EUR against other currencies may adversely affect the Group's profitability. For example, the appreciation of the EUR 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 EUR against the 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.

Changes in the regulatory framework in the jurisdictions where the Group operates could adversely affect its business.

A number of banking regulations designed to maintain the safety and soundness of banks and limit their exposure to risk apply in the different jurisdictions in which the Group's subsidiaries operate. 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.

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

The Group 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.

Credit, market and liquidity risks, may have an adverse effect on the Group's credit ratings and its cost of funds.

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.

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

The economies of the 8 Latin American countries where the Group operates have experienced significant volatility in recent decades, characterized, 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, Asset Management and Private Banking and Global Wholesale Banking) accounted for EUR2,287 million of our profit attributed to the Group for the year ended 31 December 2006 (an increase of 29% from EUR1,779 million for the year ended 31 December 2005). 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.

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.

The Group's Venezuelan subsidiary is exposed to the risk of potential nationalization.

Several recent political developments in Venezuela present an increased risk that the Venezuelan government could nationalize or otherwise seek to intervene in the operations of the Group's Venezuelan subsidiary, which could negatively affect the Group's operations in Venezuela.

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

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:

- (a) individual holders who are resident in Spain; and
- (b) holders who receive payments through a Tax Haven (as defined in Royal Decree 1080/1991 of 5 July 1991). The Bank 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 the Bank will also receive payments subject to Spanish withholding (at the date of this Prospectus, 18 per cent.). The Bank will not gross up payments in respect of any such withholding tax in any of the above cases (see Condition 7 (*Taxation*) and "Taxation – Taxation in the Kingdom of Spain – 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 the Bank 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, the Bank, the Manager, the Paying Agent or the Clearing Systems assume any responsibility therefor.

The transferability of the Preferred Securities may be limited by the absence of an active trading market.

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 initial offering prices 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.

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 the Bank does not have sufficient Distributable Profits or if the Bank is limited in making payments on its ordinary shares or on other Preferred Securities issued by the Bank in accordance with 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.

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

The Bank'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 the Bank, or any other Parity Securities issued by the Issuer or by any other subsidiary of the Bank with the benefit of a guarantee of the Bank, in each case ranking equally as to participation in profits with the Bank's obligations under the Guarantee, would exceed the Bank's Distributable Profits of the immediately preceding fiscal year. Even if Distributable Profits are sufficient, the Bank 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, the Bank would be prevented at such time from making payments on its ordinary shares or on Parity Securities issued by the Bank. In the event of the liquidation, dissolution or winding-up of the Bank or a reduction in the shareholder's equity of the Bank 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 the Bank and had all other Parity Securities of the Issuer or of any other subsidiary of the Bank been issued by the Bank. Under no circumstances does the Guarantee provide for acceleration of any payments on, or repayment of, the Preferred Securities.

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

The Bank'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 the Bank, its assets would be available to pay obligations under the Guarantee only after the Bank has made all payments on such liabilities and claims.

Your 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 2006, the Guarantor had approximately EUR73,498 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 EUR4,304 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 2006, subsidiaries of the Guarantor had an aggregate total of EUR154,157 million of outstanding indebtedness and EUR3,201 million of preferred shares not guaranteed by the Guarantor and EUR44,060 million outstanding indebtedness and EUR4,304 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 \$190 million Series 1 Preferred Securities, EUR300 million Series 2 Preferred Securities, EUR200 million Series 3 Preferred Securities, \$500 million Series 4 Preferred Securities and \$600 million Series 5 Preferred Securities and \$350 million Series 6 Preferred Securities which will rank *pari passu* to the Issuer's obligations under the Preferred Securities.

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 the Bank 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 the Bank'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.

CONDITIONS OF THE PREFERRED SECURITIES

The Preferred Securities are issued by virtue of (i) the shareholder's meeting of the Issuer held on 22 June 2007 and the meeting of the Board of Directors (*Consejo de Administración*) of the Issuer held on 22 June 2007 (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 Conditions, the following expressions shall have the following meanings:

" Agent Bank "	means The Bank of New York and includes any successor agent bank appointed in accordance with the Paying Agency Agreement;
" Bank "	means Banco Santander Central Hispano, S.A.
" Business Day "	means a day on which commercial banks and foreign exchange markets settle payments and 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 10 July 2007;
" Distributions "	means the non-cumulative cash distributions determined in accordance with Condition 2 below;
" Distribution Payment Date "	means each Distribution Payment Date (Fixed) (as defined in Condition 2.1) and each Distribution Payment Date (Floating) (as defined in Condition 2.2);
" 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 (Fixed) (each a " Distribution Period (Fixed) ") and each Distribution Period (Floating) (as defined in Condition 2.2);
" 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 (as defined below), 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, article 16.1 of Royal Decree 1343/1992, of 6 November, and Rule 2° of Bank of Spain Circular 5/1993 regarding capital adequacy requirements;
“Guarantee”	means the guarantee dated 10 July 2007 and given 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 Condition 2.8, 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 £50,000 per 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 10 July 2007 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 7 250,000,000 Sterling Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities issued by the Issuer on the Closing Date;
“Principal Paying Agent”	means The Bank of New York (or any successor Principal Paying Agent appointed by the Issuer from time to time and notice of whose appointment is published in the manner specified in Condition 8 below);
“Prospectus”	means the prospectus relating to the Preferred Securities; and
“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.

2. Distributions

- 2.1 Subject to Conditions 2.8 and 2.12, the Preferred Securities bear Distributions from (and including) the Closing Date to (but excluding) 10 July 2012 at the rate of 7.005 per cent. per annum (the “**Distribution Rate (Fixed)**”) payable in arrear on 10 January and 10 July in each year falling on or before 10 July 2012 (each, a “**Distribution Payment Date (Fixed)**”).

If a Distribution is required to be paid in respect of a Preferred Security on any Distribution Payment Date (Fixed), it shall be calculated by the Agent Bank by applying the Distribution Rate (Fixed) to the Liquidation Preference in respect of each Preferred Security, multiplying the product by the Day Count Fraction (Fixed) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). For this purpose, “**Day Count Fraction (Fixed)**” 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 (Fixed) (or, in

the case of the first period, the Closing Date) to (but excluding) the next Distribution Payment Date (Fixed).

- 2.2 Subject to Conditions 2.8 and 2.12, the Preferred Securities bear Distributions from (and including) 10 July 2012, payable on 10 October, 10 January, 10 April and 10 July in each year falling after 10 July 2012 (each, a “**Distribution Payment Date (Floating)**”); provided, however, that if any Distribution Payment Date (Floating) 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 beginning on (and including) a Distribution Payment Date (Floating) (or, in the case of the first period, 10 July 2012) to (but excluding) the next Distribution Payment Date (Floating) is a “**Distribution Period (Floating)**”.

The rate of Distributions applicable to the Preferred Securities (the “**Distribution Rate (Floating)**”) for each Distribution Period (Floating) will be determined by the Agent Bank by applying the rate equal to Three Month LIBOR plus 0.835 per cent. per annum to the Liquidation Preference in respect of each Preferred Security multiplying the product by the Day Count Fraction (Floating) and rounding the resulting figure to the nearest penny (half a penny being rounded upwards). For this purpose, the “**Day Count Fraction (Floating)**” means the number of days in the period from and including the date from which the relevant Distribution begins to accrue for the relevant period of calculation to but excluding the date on which it falls due, divided by 365 (or, if the Distribution Payment Date (Floating) falls in a leap year, the sum of (A) the actual number of days in that portion of the Distribution Period (Floating) falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Distribution Period (Floating) falling in a non-leap year divided by 365).

- 2.3 *Distribution Rate:* “**Three Month LIBOR**” for each Distribution Period (Floating) will be determined by the Agent Bank on the following basis:

- (i) the Agent Bank will determine the rate for deposits in Sterling for a period equal to the relevant Distribution Period (Floating) which appears on the display page designated LIBOR01 on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as of 11:00 a.m., (London time), on the first day of the relevant Distribution Period (Floating) (the “**Distribution Determination Date**”);
- (ii) if such rate does not appear on that page, the Agent Bank will:
 - (A) request the principal London office of each of four major banks in the London interbank market (as selected by the Agent Bank (after consultation with the Issuer)) to provide a quotation of the rate at which deposits in Sterling are offered by it at approximately 11:00 a.m. (London time) on the Distribution Determination Date to prime banks in the London interbank market for a period equal to the relevant Distribution Period (Floating) and in an amount that is representative for a single transaction in that market at that time; and
 - (B) disregarding the highest and the lowest quotations received (or, in the case of repeated highest and/or lowest quotations, only one of such repeated highest and/or lowest quotations) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards and all Sterling amounts used in or resulting from such calculations will be rounded to the nearest penny (with a half penny being rounded upwards)) of such quotations;
- (iii) if at least two such quotations are provided, LIBOR will be the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, LIBOR will be the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by three major banks in the London market selected by the Agent Bank (after consultation with the Issuer) at approximately 11:00 a.m. (London time) on the first day of the relevant Distribution Period (Floating) for loans in Sterling to leading London banks for a period equal to the relevant Distribution Period (Floating) and in an amount that is representative for a single transaction in that market at that time,

provided, however, that if fewer than three banks so selected by the Agent Bank are providing such quotations, Three Month LIBOR for such Distribution Period (Floating) shall be either (i) Three Month LIBOR in effect for the last preceding Distribution Period (Floating) to which one of the preceding paragraphs of this definition of Three Month LIBOR shall have applied, or (ii) if none, the Distribution Rate (Fixed) .

- 2.4 Calculation of Distribution Amount: The Agent Bank will, as soon as practicable after the Distribution Determination Date in relation to each Distribution Period (Floating), calculate the amount of Distribution (the “**Distribution Amount**”) payable in respect of each Preferred Security for such Distribution Period (Floating).
- 2.5 The Agent Bank will cause each Distribution Rate (Floating) and Distribution Amount determined by it, together with the relevant Distribution Payment Date (Floating), to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) on which the Preferred Securities have been admitted to listing, trading and/or quotation as soon as practicable after such determination.
- 2.6 All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 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.
- 2.7 Subject to any applicable fiscal or other laws and regulations, each such payment in respect of the Preferred Securities will be made in Sterling by transfer to an account capable of receiving Sterling payments, 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 a global Preferred Security in bearer form for the total number of the Preferred Securities. Such global Preferred Security will be delivered into the physical custody of a common depositary for Euroclear and Clearstream, Luxembourg on or about the Closing Date. Euroclear and Clearstream, Luxembourg will make payment of any amounts received by them to their accountholders in accordance with their published rules and regulations.

- 2.8 Distributions shall not be payable to the extent that:
 - 2.8.1 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
 - 2.8.2 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.

- 2.9 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 Condition 2.8 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.
- 2.10 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 Condition 2.8 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.

- 2.11 If as a result of the limitations described in Condition 2.8 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.
- 2.12 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 Condition 2.8, 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 two consecutive Distribution Periods (Fixed) or for four consecutive Distribution Periods (Floating) (or, if applicable, for one Distribution Period (Fixed) and two consecutive Distribution Periods (Floating)).
- 2.13 Save as described in this Condition 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 liquidating 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 liquidating distributions in respect of the Preferred Securities or any Parity Securities, if, at the time such liquidating 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 liquidating distributions in respect of the Preferred Securities and all Parity Securities shall not exceed the liquidating 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 liquidating distributions by payment to each person in physical custody of the relevant Preferred Securities against surrender of such Preferred Securities.

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

- 3.3 If liquidating distributions amounts are limited as described in Condition 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 Conditions 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 liquidating distributions in respect of the Preferred Securities shall mean the Liquidation Distributions.

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

4. **Optional Redemption**

4.1 The Preferred Securities shall not be redeemable prior to 10 July 2012 (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, in whole but not in part, 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 Condition 8 (which notice shall be irrevocable).

4.2 If the Issuer gives a notice of redemption in respect of Preferred Securities, pursuant to Condition 4.1 then, by 12:00 hours (London time) on the relevant redemption date, 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 Condition 2.7 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. **Purchases of Preferred Securities**

In order to comply with certain Spanish capital adequacy regulations in force at the Closing Date, 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 10 July 2012. Notwithstanding the foregoing, if Spanish law were to change and such purchases were permitted before 10 July 2012, 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.

6. **Exercise of Rights by Holders of Preferred Securities**

6.1 **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 Conditions 6.1.1, 6.1.2, 6.1.3 below, have the right to participate in the adoption by the Issuer of certain decisions in the Special General Meetings as described below.

6.1.1 Failure to pay Distributions for two consecutive Distribution Periods (Fixed) or for four consecutive Distribution Periods (Floating) (or, as the case may be, for one Distribution Period (Fixed) and two consecutive Distribution Periods (Floating))

- (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 two consecutive Distribution Periods (Fixed) or on four consecutive Distribution Periods (Floating) (or, as the case may be, for one Distribution Period (Fixed) and two consecutive Distribution Periods (Floating)), 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.

There have been issues of series 1 to series 6 preferred securities by the Issuer with similar terms and conditions to the Preferred Securities. Therefore if the circumstances in this paragraph arise, the holders of such preferred securities together with the holders of the Preferred Securities must act together as a single class in making any resolution referred to in paragraph (b) below. In the event that the Issuer issues further preferred securities the holders of all preferred securities in respect of which the Issuer and 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%) 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.

- (c) The board of directors of the Issuer, or an authorised committee, will call a Special General Meeting of holders of Preferred Securities within thirty business days following the relevant consecutive 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% 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 Condition 6.2 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 three members and a maximum of 11.*

As at the date of the Prospectus the board of directors has four 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 two consecutive Distribution Periods (Fixed) or for four consecutive Distribution Periods or, as the case may be, one Distribution Period (Fixed) and two consecutive Distribution Periods (Floating), 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 Condition 8 below.

6.1.2 Amendment to the Terms and Conditions of the Preferred Securities and further issuances

- (a) Any amendment to the terms and 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.
- (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.

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.

6.1.3 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 to 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.

The result of the above mentioned vote shall be disclosed at the general shareholders meeting as well as the fact that the shareholders of the Issuer have undertaken to vote in the corresponding general shareholders meeting in accordance with the vote of the separate 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 Condition 8 below. This notice will include a statement regarding: (i) the date, time and place of the meeting; and (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 Condition 3.2 above.

6.2 Special General Meetings

- 6.2.1 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.
- 6.2.2 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.
- 6.2.3 In a Special General Meeting all resolutions shall be made by the majority set out in Conditions 6.1.1, 6.1.2 and 6.1.3 above, as applicable, and will be binding on all of the holders of such preferred securities, including those not in attendance and dissenters.
- 6.2.4 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.
- 6.2.5 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 Gilt-Edged and Fixed Interest 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 mail to Euroclear and Clearstream, Luxembourg (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).

6.3 Pre-emptive Rights and other provisions

- 6.3.1 The Preferred Securities do not grant their holders pre-emption rights in respect of any possible future issues of preferred securities.
- 6.3.2 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.
- 6.3.3 No vote in respect of the Preferred Securities will be required for the Issuer to redeem and cancel the Preferred Securities.
- 6.3.4 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.
- 6.3.5 The Preferred Securities may be transferred in accordance with the procedures established therefor with the relevant clearing system.

