
Press Release

Santander Investors' Day

Emilio Botín: “We will end 2007 with EUR 8,000 million of ordinary net attributable profit”

- The Banco Santander Chairman confirms the targets announced at the Annual General Meeting in June.
- “Our strategy places us in an excellent position, a winning position, within international banking”
- “The Group has the capacity to grow our EPS 5% ahead of our competitors in the next two years”

Madrid, September 14, 2007 - Santander Chairman Emilio Botín today closed an analysts' and investors' meeting saying he is confident that “the bank's strategy places us in an excellent position, a winning position, within international banking.” Botín also summed up the reasons explaining Santander's history of success. “We've known how to systematically adjust our ambitions to the capacities we had at different times. We've never gone beyond where we could. But neither have we been a single step behind where we could be. We've always optimised our human, economic and financial resources and we will continue to do so in the future.”

The Chairman of Santander highlighted the creation of value for shareholders as the focus of the bank's corporate culture. He went through Santander's track record in the last twenty years and recalled that “Santander's annual average share return has been 16.5% since 1997, meaning that every euro invested in our shares at the beginning of 1997 has grown fivefold”.

Botín pointed to two levers that have enabled Santander to become the seventh bank in the world in terms of profit in 2006:

- Growth and diversification of our business, focusing always on retail banking.
- We have improved and doubled the efficiency of our business model, investing in technology and human resources and implementing a structural process of cost discipline and efficiency enhancement.

“We've known how to capitalize on our successes to create capacities in managing the business, the balance sheet and earnings, to continue investing in the future and, thus,

increasing medium-term value creation. Banco Santander has always sought to align short-term profitability with the investments required to be a better, more diversified and profitable bank in the medium term. In short, we've been obsessed with the idea of keeping the highest standards. This requirement has allowed the bank to attract one of the best management teams in international banking”.

Botín attributed a large portion of the Group's success to the management team. He said: “Santander's team has enabled profit to grow 50% ahead of our local competitors. Without their contribution, the bank's EPS would have grown 11%, in line with the rest of global banks, instead of 15%. **Clearly, our ability to grow more than international banking is thanks to our management team.**”

“I am convinced the market is progressively accepting that:

- Our executive teams' capacity to plan, execute and manage skilfully our business initiatives is one of Santander's main differentiating factors and competitive advantages.
- Santander has execution capacities.
- This strength is more than proven.”

The Chairman of Santander also spoke about **growth strategy, consisting in “focusing on guaranteeing sustainable growth of our EPS, ahead of our main competitors.”** “To achieve this,” he added, “the Group has been for many years using two levers: sustained and recurrent organic growth and value-creating acquisitions. It would have been impossible to build a success story if we hadn't strived to count on two supporting factors and not just one.”

Regarding organic growth, Botín explained that what makes Santander different from other global banks is the focus on retail banking, which is a source of recurrent revenues, and he highlighted that, excluding the Chinese market, Santander has the largest branch network in international banking. Moreover, he underlined the importance of geographical diversification, sound risk management and the development of state-of-the-art technology -essential to systematically improve efficiency- as the keys to higher growth potential.

“For all these reasons, and the low risk profile of our businesses, our third quarter earnings will be in line with the trend shown in the first half of the year. I can ratify what I already said in the AGM in June: We are in line to register ordinary net attributable profit of EUR 8,000 million for the year.”

“Our business model, with a moderate risk profile, the strength of our balance sheet and our broad provisions place us in a favourable position whatever the market conditions”, Botín said. He also mentioned the current market situation. “In the last few weeks, we've seen a clear adjustment in international financial conditions, which has created liquidity tensions, increased the cost of risk and penalized the use of certain financial instruments. **I am convinced the liquidity situation will soon be resolved because it is not based on fundamental factors.** As to the adjustment in the cost of risk, I must say I think it's reasonable, as it puts things where they should be and, undoubtedly, benefits companies such as Santander, with a more transparent and predictable business and lower risks.”

The Santander Chairman explained his position regarding acquisitions. “I am convinced that in order to maintain recurrent EPS growth ahead of our competitors, it is key to actively manage our business portfolio: investing in banks and markets where our management enables strong profit growth and, thus, value creation; but also, when appropriate, disposing of assets which are not essential and where our ability to create value is limited.”

“We’re not trying to build a larger bank, but rather a better bank: more profitable and with better growth and value creation prospects. That’s why Santander’s main criterion in acquisitions is investing in retail banking, with the goal of controlling management. The acquisitions we do must enable us to achieve important and sustainable growths in the mid term as a result of Santander’s management model.” As an example, he mentioned the Abbey acquisition and the joint offer, together with Royal Bank of Scotland and Fortis, for ABN Amro. Regarding the latter, Botín said: “It is an acquisition which fits perfectly in this strategy of buying and selling. We’re not only proposing an investment which meets our strategic and financial criteria, but we’re financing it in the most efficient manner for our shareholders.”