7. Taxation

- 7.1 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.

7.2 Neither the Issuer nor the Bank shall be required to pay any additional amounts as referred to in Condition 7.1 in relation to any payment in respect of Preferred Securities:

7.2.1 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

7.2.2 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 19/2003 of 4 July and any implementing legislation; or

7.2.3 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

7.2.4 where the withholding or deduction referred to in Condition 7.1 is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

7.2.5 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

7.2.6 to, or to a third party on behalf of, individuals resident for tax purposes in The Kingdom of Spain to individuals or a resident of, or obtaining the income through, a tax haven (as defined in Royal Decree 1080/1991 of 5 July, as amended); or

7.2.7 to, or to a third party on behalf of, a Spanish resident corporate entity if the Spanish tax authorities determine that 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 27th July 2004 and require a withholding to be made.

A list of the tax havens referred to in Condition 7.2.6 as at the date of the Prospectus is set out in "Taxation and Disclosure of Holder Information in Connection with Payments of Distributions – Taxation in Spain – Tax Havens" of the Prospectus.

7.3 For the purposes of Condition 7, 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 Condition 8 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 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.

8. 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 maintained by the UK Listing Authority and is admitted to trading on the London Stock Exchange plc's Gilt-Edged and Fixed Interest Market, and the UK Listing Authority so requires, by publication in a leading English language daily newspaper published

in London (which is expected to be the Financial Times) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe, and (ii) by mail to Euroclear and Clearstream, Luxembourg (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 Euroclear and Clearstream, Luxembourg.

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

9. **Form and Status**

The Preferred Securities will be issued in bearer form.

It is intended that a global Preferred Security representing the Preferred Securities will be delivered by the Issuer to a common depository for Euroclear and Clearstream, Luxembourg. As a result, accountholders should note that they will not themselves receive definitive Preferred Securities but instead Preferred Securities will be credited to their securities account with the relevant clearing system. It is anticipated that only in exceptional circumstances (such as the closure of Euroclear and Clearstream, Luxembourg, the non-availability of any alternative or successor clearing system, removal of the Preferred Securities from Euroclear and Clearstream, Luxembourg and failure to comply with the terms and 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 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.

10. **Use of Proceeds**

The funds raised from the issue of the Preferred Securities amounting to 250,000,000 Pounds Sterling, 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 and will be used for the Group's general corporate purposes. The deposit shall rank equally 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.

11. **Agents**

In acting under the Paying Agency Agreement and in connection with the Preferred Securities, the Paying Agents 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 the official list maintained by the UK Listing Authority and are admitted to trading on the London Stock Exchange plc's Gilt-Edged

and Fixed Interest Market and the rules of the UK Listing Authority so require, a Paying Agent having its specified office in London.

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.

12. **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.

13. **Governing Law and Jurisdiction**

13.1 *Governing Law*

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

13.2 *Jurisdiction*

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.

THE GUARANTEE

The following is the text of the Guarantee:

THIS GUARANTEE (the “**Guarantee**”), dated 10 July 2007, is executed and delivered by Banco Santander Central Hispano, 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 Preferred, S.A. Unipersonal, a limited liability company (*sociedad anónima*) incorporated under the laws of the Kingdom of Spain (the “**Issuer**”) of Series 7 £250,000,000 Fixed/Floating Non-cumulative Perpetual Guaranteed Preferred Securities (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 in respect of 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 terms thereof;

“**Distribution Payment Date**” means each Distribution Payment Date (Fixed) and each Distribution Payment Date (Floating) (each as defined in the terms of the Preferred Securities);

“**Distribution Period**” shall have the meaning given to it in the Terms 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 £50,000 per Preferred Security;

“**Parity Securities**” means (as the case may be) any preferred securities (*participaciones preferentes*) 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 *pari passu* with the Bank’s obligations under the Guarantee, or issued by the Bank and ranking *pari passu* 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 (*Ley del Mercado de Valores*); 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 accrued and unpaid Distributions relating to the Redemption Price or Liquidation Distribution) on any Preferred Securities to the extent that:

2.2.1 the aggregate of such Distribution, 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 the Preferred Securities) would exceed the Distributable Profits of the immediately preceding Fiscal Year; or

2.2.2 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.

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 liquidating distribution with respect to the Preferred Securities, and all Parity Securities shall not exceed the liquidating 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 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 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:

- 3.2.1 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
- 3.2.2 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
- 3.2.3 any breach, omission or delay by the Holders in exercising the rights granted by the Preferred Securities; or
- 3.2.4 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
- 3.2.5 any defect in or invalidity of the Preferred Securities; or
- 3.2.6 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 such payment, 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 two consecutive Distribution Periods (Fixed) or on four consecutive Distribution Periods (Floating) (or, if applicable, for one Distribution Period (Fixed) and two consecutive Distribution Periods (Floating)) in respect of all Preferred Securities then outstanding.

4.3 **Ownership**

The Guarantor undertakes to hold (directly or indirectly) 100% 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 paragraph 3.2 of the terms and 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 terms and conditions of the Preferred Securities:

4.4.1 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;

4.4.2 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

4.4.3 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 terms 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 6.2 of the Terms and Conditions.

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 6.2 of the Terms and Conditions.

6.4 Notices

- 6.4.1 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 Central Hispano, 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.

- 6.4.2 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 maintained by the UK Listing Authority and is admitted to trading on the London Stock Exchange Plc's Gilt-Edged and Fixed Interest Market, and the UK Listing Authority so requires, by publication in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) of, if such a publication is not practicable, in a leading daily newspaper in English and having general circulation in Europe, and (ii) by mail to Euroclear and Clearstream, Luxembourg (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).

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

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 as of the date first above written on behalf of the Bank.

BANCO SANTANDER CENTRAL HISPANO, S.A.

By:

THE ISSUER

The Issuer, which is a wholly owned subsidiary of the Guarantor, was incorporated by a public deed executed on 27 February 2004, and registered in the Mercantile Registry of Madrid on 2 March 2004, in volume 19.747, book 0, Folio 171, section 8, sheet M-347560 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 (including the United States, Luxembourg and the Netherlands) and deposit the net proceeds with the Bank. As of the date of this Prospectus, the share capital of the Issuer is EUR150,500 divided into 1,505 ordinary shares of par value EUR100.00 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 \$190 million Series 1 Preferred Securities, EUR300 million Series 2 Preferred Securities, EUR200 million Series 3 Preferred Securities, \$500 million Series 4 Preferred Securities, \$600 million Series 5 Preferred Securities and \$350 million Series 6 Preferred Securities, which will rank *pari passu* to the Issuer's obligations under the Preferred Securities.

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. As of the date of this Prospectus, the Issuer has prepared its audited financial statements for the year ended 31 December 2006. Save for the issue of the Series 5 Preferred Securities, the Series 6 Preferred Securities and the Preferred Securities, and matters incidental thereto, there have been no other main changes to the financial statements of the Issuer since 31 December 2006.

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:

Name	Business Address	Position	Other Position in the Group
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
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.

Since the Issuer's date of incorporation, 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) which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

The financial statements (excluding the management report) of the Issuer incorporated into this Prospectus by reference for the year ended 31 December 2005 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 31 December 2006, being the date of the most recently published audited financial statements of the Issuer.

There has been no material adverse change in the prospects of the Issuer since 31 December 2006.

BANCO SANTANDER CENTRAL HISPANO, S.A. AS GUARANTOR

INFORMATION ABOUT THE GUARANTOR

The name of the Bank is BANCO SANTANDER CENTRAL HISPANO, S.A. and it operates under the trading name “Santander” or “Grupo Santander”. At the general shareholders’ meeting of the Bank held on 26 June 2007, the Bank’s change of name to Banco Santander, S.A. was approved. This change is subject to the approval of the regulatory bodies and to registration in the Mercantile Registry.

The Bank is registered in the Santander Commercial Registry in book 83, folio 1, sheet 9, entry 5519, and it adapted its Articles of Association 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 Santander Commercial Registry in volume 448 of the Archive, folio 1, sheet number 1960, Adaptation entry one.

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

The Bank 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 Bank 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 Bank commenced trading at the time of its formation and according to Article 3 of the Articles of Association it will remain in existence for an indefinite period.

The Bank 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.

BANCO SANTANDER CENTRAL HISPANO, S.A. was incorporated in Spain and has its registered office at Paseo de Pereda, numbers 9 to 12, Santander. The principal operating headquarters of the Bank is 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 Bank is +34 91 259 65 20.

The non-consolidated and consolidated annual financial statements of BANCO SANTANDER CENTRAL HISPANO, S.A. for the years ended 31 December 2005 and 2006, and the consolidated financial statements for the 3 month period ended 31 March 2007 were audited by the external auditors, DELOITTE, S.L. (formerly DELOITTE & TOUCHE ESPAÑA, S.L.) 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.

The Guarantor’s auditors have not resigned nor removed, and were last re-appointed by the Bank on 26 June 2007 to audit the annual financial statements for the financial year ending 31 December 2007.

BUSINESS OVERVIEW

The Group is a financial group operating principally in Spain, the United Kingdom, other European countries and Latin America, offering a wide range of financial products. At 31 December 2006, the Group was one of the twelve largest banking groups in the world by market capitalization and the largest banking group in the EUR zone with a stock market capitalization of EUR88.4 billion, stockholders’ equity of EUR44.9 billion and total assets of EUR833.9 billion. The Group had an additional EUR167.1 billion in mutual funds, pension funds and other assets under management at that date. As of 31 December 2006, the Group had 46,010 employees and 5,772 branch offices in Continental Europe, 16,942 employees and 712 branches in the United Kingdom, 65,967 employees and 4,368 branches in Latin America and 830 employees in other geographic.

The Group’s principal operations are in Spain, the United Kingdom, Portugal, Germany, Italy and Latin America. The Group also has significant operations in New York as well as financial investments in Sovereign and Attijariwafa Bank Société Anonyme (formerly, Banque Commerciale du Maroc) (“*Attijariwafa Bank*”). In Latin America, the Group has majority shareholdings in banks in Argentina, Brazil, Chile, Colombia, Mexico, Puerto Rico, Uruguay and Venezuela.

In the definition of the operating business areas, Grupo Santander maintained in 2006 the general criteria used in 2005, with two exceptions:

- The Global Customer Relation Model, which includes 66 new clients, mainly from Latin America was expanded. This does not mean any changes in the geographic segments, but it does affect the figures for Retail Banking (from where they come) and Global Wholesale Banking (where they are incorporated).
- New York's business, which was included within Continental Europe, is incorporated to the perimeter of Latin America as this is the sphere of management which develops most of its activities. In the secondary segment, it remains within Global Wholesale Banking.

In addition, and in line with the criteria established in the IFRS, the results of businesses discontinued in 2006 and which consolidated by global integration (Abbey's insurance, Urbis, Peru and Bolivia) were eliminated from various lines of the income statement and included in "net profit from discontinued operations."

The figures for 2005 have been drawn up again and include the changes, at both the Group level as well as the affected areas. This enables management of the Group's recurrent businesses to be better followed.

In accordance with the criteria established by the IFRS, 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 specialized private bank), asset management and insurance and wholesale banking conducted in Europe, with the exception of Abbey. This segment includes the following units: Santander Network, Banco Español de Crédito, S.A. ("Banesto"), Santander Consumer Finance and Portugal.

In addition, small units outside the three geographic areas, whose relative importance to the Group's total business is not significant and which are extensions of the main areas, are included in Continental Europe.

- *United Kingdom (Abbey).* This covers only Abbey's business, mainly focused on retail banking and insurance in the UK.
- *Latin America.* This embraces all the financial activities conducted via the Group's subsidiary banks and other subsidiaries. It also includes the specialized units in International Private Banking, as an independent globally managed unit.

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).
- *Asset Management and Insurance.* This includes the Group's units that design and manage mutual and pension funds and insurance.
- *Global Wholesale Banking.* This business reflects the returns from Global Corporate Banking, Investment Banking and Markets worldwide, including all treasuries with global management, as well as the Group's equities business.

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 centralized 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 securitizations. As the Group's holding entity, it manages all capital and reserves and allocations of capital and liquidity.

Principal level (or geographic):

Continental Europe

This area covers the banking activities of the different networks and specialized units in Europe, principally with individual clients and small and medium sized companies (“SMEs”), as well as private and public institutions. During 2006 there were four main units within this area: Santander Network, Banesto, Santander Consumer Finance and Portugal including retail banking, asset management, insurance and global wholesale banking.

Continental Europe is the largest business area of Grupo Santander. At the end of 2006, it accounted for 46.5% of total customer funds under management, 52.0% of total loans and credits and 55.7% of profit attributed to the Group of the Group’s main business areas.

The area had 5,772 branches and 44,216 employees (direct and assigned) at the end of 2006.

The main drivers behind the results (excluding the capital gains) were the rise in commercial revenues, control of costs with selective growth and a diversified increase in business.

In 2006, the efficiency ratio improved by 2.7% to 40.8% (from 43.5% in 2005). Profit attributed to the Group increased 39.1% to EUR4,144 million. Return on equity, “ROE”, in 2006 was 20.4%, a 1.9% decrease from 2005.

Santander Network

The retail banking activity is carried out through the branch network of Santander, with support from an increasing number of automated cash dispensers, savings books updaters, telephone banking services, electronic and internet banking.

At the end of 2006, the Group had 2,832 branches and a total of 19,027 employees (direct and assigned), of which 745 employees were temporary, dedicated to retail banking in Spain. Compared to 2005, there was a net increase of 163 branches and a net reduction of 65 employees.

In 2006, the Santander Network grew by approximately 19.0% in lending, 15.6% in net operating income and 17.2% in profit attributed to the Group. It also improved its efficiency ratio from 44.0% in 2005 to 40.9% in 2006 and continued high standards of quality in credit risk.

Gross income from the Santander Network was EUR4,182 million in 2006, an 9.3% increase from 2005.

In 2006, profit attributed to the Group from the Santander Network was EUR1,505 million, 17.2% higher than profit attributed to the Group in 2005, while the ROE reached 21.3% (as compared to 22.8% in 2005).

The 19.0% growth in lending in 2006 versus 2005 came from mortgages (16% increase, mainly for individual customers) as well as personal loans (17% increase), leasing and renting (20% increase) and other loans and credits (28% increase).

Customer deposits increased by 16.9%, while mutual and pension funds decreased by 0.7% and increased by 15.6%, respectively.

Banesto

At the end of 2006, Banesto had 1,844 branches and 10,545 employees (direct and assigned), of which 336 employees were temporary (an increase of 141 branches and a reduction of 32 employees as compared to the end of 2005).

For purposes of the Group’s financial statements the Group has calculated Banesto’s results of operations using the criteria described on page 106 of the 2006 Annual Report. As a result, the data set forth herein may not coincide with the data published independently by Banesto.

In 2006, Banesto grew by approximately 27.6% in lending, 27.0% in customer deposits and 3.6% in off-balance sheet customer funds.

In 2006, gross income from Banesto was EUR1,987 million, an 11.0% increase from 2005. Profit attributed to the Group from Banesto was EUR1,259 million, a 152.6% increase from 2005, while the ROE reached 20.6% (as compared to 19.4% in 2005) and the efficiency ratio improved to 45.3% (as compared to 48.2% in 2005).

Santander Consumer Finance

The Group's consumer financing activities are conducted through its subsidiary Santander Consumer Finance S.A. 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.

At the end of 2006, this unit had 282 branches (as compared to 267 at the end of 2005) and 5,401 employees (direct and assigned) (as compared to 5,118 employees at the end of 2004), of which 221 employees were temporary.

In 2006, this unit generated gross income of EUR1,825 million, a 15.2% increase from 2005. Profit attributed to the Group was EUR565 million, a 20.9% increase from 2005, while the ROE reached 35.6% (as compared to 44.2% in 2005) and the efficiency ratio improved to 34.6% (as compared to 34.3% in 2005).

At the end of 2006, total lending amounted to more than EUR39,000 million (a 22% increase as compared to 2005) (including securitizations). Two-thirds of it is auto finance, with a greater share of new vehicles (40% vs. 25% for used vehicles), and the combined share of consumer loans via dealers, cards and direct credit represent 18% of the total portfolio. Three countries account for 85% of the portfolio: Germany (42%), Spain (30%) and Italy (13%).

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 2006, Portugal operated 727 branches (as compared to 693 branches at the end of 2005) and had 6,114 employees (direct and assigned) (as compared to 6,308 employees at the end of 2005), of which 206 employees were temporary.

In 2006, gross income from the Group's activities in Portugal was EUR1,103 million, a 10.8% increase from 2005. Profit attributed to the Group was EUR423 million, 22.4% higher than in 2005, while the ROE reached 24.1% (20.8% in 2005) and the efficiency ratio improved to 47.3% (from 49.4% in 2005).

Others

The rest of the Group's businesses (Banif, Asset Management, Insurance and Global Wholesale Banking) generated profit attributed to the Group of EUR392 million, 2.2% more than in 2005.

United Kingdom (Abbey)

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

Abbey is a significant financial services provider in the United Kingdom, being the second largest 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 2006, Abbey had 712 branches and a total of 17,146 employees (direct and assigned) of which 210 employees were temporary. Compared to 2005, there was no variation in the number of branches and a net reduction of 1,938 employees.

For purposes of the Group's financial statements, the Group has calculated Abbey's results of operations using the criteria described on page 106 of the 2006 Annual Report. As a result, the data set forth herein may not coincide with the data published independently by Abbey.

In 2006, Abbey contributed gross income of EUR3,560 million (a 5.4% increase from 2005), net operating income of EUR1,620 million (a 25.5% increase from 2005) and EUR1,003 million of profit attributed to the Group (a 23.7% increase from 2005) which represents a 13.5% of the Group's total operating areas. Loans and advances experienced growth of approximately 10.9% and customer funds under management decreased by 9.4% during the same period. ROE was 32.8% (as compared to 35.7% in 2005) and the efficiency ratio was 55.1% (as compared to 62.2% in 2005).

Operating expenses were 6.7% lower, with cumulative cost savings of £300 million since the Group acquired Abbey.

The increase in loans and credits was accompanied by good credit risk quality. The non-performing loans ratio was 0.60% at the end of 2006, 0.07% less than in 2005 and coverage rose from 78% to 86%.

Latin America

At 31 December 2006, the Group had 4,368 offices and 66,889 employees (direct and assigned) in Latin America (as compared to 4,100 offices and 61,209 employees, respectively, at 31 December 2005), of which 985 were temporary employees.

Profit attributed to the Group from Latin America was EUR2,287 million, a 28.6% increase from 2005, while the ROE reached 26.6% (as compared to 22.6% in 2005) and the efficiency ratio improved to 47.0% (as compared to 52.8% in 2005). At the end of 2006, Latin America accounted for 30.8% of total profit attributed to the Group of 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 2006</u>		<u>Percentage held at 31 December 2006</u>
Banco Río de la Plata, S.A. (Argentina)	99.30	Banco Santander, S.A. (Mexico)	74.91
Banco Santander Banespa, S.A. (brazil)	97.97	Banco Santander Puerto Rico	90.77
Banco Santander Chile	76.73	Banco Santander, S.A. (Uruguay)	100.00
Banco Santander Colombia, S.A.	97.64	Banco De Venezuela, S.A. Vanco 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's 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.), and breadth and depth of its franchise.

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

Brazil. Santander Banespa is one of the main financial franchises in Brazil. The Group has 2,026 branches and 7.5 million individual customers.

The Group continued to focus during 2006 on expanding retail businesses, particularly on capturing, linking and retaining customers. During the year, 665,000 individuals and 5,000 SMEs became clients.

Lending rose 34% excluding the exchange rate impact. Particularly noteworthy was the 30% rise in lending to individual customers (62% increase via credit cards, 83% increase in loans linked to payroll deposit and 37% increase in auto finance) and the 38% growth in lending to SMEs and companies. These growth rates produced a gain in market share that at the end of 2006 was of 5.7%.

Bank savings increased 18% (market share of 4.5%) and mutual funds grew 29% (market share of 8.1% in the retail segments).

Profit attributed to the Group from Brazil in 2006 was EUR751 million, a 27.2% increase as compared with 2005 (15.3% increase excluding the exchange rate impact). At the end of 2006 the efficiency ratio was 46.4%, ROE was 28.4%, the ratio of non-performing loans ("NPL") was 2.4% and the NPL coverage was 103%.

Mexico. Banco Santander Serfin, S.A. is one of the leading financial services companies in Mexico. It heads the third largest banking group in Mexico in terms of business volume, with a market share in total loans of 15.4%, 16.0% in deposits and mutual funds and 6.9% in pensions. The Group has a network of 1,039 branches and 8.1 million banking customers in Mexico.

Profit attributed to the Group from Mexico increased 40.3% to EUR528 million (an increase of 41.5% after eliminating the exchange rate impact). The efficiency ratio was 44.4%, ROE was 23.1%, the ratio of non-performing loans was 0.64% at the end of 2006 and the NPL coverage was 279%.

Chile. Banco Santander Chile heads the largest financial group in the country with substantial business in loans, deposits and mutual funds and pension funds. The Group has 397 branches and 2.4 million banking customers.

In 2006, in local currency, lending increased 17% (including a 24% increase to individuals), while deposits and mutual funds grew 22%.

Profit attributed to the Group from Chile increased 44.8% to EUR489 million (a 38.7% increase after eliminating the exchange rate impact). The efficiency ratio stood at 41.5%, ROE was 32.2%, the ratio of non-performing loans was 1.6% and the NPL coverage was 153%.

Puerto Rico. Banco Santander Puerto Rico is one of the largest financial institutions in Puerto Rico. The Group has 140 branches, 0.3 million customers and market shares of 10.1% in total loans, 11.2% in deposits and 21.8% in mutual funds.

In 2006, Santander Puerto Rico focused on developing business with individual customers (consumer loans and mortgages) and companies, in an environment of low economic growth and, consequently, a moderate slowdown in the pace of business growth in the financial system. Lending increased 14% in local currency and deposits (excluding REPOs) and mutual funds rose 7%.

Profit attributed to the Group from Puerto Rico was EUR26 million, 46.2% lower than in 2005 (a 45.7% decrease in local currency). The efficiency ratio was 68.1%, ROE was 6.1%, the ratio of non-performing loans stood at 1.7% and the NPL coverage was 162%.

Venezuela. Banco de Venezuela, S.A. Banco Universal is one of the country's largest banks with market shares of 12.9% in total loans and 11.7% in deposits. It has 282 branches and 2.6 million banking customers.

The main focus of management in 2006 was to maximise the profitability of business and boost recurrent revenues, through growth in lending, especially to individuals, transactional deposits and fee-generating services. Lending, after eliminating the exchange rate impact, increased 53% (including a 159% increase to individual customers) and the aggregate of deposits (excluding REPOs) and mutual funds rose 78%.

Profit attributed to the Group from Venezuela grew to EUR146 million (a 13.0% increase excluding the exchange rate impact). The efficiency ratio was 43.2%, ROE stood at 37.8%, the ratio of non-performing loans was 1.0% and the NPL coverage was 436%.

Colombia. The Group's market shares in Colombia were 2.9% in total loans and 2.7% in deposits. In a favourable environment of economic and financial stability, the Group focused in 2006 on developing its franchise and on selective business growth, particularly in the retail segments. Lending to individual customers and SMEs rose 65% and deposits and mutual funds increased 25%.

Profit attributed to the Group from Colombia was EUR24 million, 37.7% lower than in 2005 excluding the exchange rate impact.

Others

Argentina consolidated its economic recovery during 2006 and made a positive contribution to Group earnings (profit attributed to the Group was EUR148 million in 2006, a 101.6% increase excluding the exchange rate impact). Lending rose 33% and was very focused on SMEs and individuals, while deposits (excluding REPOs) and mutual funds increased 34%.

In 2006 Uruguay generated profit attributed to the Group of EUR28 million, while during this year the Group sold its pension funds business in Peru and its subsidiary in Bolivia, Banco Santa Cruz.

Santander Private Banking performed well with profit attributed to the Group up 20.5% during 2006 to EUR139 million.

Secondary level (or business)

Retail Banking

The Group's Retail Banking generated 85% of the operating areas' total gross income in 2006 and 78% of profit before tax. In 2006, Retail Banking generated gross income of EUR19,375 million, 15.5% higher than in 2005. Profit before taxes was EUR7,180 million, 19.9% higher than in 2005. This segment had 119,346 employees at the end of 2006.

Retail Banking in Continental Europe continued the growth trends in volume and earnings seen since the beginning of 2005. Net interest income rose 13.8%, net operating income 15.8% and profit before tax 18.3%, excluding the capital gain from the sale of Urbis. All units (Santander Branch Network, Banesto Retail, Santander Consumer Finance, Portugal Retail and Banif) grew at a brisk pace.

There were three main drivers: business growth (+24% in lending and +15% in deposits), good management of prices in an environment of rising interest rates and selective growth in expenses.

Profit before tax generated by Abbey's Retail Banking was 17.1% higher, spurred by growth of 25.7% in net operating income. There were two elements behind the latter's increase: the rise of 5.0% in gross operating income, because of the good performance of net interest income and net fees, and the 7.4% reduction in operating expenses.

The good earnings performance of Retail Banking in Latin America was based on strong growth in customer business, the good performance in net interest income and net fees, and control of expenses which was compatible with business development. Commercial revenue increased 29.0%, net operating income 51.6% and profit before tax 43.9%. The respective increases, excluding the exchange rate impact, were 24.3%, 45.8% and 39.5%.

Asset Management and Insurance

This segment comprises all of the Group's companies whose activity is the management of mutual and pension funds and insurance.

In 2006, Asset Management and Insurance generated gross income of EUR1,066 million, 16.5% higher than in 2005. Profit before taxes was EUR645million, 18.1% higher than in 2005. The efficiency ratio was 1.3% better at 39.3%. This segment had 7,132 employees at the end of 2006.

This segment accounted for 5% of gross income and 7% of profit before tax.

Total revenues generated for the Group by mutual and pension funds and insurance, including those recorded by the distribution networks, increased 15% to EUR3,511 million and accounted for around one-sixth of the operating areas' overall total.

Asset Management. Santander Asset Management's global business of mutual and pension funds generated EUR2,028 million of fees for the Group, 6.3% more than in 2005. Profit before tax amounted to EUR410 million (+9.0%), after deducting operating costs and fees paid to the networks. Total managed assets were close to EUR150,000 million, making us one of the largest institutions focused on the retail segment at the international level.

Santander Asset Management's strategy in 2006 focused on developing platforms for transactional investment and sharing successful experiences in the launch of new products. All of this helped to consolidate the Group's leadership position in mutual funds in Spain (24% market share according to Inverco) and in Latin America among the largest international banks.

As regards private pension fund management institutions (AFPs) in Latin America, the Group restructured its presence in the region and concentrated on countries where Santander does banking business. As a result, AFP Unión Vida in Peru was sold.

The funds of Santander Asset Management Spain performed well, outperforming their benchmark indices by 0.6% on average. The average return on the funds was around 6% (25% in equity funds).

In Portugal, mutual and pension fund management focused on improving the product mix, with a greater share of equity and guaranteed funds. This produced combined growth of 9% in mutual and pension funds to EUR7,500 million, as well as an improvement in the average commission of 0.04%.

In the UK, 2006 was a key year for restructuring and relaunching asset management activity. A new unit, Santander Asset Management UK, was created which reorganized the activities already developed by Abbey and strengthened the investment capacities in this activity, as well as operating with systems integrated with those of two of the Spanish fund management institutions.

In Latin America, the Group's global experience combined with a developing banking market resulted in an increase of 24% in managed funds to EUR28,000 million (+34% excluding the exchange-rate impact). Market shares continued to increase in three of the large countries.

Insurance. Global insurance business generated total gross income (revenues plus commissions) of EUR1,483 million (+28.8%). Its total contribution to the Group, the sum of profit before tax (EUR236 million) and fees paid to the network, was EUR1,420 million (+29.8%).

Santander continued to focus insurance activity on distribution of value-added products to individuals via its networks.

Continental Europe, which accounts for 54% of the Group's total contribution, registered strong growth in all its units. Spain contributed EUR370 million (+64% year-on-year), due to its expanded and improved range of products combined with intensive marketing.

Risk insurance business in Portugal linked to loans grew strongly and, above all, capitalization-savings products (+67% in premium income) whose market share rose by more than 2%. The total contribution to the Group was 31% higher at EUR77 million.

Santander Consumer Finance kept up a strong pace of growth in credit-linked insurance. Its contribution via fees increased 24% to EUR316 million (22% of the Group's total).

Abbey's total contribution was EUR294 million, 14% more than in 2005 on a like-for-like basis (i.e. excluding the life assurance business sold in 2006). The product mix was better and the greater contribution via distribution offset the similar level of revenues from general insurance and somewhat less in life protection. The distribution agreements with Resolution are enabling Abbey to begin to rebuild sales capacity for life assurance.

Latin America generated 26% of the total contribution (EUR363 million; +24%). The drive in marketing products via the branch networks and the development of streamlined and transparent life-risk products raised the contribution from all countries (high double digit growth). Argentina doubled its contribution to become the region's third largest and Brazil, the Group's largest market, contributed 22% more than in 2005.

Global Wholesale Banking

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

This segment contributed 11% of total gross income and 14% of profit before tax. Profit before taxes amounted to EUR1,353 million, a 17.0% increase from 2005. This segment had 1,744 employees at the end of 2006.

Profit before tax was 17.0% higher at EUR1,353 million, largely due to the investment banking and markets areas. The growth registered was driven by the 39.7% rise in revenues from clients and a further gain in the efficiency ratio to below 30% (29.9%, 3.8% better than in 2005).

The business model is structured in a double (customer-product) vector in the countries where it operates. In the customer vector, the Global Customer Relationship Model, which manages the main corporate and institutional customers, increased its perimeter in 2006 with the addition of 66 clients, mostly from Latin America and previously managed by the retail banking area. Gross operating income generated by this model, on a like-for-like basis after adjusting 2005's figures to the new perimeter, was 39% higher at EUR777 million.