Finally, Botín reiterated his **“confidence in the Group, solidly based. Santander is today living its best moment in history and I am convinced this will continue in the next few years, whatever market conditions, in a sustained track record of excellence and value creation for our shareholders.”**

Also participating in the second session of Santander Investors’ Day were Matías Rodríguez Inciarte, third Vice Chairman and Chairman of the Risk Committee; the executive vice-presidents of Technology and Operations, and of Financial Management; and the managers of global areas in Wholesale Banking, Asset Management, Insurance, Private Banking and Cards)

Risks: Matías Rodríguez Inciarte, head of risk management for the Group, said that Banco Santander has a medium-low and predictable risk profile. Loans to customers account for 62% of the Group’s balance sheet, of which 83% is financing to retail customers and SMEs (retail banking) and 17% is corporate credit. “Our activity in the new forms of wholesale finance, in high risk deals or businesses outside our core markets and customers is very marginal.”

Matías Rodríguez Inciarte said: “In the Spanish real estate market, we have always acted prudently and have deliberately limited our market share in high-risk segments.” Santander’s aspiration is to keep the low volatility and predictable risk profile, together with the excellent risk quality ratios in the markets where we are present. Rodríguez Inciarte recalled that Banco Santander’s generic provisions amount to EUR 6,000 million.

Technology: José María Fuster, head of Technology and Operations, said: “We have developed state-of-the-art technology, which is essential to systematically improve efficiency and to be supported by a platform which gives us a commercial advantage in our businesses. In a market as competitive as financial services today, technology is a decisive instrument to achieve permanent efficiency improvements and to tackle constant competitive pressures in margins and commissions.”

José María Fuster added that “technology is key to rapidly improve procedures and costs in acquisitions we integrate into the Group, as is the case in Abbey.”

Financial Management: José Antonio Álvarez, executive vice-president of the Financial Division, said that we’ve seen, in the last few weeks, an adjustment in the international financial situation. He thinks “in the new cycle, we expect the distinction between *good* and *bad* banks to grow.”

José Antonio Álvarez explained that capital discipline is one of Santander’s main hallmarks, visible in the sale of loans to free capital, minimise capital increases, the release of capital through the sale of non-core assets, and shareholder remuneration with a dividend equivalent to 50% of ordinary profit.

Santander’s Global Businesses

Wholesale Banking: Adolfo Lagos, head of Santander Global Banking & Markets, said the main target is to “put together a global wholesale business in line with Santander’s potential.” The levers to achieve this will be: to further penetrate in transactional banking; distribute wholesale products to Latin America; extend project finance to other sectors; grow our market share in our main customers’ businesses and enhancing our distribution capacities, thus creating business that is later distributed in the market.

Adolfo Lagos underlined that the Division has a high revenue growth target, with a 20% CAGR through 2009, based on attracting more business per customer and increasing capital rotation to maximise value creation.

Asset Management: Joan David Grimà, head of Santander Asset Management, explained that this global and integrated unit will continue progressing in its capacities to “provide Santander and third parties with innovative products, maintaining efficiency as the main competitive advantage.”

Joan David Grimà said the unit should register annual organic growth above 10% in assets under management and revenues until 2009, enabling to increase pre-tax profit over 15%.

Seguros. Jorge Morán, head of Santander Insurance, said activity in this unit is “based on the size and strength of the Group” and that it’s aspiration is to anticipate customers’ needs and take advantage of the local distribution capacity of the Group’s banks.

Jorge Morán believes in sustainable and quality growth, which would allow revenues to increase around 20% until 2009. This growth will be supported in the middle term by bancarisation in Latin America, which entails strong loan and insurance growth, and, in the long term, by Europe’s demographic changes.

Private Banking. Javier Marín, head of Santander Private Banking, the global unit created recently, said that the main challenges for this quarter are for the private banking unit in Italy to be fully in place and, in 2008, to begin the transformation of the business in the UK, together with the adaptation and implementation of the business model to each Latin American bank.



Javier Marín anticipated the unit will grow assets under management – EUR 96,000 million at the end of last year - by 18% annually to 2009. This growth rate will enable CAGR of 20% in pre-tax profit.

Cards: Ramón Tellaeche, head of Santander Cards, explained that the focus of the unit is “to be the best specialist in means of payment integrated in a retail bank in the world”, counting on 16 million credit cards, 6 million corporate cards, 32 million debit cards and 22,800 ATMs.

Ramón Tellaeche said the main financial target is to finish 2009 doubling 2006 revenues, which amounted to EUR 1,657 million, maintaining credit risk under control.

Comunicación Externa.

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