The product vector consists in three large areas:

1. Global transactional services: Gross income generated by corporate products increased 18%, and progress was made in implementing the single management model in the countries where the Group has a significant presence.

Cash management performed well, with 26% growth in gross income following a significant rise in activity which lifted the Group's market share of this business with the main clients by 2% in Spain. The area covers the range of transactional products (management of payment collection, payments to

suppliers, payrolls, etc), commercial financing (discounting, advances, factoring, confirming, etc) and funds.

Trade finance, which covers foreign trade and trade finance operations, registered sustained growth in gross income (+9%) and business.

Global Securities (custody) maintained significant growth in gross income (+16%) and volumes. It had more than EUR500,000 million of assets in deposit, keeping it as the market leader in Spain, Latin America (basically Brazil and Mexico) and Portugal.

2. Investment Banking. The three areas (corporate finance, structured finance and capital structuring) were grouped together in 2006 under a single, integrated and global organization specialized by sectors. This helped to raise the profile of operations, focus on products with the greatest value-added and maximize cross-selling. All of this was important for generating new business opportunities; gross income increased 77%.
3. Markets. This covers global treasury activities, both for customers as well as trading, and distribution of equities. Gross income was 31% higher.

Global treasury's gross operating income increased 30%, driven by the solid recurrence of client revenues (+49%) as a result of the good performance of strategic projects (Santander Global Markets for corporate and institutional clients, and Santander Global Connect for retail clients). Proprietary trading in Latin America also yielded good results, although growth was lower in 2006 because of the sale of portfolios and stakes in 2005.

In Spain and Portugal, gross income from treasury rose 87%. Of note was the take-off of the Santander Global Markets project, both in the corporate and institutional segments, thanks to the strong rise in business, the greater share of value-added solutions and successful management of the associated flows and books.

Gross income of Latin American treasuries was 24% higher, spurred by an excellent performance in clients (+55%) and in proprietary activity which took advantage of the opportunities arising in the markets.

Lastly, treasury in New York is consolidating itself as a key element in the operations of Latin American markets. The range of products continued to increase in 2006 in order to provide clients with value-added solutions.

In equities gross income was 39% higher thanks to participation in major deals and maintaining the Group's leadership position in brokerage activities in Spain (15.6% market share).

Financial Management and Equity Stakes

At the end of 2006, this area had 1,498 employees (direct and assigned) (1,462 employees at the end of 2005), of which 402 were temporary.

This area is responsible for a series of centralized activities and acts as the Group's holding entity, managing all capital and reserves and assigning capital and liquidity to the other businesses. It also incorporates centrally managed business, which can be divided into the following sub areas:

Equity Stakes: this sub segment centralizes the management of equity stakes in financial and industrial companies. The main developments were: the acquisition of 24.8% of Sovereign Bancorp for US\$2,921 million and the sale of 4.8% of Sanpaolo IMI for EUR1,585 million (gross capital gain of EUR705 million).

Financial Investments

The Group has financial investments in a number of banking companies, principally in Europe. The following summarizes its most important financial investments:

Sovereign Bancorp. At 31 December 2006, the Group had a 24.8% stake in Sovereign.

Attijariwafa Bank. At 31 December 2006, the Group had a 14.5% interest in Attijariwafa Bank, which engages mainly in trade finance and foreign investment activities. Together with Attijariwafa Bank the Group has a 50%

joint venture in Attijari International Bank Société Anonyme, which specializes in trade finance in Tangier's free trade zone.

Intesa Sanpaolo (formerly San Paolo IMI). At 31 December 2006, the Group held a 3.6% stake in San Paolo – IMI, equivalent to a 1.8% in the entity resulting from the merger with Intesa. Intesa San Paolo is one of the largest banking groups in Italy in terms of assets and controls Inter-Európa Bank Nyrt, a Hungarian bank in which the Group owned a 9.99% stake until April 2007, when such stake was sold as a result of the public offer launched by San Paolo IMI Internazionale S.p.A., the controlling shareholder of Inter-Európa Bank Nyrt. On 19 June 2007 the Group announced that it had sold its 1.8% stake in the share capital of Intesa Sanpaolo.

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 its investments in these areas, the Group aims to contribute to its consolidated results.

The following table summarizes the Group's main industrial holdings at 31 December 2006:

<u>Company</u>	<u>Business</u>	<u>Percentage Held At 31 December 2006</u>
France Telecom España, S.A.	Telecommunications	5.01
CEPSA	Oil and Petrochemicals	29.99
Grupo Corporativo ONO, S.A.	Cable	4.47

The main gross capital gains or losses realized during 2006 in the industrial portfolio were obtained with the divestments in Inmobiliaria Urbis, S.A. (EUR1,218 million), Antena 3TV (EUR294 million), CEPSA (minus EUR158 million) and Grupo Corporativo ONO (EUR180 million), among others.

At the end of 2006, the capital gains from stakes in listed financial and industrial companies maintained in the portfolio amounted to around EUR4,000 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 issues and securitizations. It also manages shareholders' equity.

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 risk, except for Brazil, continued to be hedged in 2005 and 2006.

This sub segment also manages shareholders' equity, the allocation of capital to each business unit, and the cost of financing investments.

Gross income from Financial Management and Equity Stakes was EUR-297 million in 2006, EUR78 million lower than in 2005. This fall was due to the negative impact of higher interest rates on the cost of financing and on the spread of portfolios, as well as lower income from CEPSA and the sale of the stake in 2005 in Unión Fenosa (both accounted for by the equity method). Profit attributed to the Group was EUR162 million including EUR340 million net from the difference between capital gains and extraordinary allowances (excluding the capital gain from the sale of Urbis and Banesto's allocation for an early retirement fund, which were recorded in Banesto). Excluding this, ordinary profit, as is usual in this segment, was EUR178 million negative.

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

	Millions of EUR									
	2006					2005				
	Continental Europe	Abbey	Latin America	Financial Management and Holdings	Total	Continental Europe	Abbey	Latin America	Financial Management and Holdings	Total
(Summarized) Balance Sheet										
Loans and advances to customers	271,687	190,512	60,172	975	523,346	210,299	171,796	52,919	815	435,829
Financial assets held for trading (excluding loans and advances)	33,831	61,507	27,846	2,028	125,212	26,315	64,014	25,844	1,276	117,449
Available-for-sale financial assets	13,126	23	17,943	7,606	36,698	12,608	18	16,308	45,015	73,945
Loans and advances to credit institutions	67,061	18,185	20,310	22,957	128,513	69,622	13,070	24,436	15,718	122,846
Non-current assets	4,558	5,059	1,695	1,243	12,555	4,219	5,197	1,392	1,396	12,204
Other asset accounts	18,583	8,691	16,842	126,028	170,144	15,709	47,420	17,194	94,342	174,665
Total assets/ liabilities	408,846	283,977	144,809	160,836	998,468	338,767	301,515	138,093	158,562	936,937
Customer deposits	140,231	115,194	75,301	497	331,223	127,356	110,776	65,706	1,927	305,765
Marketable debt securities	47,632	72,857	5,258	78,321	204,069	27,011	62,462	6,213	53,154	148,840
Subordinated liabilities	2,362	9,430	2,383	16,248	30,423	2,241	11,428	1,130	13,964	28,763
Liabilities under insurance Contracts	8,547	71	2,086	—	10,704	6,414	36,521	1,737	—	44,672
Deposits from credit institutions	89,016	51,020	32,403	8,935	181,374	90,341	40,761	42,208	38,384	211,695
Other liability accounts	103,090	32,076	19,529	21,137	175,833	70,527	37,259	13,033	18,907	139,726
Equity	17,967	3,328	7,847	35,700	64,842	14,878	2,307	8,066	32,224	57,475
Off-balance-sheet customer funds	102,465	8,307	56,352	—	167,124	97,141	5,999	49,705	—	152,846
Total funds under management	511,311	292,284	201,160	160,836	1,165,592	435,908	307,514	187,799	158,562	1,089,783

Millions of EUR

(Summarized) Income Statement	2006					2005				
	Continental Europe	Abbey	Latin America	Financial Management and Equity Stakes	Total	Continental Europe	Abbey	Latin America	Financial Management and Equity Stakes	Total
NET INTEREST INCOME	6,206	2,108	5,280	(1,106)	12,488	5,366	2,083	3,960	(740)	10,669
Share of results of entities accounted for using the equity method	6	3	7	411	427	26	2	7	584	619
Net fee and commission income	3,653	1,025	2,556	(11)	7,223	3,291	947	2,037	(19)	6,256
Insurance activity income	137	—	165	(4)	298	115	—	109	2	227
Gains/losses on financial assets and liabilities and Exchange differences	708	423	634	414	2,179	505	345	759	(47)	1,562
GROSS INCOME	10,710	3,559	8,642	(296)	22,615	9,303	3,377	6,872	(219)	19,333
Sales and income from the provision of non- financial services (net of expenses) and Other operating income/expense	39	42	(120)	(31)	(70)	55	36	(90)	(25)	(25)
General administrative expenses:										
Personnel expenses	(2,685)	(1,062)	(2,052)	(205)	(6,004)	(2,510)	(1,119)	(1,807)	(183)	(5,619)
Other administrative expenses	(1,272)	(815)	(1,774)	(160)	(4,021)	(1,154)	(888)	(1,551)	(171)	(3,763)
Depreciation and amortization	(522)	(105)	(309)	(215)	(1,151)	(490)	(117)	(336)	(74)	(1,017)
NET OPERATING INCOME	6,270	1,619	4,387	(907)	11,369	5,204	1,289	3,088	(672)	8,909
Net impairment losses	(1,355)	(387)	(886)	78	(2,550)	(977)	(318)	(433)	(74)	(1,802)
Other gains/losses	(244)	—	(226)	801	331	(18)	76	(219)	853	692
PROFIT/(LOSS) BEFORE TAX	4,671	1,232	3,275	(28)	9,150	4,209	1,047	2,436	107	7,799
PROFIT FROM ORDINARY ACTIVITIES	3,268	889	2,566	133	6,856	3,020	725	1,982	798	6,525
Profit from discounted operations	1,147	114	9	119	1,389	110	86	28	—	225
CONSOLIDATED PROFIT FOR THE YEAR	4,416	1,003	2,575	252	8,246	3,130	811	2,010	798	6,750
PROFIT ATTRIBUTED TO THE GROUP	4,144	1,003	2,287	162	7,596	2,980	811	1,779	650	6,220

Business Segments (secondary level): At the secondary level of segment reporting, the Group is structured into Commercial Banking, Asset Management and Insurance and Global Wholesale Banking; the sum of these three segments is equal to that of the three primary operating geographical segments. Total figures for the Group are obtained by adding to the business segments the data for the Financial Management and Holdings segment.

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

(Summarized) Income Statement	Millions of EUR									
	2006					2005				
	Commercial Banking	Global Wholesale Banking	Asset Management and Insurance	Financial Management and Holdings	Total	Commercial Banking	Global Wholesale Banking	Asset Management and Insurance	Financial Management and Holdings	Total
NET INTEREST INCOME	12,372	1,167	55	(1,106)	12,488	10,639	724	46	(740)	10,669
Share of results of entities accounted for using the equity method	16	—	—	411	427	35	—	—	584	619
Net fee and commission income	5,936	618	680	(11)	7,223	5,169	488	618	(19)	6,256
Insurance activity income	—	—	302	(4)	298	—	—	224	2	227
Gains/losses on financial assets and liabilities and Exchange differences	1,051	685	29	414	2,179	928	654	27	(47)	1,562
GROSS INCOME	19,375	2,470	1,066	(296)	22,615	16,771	1,866	915	(219)	19,333
Sales and income from the provision of non- financial services (net of expenses) and Other operating income/expense	(10)	(31)	2	(31)	(70)	24	(24)	—	(25)	(25)
General administrative expenses:										
Personnel expenses	(5,145)	(432)	(222)	(205)	(6,004)	(4,896)	(351)	(189)	(183)	(5,619)
Other administrative expenses	(3,445)	(243)	(173)	(160)	(4,021)	(3,208)	(219)	(165)	(171)	(3,763)
Depreciation and amortization	(848)	(65)	(23)	(215)	(1,151)	(867)	(58)	(18)	(74)	(1,017)
NET OPERATING INCOME	9,927	1,699	650	(907)	11,369	7,824	1,214	543	(672)	8,909
Net impairment losses	(2,330)	(298)	—	78	(2,550)	(1,659)	(69)	—	(74)	(1,802)
Other gains/losses	(417)	(49)	(5)	801	331	(176)	12	3	853	692
PROFIT/ (LOSS) BEFORE TAX	7,180	1,353	645	(28)	9,150	5,989	1,157	546	107	7,799
Other aggregates:										
Total assets	673,426	148,539	15,667	160,836	998,468	624,040	145,163	9,172	158,562	936,937
Loans and advances to customers	477,392	44,809	171	974	523,346	404,656	30,163	194	816	435,829
Customer deposits	296,074	34,653	—	496	331,223	268,226	35,592	21	1,927	305,765

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.

In this regard, the Global Committee on New Group Products held 11 meetings in 2006 during which it analysed 100 products or product families. A total of 83 products were submitted for approval subject to the Financial Products Procedure Manual, 24 of which were analysed by the Global Committee and the remaining 59 of which were analysed by the Manual's Office.

Some of the more significant products from among those launched by the Bank in 2006 include: the direct deposit payroll payments, mortgages and pension plans, also boosted customer linkage. In its first year, "We Want to be your Bank" has become a powerful stimulus to business, increasing the number of new customers by 50% over 2005 as well as their degree of satisfaction

The Bank's products that were most successful outside of Spain this year include in Santander Totta the "Crédito Vivienda Super Taxa", campaigns for credit cards, consumer loans and the "Cuenta Connosco"; in Abbey the flexible mortgage; and in Brazil the launch of new lending ("SuperCasa") and savings ("Multi Retorno") products and credit cards ("Tarjeta Light").

Principal Markets in which the Guarantor competes.

The Santander Group is one of the principal financial groups in the Spanish banking sector. At 31 December 2006 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 BBVA contained in this section "BUSINESS OVERVIEW – Principal Markets in which the Guarantor competes" has been accurately reproduced and, as far as the Issuer or the Bank 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	833,873	411,916
Gross customer lending	531,509	262,374
On balance sheet customer funds ⁽¹⁾	576,419	283,645
Book net worth ⁽²⁾	41,981	18,210
Profit for year	8,246	4,971
- Net profit attributed to the Group	7,596	4,736

(*)	Santander Group(**)	BBVA
Banking branch network ⁽³⁾	10,852	7,585
Workforce	129,749	94,553
Ratios:		
- Roe	21.39	37.6
- Efficiency	48.53	39.6
- Level of default	0.78	0.83
- Coverage for default	187.23	272.8

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

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

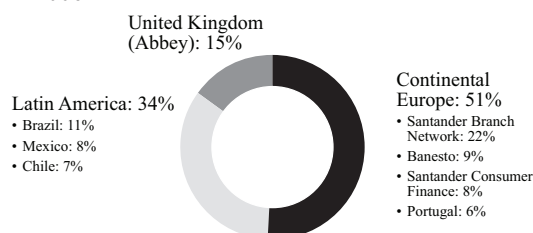
(1) On Balance Sheet Customer Funds = Customer Deposits + Debt Securities + Subordinated Debt + Insurance Liabilities.

(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 chart illustrates the Group's attributable income broken down by operative geographical segments for the 2006 financial year:

**Distribution of attributable profit (ordinary)
by operative geographical segments
2006**



ORGANISATIONAL STRUCTURE

Banco Santander Central Hispano, S.A. is the parent company of the Group which was comprised at 31 December 2006 of 654 companies that consolidate by the global integration method. In addition, there are 138 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 March 2007.

The European financial services sector is likely to remain competitive with an increasing number of financial service providers and alternative distribution channels. Further, consolidation in the sector (through mergers, acquisitions or alliances) is likely to occur as the other major banks look to increase their market share or combine with complementary businesses. It is foreseeable that regulatory changes will take place in the future that will diminish barriers in the markets.

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

- a downturn in real estate markets, and a corresponding increase in mortgage defaults;
- the recent interest rate hikes in the United States;
- uncertainties relating to economic growth expectations 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 an economic slowdown may have over Latin America and fluctuations in local interest and exchange rates;
- the chance that changes in the macroeconomic environment will deteriorate the quality of the Group's customers' credit;
- a possible downturn in capital markets;
- a drop in the value of the EUR relative to the US 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; and
- 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, including the Group's proposed acquisition of certain assets of ABN AMRO Holding N.V. (see "RECENT DEVELOPMENTS" below), that do not perform in accordance with the Group's expectations.

ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

The Articles of Association of the Bank (Article 30) provide that the maximum number of Directors is 22 and the minimum number 14.

The Board of the Bank is presently made up of 19 directors.

The following table displays the composition, position and structure of the Board 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 ⁽³⁾								I
Members								
Assicurazioni Generali S.p.A. (represented by Mr. Antoine Bernheim)								P
Mr. Antonio Basagoiti 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)								
Mr. Guillermo de la Dehesa Romero								I
Mr. Rodrigo Echenique Gordillo								
Mr. Antonio Escámez Torres								I
Mr. Francisco Luzón López								
Mr. Abel Matutes Juan ⁽³⁾								I
Mutua Madrileña Automovilista (represented by Mr. Luis Rodríguez Durón)								P
Mr. Luis Ángel Rojo Duque ⁽³⁾			C					I
Mr. Luis Alberto Salazar-Simpson Bos ⁽³⁾								I
Ms. Isabel Tocino Biscarolasaga								
General Secretary and of the Board Mr. Ignacio Benjumea Cabeza de Vaca ^{(2) (3)}								
Deputy General Secretary and of the Board Mr. Juan Guitard Marín ⁽²⁾								

C: Chairman, V: Vice Chairman, P: Proprietary, I: 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.

(3) The members of the Audit and Compliance Committee are 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 is Ignacio Benjumea Cabeza de Vaca.

PRINCIPAL ACTIVITIES OUTSIDE THE GUARANTOR

The current Directors of the Bank 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) AIR LIQUIDE ESPAÑA, S.A. TÉCNICAS REUNIDAS, S.A. CONSTRUCTORA INMOBILIARIA URBANIZADORA VASCO-ARAGONESA, S.A.	Honorary Chairman Director Director Director 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.	Director Chairman Director Second Vice Chairman Director
Mr. Manuel Soto Serrano	INDRA SISTEMAS, S.A. INVERSIONES INMOBILIARIAS LAR, S.A. CORPORACIÓN FINANCIERA ALBA, S.A. MERCAPITAL, S.L. OCCIDENTAL HOTELES MANAGEMENT, S.A.	Vice Chairman Director Director Chairman of the Advisory Committee Member of the Consultive Committee
Mr. Antoine Bernheim ⁽¹⁾	ASSICURAZIONI GENERALI, S.p.A. INTESA SAN PAOLO S.p.A. MEDIOBANCA – BANCA DI CREDITO FINANZIARIO S.p.A BSI SA	Chairman Deputy Chairman of the Supervisory Board Director Director
Mr. Antonio Basagoiti García-Tuñón	FAES FARMA, S.A. PESCANOVA, S.A.	Vice Chairman Director
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea	BANCO ESPAÑOL DE CRÉDITO, S.A. ASSICURAZIONI GENERALI, S.p.A.	Chairwoman Director
Mr. Javier Botín-Sanz de Sautuola y O'Shea	M&B CAPITAL ADVISERS, SOCIEDAD DE VALORES, S.A.	Executive Director
Lord Burns (Terence)	ABBAY NATIONAL PLC GLAS CYMRU (WELSH WATER) PEARSON GROUP PLC MARKS AND SPENCER GROUP PLC	Chairman Chairman Director Chairman
Mr. Guillermo de la Dehesa Romero	AVIVA VIDA Y PENSIONES, S.A. DE SEGUROS Y REASEGUROS CAMPOFRÍO ALIMENTACIÓN, S.A. GOLDMAN SACHS EUROPE LTD AVIVA PLC CENTRE FOR ECONOMIC POLICY RESEARCH (CEPR) IN LONDON GROUP OF THIRTY OF WASHINGTON INSTITUTO DE EMPRESA	Chairman Director Director Director Chairman Member Chairman of the Board of Trustees

Directors	Company Name	Functions
Mr. Rodrigo Echenique Gordillo	ECONOMIC AND SOCIAL COUNCIL OF CARLOS III UNIVERSITY (MADRID)	Chairman
	INVERSIONES INMOBILIARIAS LAR, S.A	Director
Mr. Antonio Escámez Torres	SANTANDER CONSUMER FINANCE, S.A	Chairman
	OPEN BANK SANTANDER CONSUMER, S.A.	Chairman
	ATTIJARIWAFABANK, SOCIÉTÉ ANONYME	Vice Chairman
	ARENA MEDIA COMMUNICATIONS ESPAÑA, S.A.	Chairman
Mr. Francisco Luzón López	INDUSTRIA DE DISEÑO TEXTIL, S.A. (Inditex)	Director
	SOCIAL COUNCIL OF THE UNIVERSITY OF CASTILLA-LA MANCHA	Chairman
Mr. Abel Matutes Juan	FIESTA HOTELS & RESORTS, S.L.	Chairman
	EURIZON FINANCIAL GROUP	Director
	FCC CONSTRUCCIÓN, S.A.	Director
	TUI AG	Director
Mr. Luis Rodríguez Durón ⁽²⁾	MUTUA MADRILEÑA AUTOMOVILISTA SOCIEDAD DE SEGUROS A PRIMA FIJA	First Vice Chairman
	IBÉRICA DE MADERAS Y AGLOMERADOS S.A.	Joint Administrator
	MUTUACTIVOS SA, SGIC	Chairman
Mr. Luis Ángel Rojo Duque	ARES A SEGUROS GENERALES, S.A.	Vice Chairman
	CORPORACIÓN FINANCIERA ALBA, S.A.	Director
Mr. Luis Alberto Salazar-Simpson Bos	UNIVERSIDAD COMPLUTENSE DE MADRID	Professor emeritus
	GROUP OF WISE MEN (ECOFIN) ⁽³⁾	Member
	ROYAL ACADEMY OF MORAL AND POLITICAL SCIENCES	Member
	ROYAL ACADEMY OF THE SPANISH LANGUAGE	Member
	FRANCE TELECOM ESPAÑA, S.A.	Chairman
Ms. Isabel Tocino Biscarolasaga	CONSTRUCTORA INMOBILIARIA URBANIZADORA VASCO-ARAGONESA, S.A.	Chairman
	MUTUA MADRILEÑA AUTOMOVILISTA, SOCIEDAD DE SEGUROS A PRIMA FIJA	Director
	SAINT GOBAIN CRISTALERÍA, S.A.	Director
	UNIVERSITY COMPLUTENSE DE MADRID	Professor
Mr. Luis Alberto Salazar-Simpson Bos	CLIMATE CHANGE CAPITAL	Director
	INTERNATIONAL ASSOCIATION OF WOMEN LAWYERS	Vice-Chairwoman
	FEDERAL CONGRESS OF THE EUROPEAN MOVEMENT	Vice-Chairwoman
	ROYAL ACADEMY OF DOCTORS	Member

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

(2) Mr. Luis Rodríguez Durón is the representative at the Bank's board of the company Director Mutua Madrileña Automovilista, Sociedad de Seguros a Prima Fija.

(3) Mr Luis Angel Rojo Duque is a member of the Group of Wise Men appointed by the ECOFIN Council for the study of integration of European financial markets.

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.

Major Shareholders

The bank is not aware of any person which exerts or may exert control over the Bank 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 Bank 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

See paragraph 1 and 2 of "Documents Incorporated by Reference".

The Guarantor prepares audited consolidated and non-consolidated annual financial statements and has prepared audited consolidated financial statements for the 3 months ended 31 March 2007 which are incorporated by reference under paragraphs 1 and 2 of "Documents Incorporated by Reference".

The individual and consolidated annual financial statements of BANCO SANTANDER CENTRAL HISPANO, S.A. for the 2005 and 2006 financial years and the consolidated March 2007 financial statements 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 2005, 2006 and the March 2007 Financial Statements referred to above.

The information contained in “BUSINESS OVERVIEW” above is not audited and was obtained from the internal accounting records of the Bank, save for the summarized balance sheets and income statements of the various geographical segments (principal level) and the summarized income statements and other significant data of the Business Segments (Secondary Level), which has been audited and was obtained from the 2006 Annual Report and the 2005 Annual Report.

The information relating to the Santander Group contained in the second table of “BUSINESS OVERVIEW – Principal Markets in which the Guarantor competes” above is not audited and was obtained from the Bank’s annual report.

The financial statements referred to in paragraph 3 of “Documents Incorporated by Reference” are not audited. Such financial statements were extracted from the internal accounting records of the Bank.

The information contained in “SELECTED CONSOLIDATED FINANCIAL INFORMATION” was extracted or derived from our audited consolidated financial statements for the years ended 31 December 2006, 2005 and 2004 (prepared in accordance with IFRS) except for the income statements for the years ended 31 December, 2004 and 2005, which, for comparison purposes, have been restated as indicated in such section, and from our audited consolidated financial statements as of and for the period ended 31 March 2007 and our unaudited consolidated financial statements as of and for the period ended 31 March 2006 (both prepared in accordance with IFRS).

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 Bank is 31 March 2007.

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 previous 12 months which may have, or have had in the recent past, significant effects on the Guarantor 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 Bank is unable sometimes to quantify the potential loss or practical consequences if a judgement were ordered against it and accordingly no specific amount is attributed to such claims.

Tax disputes

At present, and during the past twelve months, the main tax disputes concerning the Group are as follows:

The "Mandado de Segurança" filed by Banespa claiming its right to pay Brazilian income tax at a rate of 8%. On 15 June 2005, an unfavourable judgment was handed down against Banespa at first instance, which was appealed against at the Federal Regional Court, together with the application for the preliminary effects to remain in force. A decision has not yet been handed down by the Court.

The "Mandado de Segurança" filed by Banespa claiming its right to consider deductible the Brazilian income tax in the calculation of the related corporation tax. This action was declared unwarranted and an appeal was filed at the Federal Regional Court, requesting to have the claimability of the tax debt stayed and obtaining permission to deposit with the courts the amounts in question. A decision has not yet been handed down by the Court.

A claim was filed against Abbey National Treasury Services plc by tax authorities abroad in relation to the refund of certain tax credits and other associated amounts. The legal advisers of Abbey National Treasury Services plc considered that the grounds to contest this claim were well-founded, proof of which is that a favourable judgment was handed down at first instance in September 2006, although the judgment was appealed against by the tax authorities in January 2007. However, in December 2006 an unfavourable judgment for another taxpayer was handed down on another proceeding which might affect this case.

Legal litigation

At present, and during the last twelve months, the main legal litigations concerning the Group are as follows:

Casa de Bolsa Santander Serfin, S.A. de C.V. (Casa de Bolsa): In 1997 Casa de Bolsa Santander Serfin, S.A. de C.V. was sued for an alleged breach of various stock brokerage contracts. On 6 July 1999, Civil Court number thirty-one of the Federal District handed down a judgment ordering Casa de Bolsa to return to the plaintiff 2,401,588 shares of México 1 and 11,219,730 shares of México 4 at their market value and to pay MXP 15 million, plus interest calculated at the average percentage borrowing cost (C.P.P.) multiplied by four.

After numerous appeals were filed concerning the method used for calculating this interest, a final judgment was handed down ruling that the interest should not be capitalised. The estimated total indemnity payable, including the principal amount of the deposit, the uncapitalised interest and the value of the shares that must be returned, amounts to USD 28 million approximately.

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

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

LANETRO, S.A.: claim (ordinary lawsuit no. 558/2002) filed by LANETRO, S.A. against Banco Santander Central Hispano, S.A. at Madrid Court of First Instance no. 34, requesting that the Bank comply with the obligation to subscribe to EUR 30.05 million of a capital increase at the plaintiff.

On 16 December 2003, a judgment was handed down dismissing the plaintiff's request. The subsequent appeal filed by LANETRO was upheld by a decision of the Madrid Provincial Appellate Court on 27 October 2006.

The Bank has filed a cassation appeal against this decision.

Galesa de Promociones, S.A.: small claims proceeding at Elche Court of First Instance no. 4 (case no. 419/1994), in connection with the claim filed by Galesa de Promociones, S.A. (Galesa) requesting the Court to annul a previous legal foreclosure proceeding brought by the Bank against the plaintiff in 1992, which culminated in the foreclosure of certain properties that were subsequently sold by auction.

The judgments handed down at first and second instance were in the Bank's favour. The cassation appeal filed by Galesa at the Supreme Court was upheld by virtue of a decision on 24 November 2004 which ordered the reversal of the legal foreclosure proceeding to before the date on which the auctions were held. On 8 June 2006, Galesa filed a claim for the enforcement of the decision handed down by the Supreme Court, requesting that the Bank be ordered to pay EUR 56 million, the estimated value of the properties, plus a further EUR 33 million for loss of profit. The Bank challenged this claim on the grounds that the Supreme Court decision could not be enforced – since no order had been pronounced against the Bank, but rather a proceeding had merely been annulled – and it also argued that the damages requested would have to be ruled upon by an express court decision, which had not been pronounced.

The Elche Court of First Instance, by virtue of an order dated 18 September 2006, found in favour of the Bank, and referred the plaintiff to the appropriate ordinary proceeding for the valuation of the aforementioned damages. Galesa filed an appeal for reconsideration, which was dismissed by a resolution on 11 November 2006. Galesa has filed an appeal against this resolution at the Alicante Provincial Appellate Court, which has been contested by the Bank.

Declaratory large claims action brought at Madrid Court of First Instance no. 19 (case no. 87/2001) in connection with a claim filed by *Inversión Hogar, S.A.* against the Bank. This claim sought the termination of a settlement agreement entered into between the Bank 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 the Bank was ordered to pay EUR 1.8 million, plus the related legal interest since February 1997, to return a property that was given in payment under the aforementioned agreement, to pay an additional EUR 72.9 million relating to the replacement value of the assets foreclosed, and subsequently sold, by the Bank, and to pay all the related court costs. The Bank and *Inversión Hogar, S.A.* filed appeals against the judgment. *Inversión Hogar, S.A.* sought provisional enforcement of the judgment, which was contested by the Bank. On 2 March 2007, a decision was handed down upholding the Bank's objection to the enforcement of the judgment. *Inversión Hogar, S.A.* has appealed against this decision.

Other Litigation

In addition to the above described matters, the Bank and its subsidiaries are from time to time subject to certain claims and parties 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, the Bank 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. The Bank 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 the Bank; as a result, the outcome of a particular matter may be material to the Bank's operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and the level of the Bank's income for that period.

Significant Change

There has been no significant change in the financial or trading position of the Group since 31 March, 2007, being the date of the most recently published audited consolidated financial statements of the Bank.

Material Contracts

During the past two years, the Bank has not been a party to any contracts that were not entered into in the ordinary course of business of the Bank and which was material to the Group as a whole, except for the

investment in Sovereign as disclosed in “RECENT DEVELOPMENTS” below and the proposed transaction in relation to ABN AMRO as disclosed in “RECENT DEVELOPMENTS” below.

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, 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 estatutos* (articles of association) of each of the Issuer and of the Guarantor;
2. this Prospectus, together with any supplements thereto;
3. the Paying Agency Agreement relating to the Preferred Securities;
4. the documents listed under “Documents Incorporated by Reference”;
5. the Public Deed of Issuance relating to the Preferred Securities; and
6. the Guarantee.

RECENT DEVELOPMENTS

Interbanco, S.A. (“Interbanco”)

In September 2005, the Group and the Portuguese company SAG (Soluções Automóvel Globlais) reached an agreement to jointly provide consumer finance and vehicle financing services in Portugal and operate the vehicle “renting” business in Spain and Portugal. Interbanco had assets amounting to EUR 700 million at 2004 year-end.

In January 2006 the Group paid EUR 118 million for a 50.001% interest in the share capital of Interbanco.

Following this acquisition, the Group and SAG will concentrate, in a single company, their consumer finance and vehicle financing services, which will entail the merger of Interbanco and Hispamer Portugal. The Group will own 60% of the share capital of the post-merger company and SAG the remaining 40%. The Bank expects that the new company will be the automobile financing market leader in Portugal.

Investment in Sovereign Bancorp, Inc.

On 31 May 2006, Banco Santander acquired shares of common stock equal to 19.8% of Sovereign Bancorp, Inc.’s (“Sovereign”) outstanding shares after giving effect to such purchase. The purchase price was \$27 per share, for an aggregate purchase price of \$2.4 billion. The proceeds of the sale were used by Sovereign to finance a portion of the \$3.6 billion cash purchase price that Sovereign paid to acquire Independence Community Bank Corp. (“Independence”). Sovereign and Independence together constitute the 18th largest bank in the United States as measured by assets and deposits with a significant presence in the Northeastern United States.

Sovereign’s board of directors elected three Santander designees to its Board of Directors.

Under the Investment Agreement dated 24 October 2005 between Santander and Sovereign, as amended (the “Investment Agreement”), Santander had the right to increase its stake to 24.99% of Sovereign’s outstanding shares at market prices but, unless otherwise approved by Sovereign’s shareholders, any such shares purchased had to be placed in a voting trust and voted in proportion to the votes of Sovereign’s shareholders other than Santander and its affiliates. On 3 May 2007, Sovereign’s shareholders approved an amendment to Sovereign’s articles of incorporation that, among other effects, authorizes Santander to vote the shares currently held in the voting trust and any additional Sovereign shares that Santander might acquire in the future. As of 16 May 2007, the voting trust held 23,593,724 Sovereign shares, representing 4.9% of the Sovereign voting shares. Santander and Sovereign took all the necessary steps to terminate the voting trust and transfer the shares held by the trust to Santander and since 6 June 2007, Santander has the right to vote 24.7% of the Sovereign shares. Except with the consent of Sovereign’s board of directors or pursuant to the procedures described below, Santander may not increase its ownership stake in Sovereign to more than 24.99% until the end of the standstill period under the Investment Agreement.

Beginning on 1 June 2008 and until 31 May 2011, Santander will have the option to make an offer to acquire 100% of Sovereign, subject to certain conditions and limitations agreed between the parties. If such an offer is made by Santander and the offer is either the highest or equal to the highest offer resulting from an auction of Sovereign or at least equal to a full and fair price for Sovereign as determined pursuant to a competitive valuation procedure agreed by the parties, the Sovereign board must accept the offer, provided that, during the period from 1 June 2008 through 31 May 2009, any offer made by Santander must be at a price of greater than \$38 per share (adjusted from the amount of greater than \$40 per share as set forth in the Investment Agreement as a result of a dilution adjustment resulting from a stock dividend paid by Sovereign). Even if the Sovereign board accepts the offer, Santander will not be permitted to complete an acquisition of Sovereign unless a majority of the non-Santander shareholders who vote at the relevant Sovereign shareholder meeting approve the acquisition. In addition, until 31 May 2011, Santander will have a right of first negotiation and a matching right with respect to third party offers to acquire Sovereign. Finally, with certain exceptions, Santander has agreed that, until 31 May 2011, it will not sell or otherwise dispose of its Sovereign shares.

Santander has several options with respect to its investment in Sovereign. Santander can hold its investment in Sovereign indefinitely, after 31 May 2008 seek to acquire 100% of Sovereign or, subject to the terms of the Investment Agreement, sell or otherwise dispose of its investment.

As of 31 December 2006, the Group had acquired a 24.8% of Sovereign at a cost of \$3,029 million. Subject to market conditions and other relevant factors, the Group expects to increase its ownership stake to 24.99% through open market purchases.

Island Finance

On 23 January 2006, the Group's subsidiary in Puerto Rico, Santander BanCorp, and Wells Fargo & Company reached an agreement through which it would acquire the assets and business operations in Puerto Rico of Island Finance, a consumer finance company, from Wells Fargo for \$742 million. The transaction was closed in the first quarter of 2006 and generated goodwill of \$114 million.

Island Finance is the second largest consumer finance company in Puerto Rico and provides consumer financing and mortgages to 205,000 customers through its 70 branches.

Compañía Española de Petróleos, S.A. ("CEPSA")

On 13 October 2006, Elf received a notice from the EU Commission communicating clearance of the concentration arising from the acquisition by Elf of shares representing 4.35% of the share capital of CEPSA. Consequently, Santander sold to Elf 11,650,893 shares of CEPSA for a price of EUR 53 million. This transaction generated capital losses of EUR 158 million.

At 31 December 2006 Santander holds 29.99% of CEPSA.

Abbey Life Insurance Business

On 7 June 2006 Santander announced that Abbey had entered into an agreement with Resolution plc ("Resolution") under which Abbey would sell its entire life insurance business to Resolution for a fixed cash consideration of EUR 5.3 billion (£3.6 billion). This represents 97% of the embedded value of the businesses being sold as reported by Abbey as of 31 December 2005, and would not generate capital gains for Grupo Santander. The transaction was completed on 1 September 2006.

The life insurance businesses sold were Scottish Mutual Assurance plc, Scottish Provident Limited and Abbey National Life plc, as well as the two offshore life insurance companies, Scottish Mutual International plc and Scottish Provident International Life Assurance Limited. Abbey retained its entire branch based investment and asset management business and James Hay, its self-invested personal pension company, and its Wrap business.

Separately, in order to provide continuity of product supply and service to its customers, Abbey entered into two distribution agreements with Resolution under which (i) Abbey would distribute through its retail network Abbey-branded life and pensions products manufactured by Resolution; and (ii) Abbey would continue to be the exclusive distributor of Scottish Provident protection products to intermediaries.

In addition, Abbey secured exclusive access to provide retail banking products to Resolution's five million policyholders.

Some 2,000 Abbey employees were transferred to Resolution as part of the transaction. Resolution continues to operate the life operations from the Abbey premises in Glasgow and also maintains the operations in Dublin, the Isle of Man and Hong Kong.

Banco Santa Cruz S.A. ("Banco Santa Cruz")

On 18 April 2006 Santander sold its entire stake in the capital stock of its subsidiary in Bolivia, Banco Santa Cruz.

AFP Unión Vida

On 25 July 2006, Grupo Santander reached an agreement with Banco de Crédito Perú to sell to the latter the Peruvian pension company AFP Unión Vida for an amount, subject to adjustment, of \$142 million. The transaction was completed on 25 August 2006 and generated for Santander capital gains of around \$100 million.

Inmobiliaria Urbis, S.A ("URBIS")

In July 2006, Banco Español de Crédito, S.A. ("Banesto", 88.49% owned by Santander) reached an agreement with Construcciones Reyal, S.A. ("Reyal") whereby Banesto would sell its 50.267% stake in Urbis to Reyal at a price of EUR 26 per share, under a public tender offer over 100% of URBIS capital.

Both Reyal and URBIS are among the biggest real state companies in Spain. The transaction was completed in the second half of the year and Santander recognized gross capital gains of EUR 1,218 million.

Unifin S.p.A. (“Unifin”)

In May 2006 the Group acquired 70% of the Italian consumer finance entity Unifin for EUR 44 million, giving rise to goodwill of EUR 37 million.

Drive Consumer USA Inc. (formerly, Drive Financial Services LP) (“Drive”)

On 25 September 2006, Santander Consumer reached an agreement to acquire 90% of Drive in the U.S.A. for \$637 million in cash, representing a multiple of 6.8 times the estimated earnings for 2006. The operation was closed during 2006 and generated goodwill of \$544 million.

Under the agreement, the price paid by Santander could increase by a maximum of \$175 million, if the company achieves certain earning targets set for years 2007 and 2008.

Drive is one of the leading auto financing companies in “subprime” customer segment in the United States. Based in Dallas, Texas, it is present in 35 states, with approximately 50% of its activity concentrated in Texas, California, Florida and Georgia. Drive has around 600 employees and its products are distributed through more than 10,000 auto dealer partnerships.

Until the Group’s acquisition, 64.5% of Drive was owned by HBOS plc and 35.5% by its management team. Following the acquisition by Santander, the present Chairman and COO of Drive will act as Chief Executive Officer, maintaining ownership of 10% of the company, a percentage on which the parties have signed a series of options which could enable Grupo Santander to buy the additional 10% between 2009 and 2013 at prices linked to the company’s earnings performance.

Antena 3 de Televisión, S.A. (“A3TV”)

On 25 October 2006 A3TV announced a transaction by which it would acquire a 10% holding in such company presently held directly or indirectly by Grupo Santander. The transaction, approved on a shareholders general meeting held in November 2006 by A3TV, meant the acquisition by A3TV of shares representing a 5% of its share capital and the capital reduction through amortization of another 5%, in both cases at a price of EUR 18 per share.

The acquisition was completed before the year end and generated a capital gain of approximately EUR 294 million for Santander.

Fumagalli Soldan.

On 8 November 2006, Santander reached an agreement with KBL Group to acquire via its specialized subsidiary, Banif, the Italian private bank, KBL Fumagalli Soldan, a subsidiary of the KBL Group. The deal is valued at EUR 44 million. Fumagalli Soldan has offices in Rome and Milan and has assets under management of EUR 400 million. Santander plans to develop its new acquisition on the Banif model and offer its Italian customers a wider range of banking products and services. Santander already has a consumer credit activity in Italy via Santander Consumer.

San Paolo – IMI

On 29 December 2006 Banco Santander announced that it had sold shares representing 4.8% of the share capital of the Italian financial entity San Paolo – IMI, for a total consideration of EUR 1,585 million. This transaction generated for Santander a capital gain of approximately EUR 705 million. After the transaction, Banco Santander now holds a 3.6% stake in San Paolo – IMI, equivalent to a 1.7% in the entity resulting from the merger with Intesa.

Banco Santander – Chile

On 27 November 2006 Santander Group announced its intention to offer up to 7.23% of Banco Santander Chile’s common stock through a public offering registered with the SEC in the United States.

The Santander Group’s current policy is to maintain ownership of at least 75% of Banco Santander-Chile’s common stock as part of its long term investment in Latin America.

The public offering was completed in December 2006 and generated capital gains for the Group of EUR 270 million.

Merger of Banco Santander Central Hispano, S.A. and Riyal, S.L. (“Riyal”), Lodaes Inversiones, S.L. Sociedad Unipersonal (“Lodaes”), Somaen-Dos, S.L. Sociedad Unipersonal (“Somaen”), Gessinest Consulting, S.A. Sociedad Unipersonal (“Gessinest”) and Carvasa Inversiones, S.L. Sociedad Unipersonal (“Carvasa”).

On 23 October 2006, the Bank held an Extraordinary General Shareholders Meeting that approved the merger by absorption of Riyal, Lodaes, Somaen, Gessinest and Carvasa, into Banco Santander. As a result, Banco Santander absorbed all of the other five companies mentioned above, which were wholly-owned, directly or indirectly, by Banco Santander. The absorbed companies have been terminated and all of their net corporate assets have been transferred en bloc to Banco Santander which has acquired, as universal successor, all of the rights and obligations making up the net assets of the absorbed companies.

Offer to purchase ABN AMRO

On May 29, 2007, Santander, together with The Royal Bank of Scotland Group (RBS), Fortis, N.V. and Fortis, S.A./N.V. (Fortis) (collectively, the “Banks”), announced their intention to propose an offer to purchase all of the ABN AMRO ordinary shares, including shares underlying ABN AMRO ADSs.

The Banks had proposed to offer €30.40 in cash plus 0.844 new RBS shares for each ABN AMRO ordinary share, equal to a total of €38.40 per ABN AMRO ordinary share. The total consideration payable to shareholders of ABN AMRO under the proposed offer would have therefore been €71.1 billion as of the date of the announcement. All data related to the May 29, 2007 announcement contained in this section have been calculated using prices and exchange rates as of May 25, 2007.

The Banks and RFS Holdings B.V., a company newly incorporated to make the offer, entered into an agreement, dated as of May 28, 2007 (the “Consortium Agreement”), which governs the modus operandi during the offer process, provides for the management of ABN AMRO after completion of the offer, the division of the ABN AMRO businesses between the Banks and the sale of noncore assets of ABN AMRO once the offer is completed.

The proposed offer was subject to certain pre-offer conditions and offer conditions. The pre-offer conditions and the offer conditions may have been, to the extent permitted, waived by the Banks (either in whole or in part) at any time prior to the commencement of the offer and the expiration of the offer, respectively.

On July 13, 2007, following the ruling of the Dutch Supreme Court regarding the sale of LaSalle by ABN AMRO to Bank of America made public that day, the Banks confirmed that they intended to proceed with a revised offer for ABN AMRO which was announced on July 16, 2007.

The value offered per ABN AMRO ordinary share under the revised offer remains unchanged at €38.40 although its cash component is increased to €35.60. The revised offer comprises 0.296 new RBS shares for each ordinary share of ABN AMRO.

The revised offer is not be conditional upon LaSalle remaining part of the ABN AMRO group but it is conditional, inter alia, on ABN AMRO not having made or agreed to make any acquisitions or disposals of a material part of its business or assets, with the exception of the disposal of LaSalle.

If the revised offer is completed, Santander will acquire among others the following core businesses from ABN AMRO (together the “ABN AMRO Businesses”):

- Business Unit Latin America (excluding wholesale clients outside Brazil) including, notably, the Banco Real franchise in Brazil;
- Banca Antonveneta in Italy; and
- Interbank and DMC Consumer Finance, a specialized consumer finance business in the Netherlands.

Santander will pay 27.9% of the total consideration of the offer, equivalent to approximately €19.9 billion, if the offer is accepted by all ABN AMRO ordinary shareholders.

Santander intends to raise €9 billion of new financing via the issuance of shares with preemptive rights for €4 billion and of mandatorily convertible instruments for €5 billion. This new financing was approved at an Extraordinary General Shareholders’ Meeting of Santander, held on July 27, 2007. It is envisaged that the remainder of the consideration be financed through balance sheet optimisation and asset disposals.

Once the regulatory clearances required to publish their offer documentation for ABN AMRO were received, the Consortium formally launched the offer on July 20, 2007 for all the issued and outstanding ordinary shares, American depositary shares and formerly convertible preference shares of ABN AMRO.

The initial offer period under the offer commenced on July 23, 2007 and will end on October 5, 2007 at 3pm, Amsterdam time, unless the initial offer period are extended in accordance with applicable offer rules.

This information is a summary and is only current as of the date of publication of this Prospectus.

Banco BPI, S.A. (“BPI”)

Grupo Santander announced in January 2007 that it had entered into a firm agreement with Banco Comercial Português (BCP) for the sale to this bank of 44.6 million shares of the Portuguese bank BPI, representing 5.87% of its share capital, at a price of €5.70 per share, equal to that offered by BCP in the tender offer launched by it on BPI, or at the higher price should BCP revise its public offer bid upwards. The agreement was subject to regulatory approvals.

In May 2007, the tender offer failed since it did not obtain the minimum required support by BPI’s shareholders to which the bid was conditioned. The Bank of Portugal had set out a maximum level of ownership by BCP in BPI in case that the tender offer did not succeed. Finally, Grupo Santander sold to BCP 34.5 million shares of BPI with capital gains of approximately €107 million.

SKBergé (“SKB”)

Santander Consumer Finance and the Bergé Group through its Chilean subsidiary SKBergé, a company formed by Sigdo Koppers and Bergé (SKB), reached a strategic agreement to set up a finance company in Chile. SKB will have an ownership interest of up to 49%, with the remaining 51% to be held by Santander Consumer Finance. The new company, which will operate under the name Santander Consumer Chile will engage in consumer finance, focussing on both car and other durable consumer goods and credit cards.

Real Estate Sale and Leaseback

On 13 June 2007 the Group announced that, as part of its plan to optimise its balance sheet, it is contemplating the sale of real estate assets currently used by Santander, with an estimated market value of EUR 4,000 million and a potential net capital gain of around EUR 1,400 million. This transaction would be implemented by means of a sale and leaseback, a procedure which has been used by other international financial entities.

Financiera Alcanza S.A. de C.V. SOFOL (“Alcanza”)

On 13 June 2007 Santander Consumer Finance signed an agreement with the main shareholders of Alcanza to acquire and increase the capital of Alcanza. After the transaction, Santander Consumer will control 85% of Alcanza. As in its other markets, Santander Consumer’s business in Mexico will focus on consumer finance and auto financing as part of its growth strategy.

Alcanza has 160 employees in 15 branches in Mexico. The total value of the acquisition together with the capital increase is an estimated US\$39.5 million. The deal is pending regulatory approvals in each country.

Intesa Sanpaolo

On 19 June, 2007 Banco Santander announced that it has sold the final stake of 1.79% that it held in the share capital of the Italian bank Intesa Sanpaolo, for a total consideration of EUR 1,206 million. The transaction generates for Santander a capital gain of EUR 566 million approximately.

USE OF PROCEEDS

We intend to use the net proceeds from the sale of the Preferred Securities for general corporate purposes and to further strengthen the capital base of the Group. The net proceeds from the sale of the Preferred Securities will be deposited on a subordinated and permanent basis with us by the Issuer, and we intend 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 us to reduce the Group's short-term indebtedness.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected Consolidated Financial Information

The selected consolidated financial information presented below has been extracted or derived from our:

- audited consolidated financial statements as of and for the year ended 31 December 2006, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”);
- audited consolidated financial statements as of and for the years ended 31 December 2005 and 2004 (prepared in accordance with IFRS) except for the income statements for these years that, for comparison purposes, have been restated as indicated below;
- audited consolidated financial statements as of and for the period ended 31 March 2007 (prepared in accordance with IFRS); and
- unaudited consolidated financial statements of and for the period ended 31 March 2006 (prepared in accordance with IFRS).

The consolidated income statement data included in our selected audited consolidated financial information as of and for the years ended 31 December 2004 and 2005 differs from the consolidated income statement data for such periods included in our 2005 Annual Report due to the reclassification of amounts relating to operations that were discontinued in 2006, such as the sale of the life insurance business of Abbey, which was sold in 2006. Under IFRS, revenues and expenses of discontinued businesses must be reclassified from each income statement line item to the “Profit from discontinued operations” line item. This presentation requirement came into effect in fiscal year 2006. Prior year financial statements are required to be reclassified for comparison purposes to present the same business as discontinued operations. This change in presentation does not affect “Profit attributed to the Group.”

You should read this selected information in conjunction with, and it is qualified in its entirety by reference to, the above listed consolidated financial statements, all of which are included in our 2006 Annual Report incorporated by reference herein to the extent described under “Documents Incorporated by Reference”.

The IFRS data for 2004 included in our 2006 Annual Report differ from those contained in the statutory consolidated financial statements for that year, as approved at the annual general meeting on 18 June 2005, which were presented in accordance with previous Spanish GAAP.

In November 2004, we acquired 100% of the capital of Abbey. Our acquisition of Abbey has been reflected on our audited financial statements as of and for the year ended 31 December 2004, as if the acquisition had occurred on 31 December 2004. Accordingly, Abbey’s assets and liabilities were consolidated into our audited balance sheet as of 31 December 2004, but Abbey’s results of operations had no impact on our audited income statement for the year ended 31 December 2004. Abbey’s results of operations are reflected in our audited income statement for the year ended 31 December 2005 and audited income statement data for the year ended 31 December 2006.

Income statement information for the years ended 31 December 2006 and 2005 includes the consolidation of Abbey’s results of operations line by line beginning 1 January 2005 and renders such income statement items incomparable to the analogous income statement data for the year ended 31 December 2004.

Results for past periods are not necessarily indicative of results that may be expected for any future period.

Consolidated Income Statement Data:

	Year Ended as of 31 December		
	2004*	2005*	2006
	(Unaudited)	(Unaudited)	(Audited)
	(prepared in accordance with IFRS)		
	(thousands of EUR, except per share data)		
Interest income	17,444,350	33,098,866	36,840,896
Interest expenses	(10,271,884)	(22,764,963)	(24,757,133)
Income from equity instruments	389,038	335,576	404,038
Net interest income	7,561,504	10,669,479	12,487,801
Income from companies accounted for by the equity method	449,036	619,157	426,921
Net fees and commissions ⁽¹⁾	4,727,232	6,256,312	7,223,264
Insurance activity income	161,374	226,677	297,851
Gains (losses) on financial transactions ⁽²⁾	1,099,795	1,561,510	2,179,537
Gross income	13,998,941	19,333,135	22,615,374
Net income from non-financial activities ⁽³⁾	118,308	156,178	118,913
Other operating income ⁽⁴⁾	(61,974)	(89,540)	(119,352)
General administrative expenses	(6,790,485)	(9,473,116)	(10,095,417)
<i>Personnel</i>	(4,296,171)	(5,675,740)	(6,045,447)
<i>Other administrative expenses</i>	(2,494,314)	(3,797,376)	(4,049,970)
Depreciation and amortization	(834,112)	(1,017,335)	(1,150,770)
Net operating income	6,430,678	8,909,322	11,368,748
Impairment losses (net)	(1,847,294)	(1,801,964)	(2,550,459)
Net gains on disposal of investments in associates ⁽⁵⁾	30,891	1,298,935	271,961
Net results on other disposals, provisions, and other income ⁽⁶⁾	(227,002)	(606,618)	59,767
Profit before tax	4,387,273	7,799,675	9,150,017
Income tax	(525,824)	(1,274,738)	(2,293,638)
Profit from continuing operations	3,861,449	6,524,937	6,856,379
Profit from discontinued operations	134,785	224,833	1,389,374
Consolidated profit for the year	3,996,234	6,749,770	8,245,753
Profit attributed to minority interests	390,364	529,666	649,806
Profit attributed to the Group	3,605,870	6,220,104	7,595,947
<i>Per Share Information:</i>			
Average number of shares (thousands) ⁽⁷⁾	4,950,498	6,240,611	6,248,376
Profit attributed to the Group per average share	0.7284	0.9967	1.2157
Diluted earnings per share (in EUR)	0.7271	0.9930	1.2091
Dividends paid (in EUR)	0.33	0.42	0.52
Dividends paid (in US\$)	0.39	0.49	0.65

* Included for comparison purposes, using a new presentation as mentioned above.

Consolidated Balance Sheet Data:

	Year Ended as of 31 December		
	2004	2005	2006
	(Audited)		
	(prepared in accordance with IFRS)		
	(thousands of EUR, except per share data)		
Total assets	664,486,300	809,106,914	833,872,715
Loans and advances to credit institutions ⁽⁸⁾	58,379,774	59,773,022	60,174,538
Loans and advances to customers (net) ⁽⁸⁾	369,350,064	435,828,795	523,345,864
Investment Securities ⁽⁹⁾	138,753,764	203,938,360	136,760,433
Investments: Associates	3,747,564	3,031,482	5,006,109
Liabilities			
Deposits from central banks and credit institutions ⁽¹⁰⁾	83,750,339	148,622,407	113,035,937
Customer deposits ⁽¹⁰⁾	283,211,616	305,765,280	331,222,601
Debt securities ⁽¹⁰⁾	113,838,603	148,840,346	204,069,390
Capitalization			
Guaranteed Subordinated debt excluding preferred securities ⁽¹¹⁾	9,369,939	8,973,699	11,186,480
Secured Subordinated debt	508,039	—	—
Other Subordinated debt	12,300,178	13,016,989	12,399,771
Preferred securities ⁽¹¹⁾	5,292,016	6,772,768	6,836,570
Preferred shares ⁽¹¹⁾	2,124,222	1,308,847	668,328
Minority interest (including net income of the period)	2,085,316	2,848,223	2,220,743
Stockholders' equity ⁽¹²⁾	34,414,942	39,778,476	44,851,559
Total capitalization	66,094,652	72,699,002	78,163,451
Stockholders' Equity per Share ⁽¹²⁾	6.95	6.37	7.18
Other managed funds			
Mutual funds	97,837,724	109,480,095	119,838,418
Pension funds	21,678,522	28,619,183	29,450,103
Managed portfolio	8,998,388	14,746,329	17,835,031
Total other managed funds	128,514,634	152,845,607	167,123,552
Consolidated Ratios			
Profitability Ratios:			
Efficiency ratio ⁽¹³⁾	52.76%	52.82%	48.53%
Return on average total assets (ROA)	1.01%	0.91%	1.00%
Return on average stockholders' equity (ROE)	19.74%	19.86%	21.39%
Capital Ratio:			
Average stockholders' equity to average total assets	4.62%	4.24%	4.36%
Ratio of earnings to fixed charges ⁽¹⁴⁾			
Excluding interest on deposits	1.89%	1.82%	1.60%
Including interest on deposits	1.39%	1.32%	1.27%
Credit Quality Data			
Allowances for impaired assets (excluding country risk)	6,813,354	7,902,225	8,626,937
Allowances for impaired assets as a percentage of total loans	1.81%	1.78%	1.62%
Impaired assets ⁽¹⁵⁾	4,114,691	4,341,500	4,607,547
Impaired assets as a percentage of total loans	1.09%	0.98%	0.87%
Allowances for impaired assets as a percentage of impaired assets	165.59%	182.02%	187.23%
Net loan charge-offs as a percentage of total loans	0.16%	0.23%	0.34%

	Three months ended 31 March	
	2006	2007
	(Unaudited)	(Audited)
	(prepared in accordance with IFRS)	
	(thousands of EUR, except per share data)	
Interest income	9,020,025	10,411,971
Interest expenses	(6,137,047)	(6,951,570)
Income from equity instruments	49,701	48,151
Net interest income	2,932,679	3,508,552
Income from companies accounted for by the equity method	130,554	60,216
Net fees and commissions ⁽¹⁾	1,737,564	2,087,320
Insurance activity income	66,310	95,108
Gains (losses) on financial transactions ⁽²⁾	408,396	492,008
Gross income	5,275,503	6,243,204
Net income from non-financial activities ⁽³⁾	37,758	34,430
Other operating income ⁽⁴⁾	(20,735)	(33,920)
General administrative expenses	(2,479,267)	(2,660,711)
<i>Personnel</i>	(1,492,513)	(1,560,802)
<i>Other administrative expenses</i>	(986,754)	(1,099,909)
Depreciation and amortization	(280,280)	(307,836)
Net operating income	2,532,979	3,275,167
Impairment losses (net)	(511,823)	(682,755)
Net gains on disposal of investments in associates ⁽⁵⁾	731	3,586
Net results on other disposals, provisions, and other income ⁽⁶⁾	(12,623)	(93,163)
Profit before tax	2,009,264	2,502,835
Income tax	(433,163)	(575,585)
Profit from continuing operations	1,576,101	1,927,250
Profit from discontinued operations	78,973	0
Consolidated profit for the year	1,655,074	1,927,250
Profit attributed to minority interests	161,665	125,074
Profit attributed to the Group	1,493,409	1,802,176
<i>Per Share Information:</i>		
Average number of shares (thousands) ⁽⁷⁾	6,247,741	6,242,548
Profit attributed to the Group per average share	0.2390	0.2887
Diluted earnings per share (in EUR)	0.2380	0.2874

Consolidated Balance Sheet Data:

	Three months ended 31 March	
	2006	2007
	(Unaudited)	(Audited)
	(prepared in accordance with IFRS)	
	(thousands of EUR, except per share data)	
Total assets	814,737,822	844,240,207
Loans and advances to credit institutions ⁽⁸⁾	60,568,573	73,289,922
Loans and advances to customers (net) ⁽⁸⁾	451,397,397	530,811,346
Investment Securities ⁽⁹⁾	199,323,555	126,733,617
Investments: Associates	3,076,276	4,911,891
Liabilities		
Deposits from central banks and credit institutions ⁽¹⁰⁾	139,610,050	100,913,875
Customer deposits ⁽¹⁰⁾	304,254,995	327,110,904
Debt securities ⁽¹⁰⁾	160,699,885	222,440,737
Capitalization		
Guaranteed Subordinated debt excluding preferred securities ⁽¹¹⁾	9,969,047	13,402,776
Secured Subordinated debt	—	—
Other Subordinated debt	12,545,331	12,469,781
Preferred securities ⁽¹¹⁾	6,469,213	7,482,507
Preferred shares ⁽¹¹⁾	1,293,238	670,438
Minority interest (including net income of the period)	2,944,435	2,055,306
Stockholders' equity ⁽¹²⁾	40,486,074	44,449,740
Total capitalization	73,707,338	80,530,548
Stockholders' Equity per Share ⁽¹²⁾	6.48	7.12
Other managed funds		
Mutual funds	114,173,699	131,147,392
Pension funds	29,190,102	29,996,354
Managed portfolio	16,780,649	19,244,822
Total other managed funds	160,144,450	180,388,568
Consolidated Ratios		
Profitability Ratios:		
Efficiency ratio ⁽¹³⁾	50.88%	46.32%
Return on average total assets (ROA)	0.81%	0.92%
Return on average stockholders' equity (ROE)	17.12%	18.48%
Capital Ratio:		
Average stockholders' equity to average total assets	4.27%	4.64%
Ratio of earnings to fixed charges ⁽¹⁴⁾		
Excluding interest on deposits	1.69%	1.73%
Including interest on deposits	1.29%	1.34%
Credit Quality Data		
Allowances for impaired assets (excluding country risk)	8,075,370	8,722,139
Allowances for impaired assets as a percentage of total loans	1.76%	1.62%
Impaired assets ⁽¹⁵⁾	4,369,871	4,936,052
Impaired assets as a percentage of total loans	0.95%	0.91%
Allowances for impaired assets as a percentage of impaired assets	184.80%	176.70%
Net loan charge-offs as a percentage of total loans	0.07%	0.10%

- (1) Equals “Fee and commission income” less “Fee and commission expense” as stated in our consolidated financial statements incorporated by reference herein.
- (2) Equals the sum of “Gains/losses on financial assets and liabilities (net)” and “Exchange differences (net)” as stated in our consolidated financial statements incorporated by reference herein.
- (3) Equals the sum of “Sales and income from the provision of non-financial services” and “Cost of sales” as stated in our consolidated financial statements incorporated by reference herein.
- (4) Equals the sum of “Other operating income” and “Other operating expenses” as stated in our consolidated financial statements incorporated by reference herein.
- (5) Equals the sum of “Other gains: Gains on disposal of investments in associates” and “Other losses: Losses on disposal of investments in associates” as stated in our consolidated financial statements incorporated by reference herein.
- (6) Includes “Provisions (net)”, “Finance income from non-financial activities”, “Finance expense from non-financial activities”, “Other gains: Gains on disposal of tangible assets”, “Other gains: Other”, “Other losses: Losses on disposal of tangible assets” and “Other losses: Other” as stated in our consolidated financial statements incorporated by reference herein.
- (7) Average number of shares have been calculated on the basis of the weighted average number of shares outstanding in the relevant year, net of treasury stock.
- (8) Equals the sum of the amounts included under the headings “Financial assets held for trading”, “Other financial assets at fair value through profit or loss” and “Loans and receivables” as stated in our consolidated financial statements incorporated by reference herein.
- (9) Equals the amounts included as “Debt instruments” and “Other equity instruments” under the headings “Financial assets held for trading”, “Other financial assets at fair value through profit or loss”, “Available-for-sale financial assets” and “Loans and receivables” as stated in our consolidated financial statements incorporated by reference herein.
- (10) Equals the sum of the amounts included under the headings “Financial liabilities held for trading”, “Other financial liabilities at fair value through profit or loss” and “Financial liabilities at amortized cost” included in Notes 20, 21 and 22 to our consolidated financial statements incorporated by reference herein.
- (11) In our consolidated financial statements preferred securities are included under “Subordinated liabilities” and preferred shares are stated as “Equity having the substance of a financial liability”. For regulatory purposes both preferred securities and preferred shares are included as part of Tier I Capital. “Guaranteed Subordinated debt excluding preferred securities” includes issuances of subordinated debt (excluding preferred securities) guaranteed by Banco Santander Central Hispano, S.A.
- (12) Equals the sum of the amounts included at the end of each year as “Own funds” and “Valuation adjustments” as stated in our consolidated financial statements incorporated by reference herein. We have deducted the book value of treasury stock from stockholders’ equity.
- (13) Efficiency ratio equals the sum of “General administrative expenses from financial activities”, “Depreciation and amortization costs” less “Offsetting fees” (see Note 48 to our consolidated financial statements incorporated by reference herein), divided by the sum of “Gross income” and “Net income from non-financial activities” less “General administrative expenses from non-financial activities”.
- (14) For the purpose of calculating the ratio of earnings to fixed charges, earnings consist of income from continuing operations before taxation, and minority interests, plus fixed charges and after deduction of the unremitted pre-tax income of companies accounted for by the equity method. Fixed charges consist of total interest expense, including or excluding interest on deposits as appropriate, and the proportion of rental expense deemed representative of the interest factor. Fixed charges include dividends and interest paid on preferred shares.
- (15) Impaired assets reflect Bank of Spain classifications. Such classifications differ from the classifications applied by U.S. banks in reporting loans as non-accrual, past due, restructured and potential problem loans. The Bank of Spain requires Spanish banks to classify any loan, fixed-income security, guarantee and certain other extensions of credit as impaired if these credits have any payment of principal or interest 90 days or more past due or if the banks have a reasonable doubt that these credits will be collected, even if any past due payments have been outstanding for less than 90 days or the asset is otherwise performing.

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.

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 and Law 23/2005, of 18 November on certain tax measures to promote the productivity as well as Royal Decree 2281/1998, of 23 October developing certain disclosure obligations to the tax authorities, as amended by Royal Decree 1778/2004, of 30 July establishing information obligations in relation to preferential holdings and other debt instruments and certain income obtained by individuals resident in the European Union and other tax rules;
- (b) for individuals with tax Residence in Spain which are Individual Income Tax (IRPF) taxpayers, Law 35/2006, of 28 November, on Individual Income Tax and partial amendment of Corporation 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 19/1991, of 6 June on Wealth Tax and Law 29/1987, of 18 December on Inheritance and Gift Tax;
- (c) for legal entities resident for tax purposes in Spain which are corporation tax taxpayers, Royal Legislative Decree 4/2004, of 5 March promulgating the Consolidated Text of the Corporation Tax Law, and Royal Decree 1777/2004, of 30 July promulgating the Corporation Tax Regulations (the “**Corporation 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 19/1991, of 6 June on Wealth Tax and 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.

1.2 Wealth Tax (*Impuesto sobre el Patrimonio*)

Individuals with tax residence in Spain under an obligation to pay Wealth Tax must take into account the amount of the Preferred Securities which they hold as at 31 December in each year when calculating their wealth tax liabilities.

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.

2. Legal Entities with Tax Residence in Spain

2.1 Corporation Tax (*Impuesto sobre Sociedades*)

Both Distributions periodically received and income deriving from the transfer, redemption or repayment of the Preferred Securities constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and must be included in profit and taxable income of legal entities with tax residence in Spain for Corporation Tax purposes 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. 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 gilt-edged and fixed interest market and they will therefore, upon admission to trading on the London Stock Exchange's gilt-edged and fixed interest market, fulfil the requirements laid down by the legislation for exemption from withholding. 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 the Preferred Securities be placed outside Spanish territory in another OECD country. The Issuer considers that the issue of the Preferred Securities falls within this exemption as the Preferred Securities are to be sold outside Spain and in the international capital markets and none of the entities placing the Preferred Securities is resident in Spain.

Consequently, the Issuer will not make any withholding on Distributions to Spanish corporation tax taxpayers that provide the relevant information to qualify as such. If the Spanish tax authorities maintain a different opinion on this matter however, the Issuer will be bound by that opinion and with immediate effect, make the appropriate withholding and the Issuer will not, as a result, be under any obligation to pay additional amounts.

No reduction percentage will be applied. (Please see “Disclosure of Holder Information in Connection with Payments of Distributions” below).

2.2 **Wealth Tax (*Impuesto sobre el Patrimonio*)**

Legal entities are not subject to Wealth Tax.

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 taxpayers with no permanent establishment in Spain, are exempt from such Non-resident Income Tax on the same terms laid down for income from public debt. This exemption is not applicable if such income is obtained through countries or territories classified as tax havens (being those included in Royal Decree 1080/1991, of 5 July), in which case such income will be subject to Non-resident Income Tax in Spain, currently at the rate of 18 per cent.

For these purposes it is necessary to comply with certain information obligations relating to the identity of the holders of Preferred Securities, in the manner detailed under “Disclosure of Holder information in connection with payments of distributions” as laid down in section 12 of Royal Decree 2281/1998, as promulgated by Royal Decree 1778/2004. 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*)**

To the extent that income deriving from the Preferred Securities is exempt from Non-resident Income Tax, individuals who do not have tax residence in Spain who hold such Preferred Securities will be exempt from Wealth Tax.

Furthermore, individuals resident in a country with which Spain has entered into a double tax treaty in relation to Wealth Tax will generally not be subject to Wealth Tax.

If the provisions of the foregoing two paragraphs do not apply, individuals who are not tax residents in Spain will be subject to Wealth Tax to the extent that rights deriving from the Preferred Securities can be exercised in Spanish territory.

Non-resident legal entities are not subject to Wealth Tax.

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. **Tax havens**

Pursuant to Royal Decree 1080/1991, of 5 July the following are each considered to be a tax haven:

Principality of Andorra,	Channel Islands (Jersey and,	Republic of Liberia,
Netherlands Antilles,	Guernsey),	Principality of Liechtenstein,
Aruba,	Jamaica,	Grand Duchy of Luxembourg
Kingdom of Bahrain,	Falkland Islands,	Area (as regards the income
Sultanate of Brunei,	Isle of Man,	received by the Companies
Republic of Cyprus,	Marianas Islands,	referred to in paragraph 1 of
Gibraltar,	Mauritius,	Protocol annexed Avoidance
Hong-Kong,	Montserrat,	of Double Taxation Treaty,
The Island of Anguila,	Republic of Nauru,	dated 3rd June 1986),
Islands of Antigua and	Solomon Islands,	Macao,
Barbuda,	Saint Vincent & the	Principality of Monaco,
The Bahamas,	Grenadines,	Sultanate of Oman,
The Island of Barbados,	Saint Lucia,	Republic of Panama,
The Bermuda Islands,	Republic of Trinidad and	Republic of San Marino,
Cayman Islands,	Tobago,	Republic of Seychelles,
The Cook Islands,	Turks and Caicos Islands,	Republic of Singapore.
The Republic of Dominica,	Republic of Vanuatu,	
Grenada,	British Virgin Islands,	
Fiji Islands,	Virgin Islands (of the United	
	States),	
	Hashemite Kingdom of Jordan,	
	Republic of Lebanon,	

5. **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.

5.1 **Legal Entities with tax residence in Spain subject to Spanish Corporation Tax**

In accordance with procedures established in the Agency Agreement, the Paying Agent must receive a list of those holders that are Spanish corporation tax taxpayers specifying the name, address, tax identification number, ISIN code of the Preferred Securities, number of Preferred Securities held at each Distribution Payment Date, gross income and amount withheld, substantially in the form set out below (see Annex III below).

5.2 **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 12 of Royal Decree 2281/1998 ("**Section 12**"), as promulgated by Royal Decree 1778/2004, being the following:

In accordance with sub-section 1 of such Section 12, a return must be made to 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 3 of such Section 12, for the purpose of preparing the return referred to in sub-section 1 of Section 12, 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 4 of Section 12, 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 5.1 and paragraph 5.2 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.

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

RELACIÓN ADJUNTA
TO BE ATTACHED

Identificación de los valores:
Identification of the securities

Razón social/Domicilio/Número de identificación fiscal/Número de valores/Rendimientos brutos/ Retención al 18 per cent.

Name/Domicile/Fiscal Identification Number/Number of securities/Gross income/Amount withheld at 18 per cent.

SUBSCRIPTION AND SALE

The Royal Bank of Scotland plc (the “**Manager**”) has, in a subscription agreement dated 5 July 2007 (the “**Subscription Agreement**”) and made between the Issuer, the Guarantor and the Manager upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Preferred Securities at their issue price of GBP 50,000 per Preferred Security. The Manager is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Preferred Securities.

United Kingdom

The Manager has represented, warranted and undertaken that:

- (a) it has 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 it 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) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preferred Securities in, from or otherwise involving the United Kingdom.

United States of America

The Manager understands that the Preferred Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. The Manager represents that it has offered and sold the Preferred Securities, and agrees that it will offer and sell the Preferred Securities (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Preferred Securities, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. The Manager agrees that, at or prior to confirmation of sale of Preferred Securities, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Preferred Securities from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “**C Rules**”), Preferred Securities must be issued and delivered outside the United States and its possessions in connection with their original issue. The Manager represents that it has not offered, sold or delivered, and agrees that it will not offer, sell or deliver, directly or indirectly, Preferred Securities within the United States or its possessions in connection with their original issue. Further, in connection with the original issue of Preferred Securities, the Manager represents that it has not communicated, and agrees that it will not communicate, directly or indirectly, with a prospective purchaser if either of the Manager or such purchaser is within the United States or its possessions or otherwise involve the Manager’s U.S. office in the offer or sale of Preferred Securities. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

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.

The Manager has represented, warranted and agreed that no marketing of the Preferred Securities shall be specifically made to investors in Spain.

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 Manager 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 hands this Prospectus comes are required by the Issuer, the Guarantor and the Manager 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.

GENERAL INFORMATION

1. The creation and issue of the Preferred Securities was authorised by resolutions of the shareholders of the Issuer dated 22 June 2007 and a resolution of the board of directors of the Issuer dated 22 June 2007. The Guarantee of the Preferred Securities was authorised by a resolution of the Executive Committee of the Guarantor dated 22 June 2007.
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 is XS0307728146 and the common code is 030772814. 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 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 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 yield on the Preferred Securities until the First Call Date is 7.005 per cent. per annum.
5. 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 Gilt-Edged and Fixed Interest Market equal approximately GBP 6,925.
6. Save as discussed in "Subscription and Sale", so far as the Issuer or Guarantor is aware, no person involved in the offer of the Preferred Securities has an interest material to the offer.

REGISTERED OFFICE OF THE ISSUER

Santander Finance Preferred, S.A. Unipersonal
Ciudad Grupo Santander
Avda. de Cantabria s/n
28660 Boadilla del Monte
Madrid
Spain

REGISTERED OFFICE OF THE GUARANTOR

Banco Santander Central Hispano, S.A.
Paseo de Pereda 9-12
39004 Santander
Spain

HEAD OFFICE OF THE GUARANTOR

Banco Santander Central Hispano, S.A.
Ciudad Grupo Santander
Avda. de Cantabria s/n
28660 Boadilla del Monte
Madrid
Spain

PAYING AGENT

The Bank of New York, London Branch
One Canada Square
London E14 5AL
UK

LEGAL ADVISERS

*To the Manager as to English law and
Spanish law*

Clifford Chance S.L.
Paseo de la Castellana, 110
28046 Madrid
Spain

*To the Issuer and the Guarantor as to
Spanish Law*

Natalia Butragueño
Ciudad Grupo Santander
Edificio Encinar, Avda de Cantabria s/n
28660 Boadilla del Monte,
Madrid
Spain

AUDITORS OF THE ISSUER AND THE GUARANTOR

Deloitte S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
Spain

