**LISTING PROSPECTUS**

# Santander Finance Preferred, S.A. Unipersonal

**(incorporated with limited liability under the laws of Spain)**

## US$600,000,000 6.50% Non-Cumulative Guaranteed Series 5 Preferred Securities (par value US$25.00 per security)

**fully and unconditionally guaranteed as described herein by**

## Banco Santander, S.A.

**(formerly known as Banco Santander Central Hispano, S.A. and incorporated with limited liability under the laws of Spain)**

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Santander Finance Preferred, S.A. Unipersonal (the "**Issuer**") issued on 31 January 2007 24,000,000 6.50% Non-Cumulative Guaranteed Series 5 Preferred Securities, which were previously sold in transactions exempt from the registration requirements under the U.S. Securities Act of 1933 (the "**Securities Act**") (the "**Original Series 5 Preferred Securities**"). The Issuer on 13 December 2007 filed with the United States Securities and Exchange Commission (the "**SEC**") an exchange offer registration statement (the "**Exchange Offer Registration Statement**") pursuant to the registration rights agreement dated 31 January 2007 entered into by and among the Issuer, the Guarantor and the initial purchaser (the "**Registration Rights Agreement**"). Under the terms of the Exchange Offer Registration Statement, the Issuer offered to exchange the Original Series 5 Preferred Securities for up to 24,000,000 6.50% Non-Cumulative Guaranteed Series 5 Preferred Securities registered with the SEC under the Securities Act (the "**Exchange Series 5 Preferred Securities**", and together with the Original Series 5 Preferred Securities, the "**Series 5 Preferred Securities**"). The terms of the Exchange Series 5 Preferred Securities are identical in all material respects to the terms of the Original Series 5 Preferred Securities, except that the Exchange Series 5 Preferred Securities have been registered under the Securities Act and the transfer restrictions and registration rights relating to the Original Series 5 Preferred Securities do not apply to the Exchange Series 5 Preferred Securities.

Non cumulative preferential cash distributions on these securities accrued from the date of original issuance and are payable, in United States dollars, quarterly in arrears on 31 January, 30 April, 31 July and 31 October of each year. See "*Description of the Exchange Series 5 Preferred Securities—Distributions*".

The Exchange Series 5 Preferred Securities may be redeemed by the Issuer, subject to obtaining the prior consent of the Bank of Spain, in whole but not in part, on or after 31 January 2017. They are redeemable at US$25.00 per Exchange Series 5 Preferred Security plus the accrued and unpaid distribution for the then-current distribution period to the date fixed for redemption. See "*Description of the Exchange Series 5 Preferred Securities—Optional Redemption*".

The liquidation preference of each *Exchange* Series 5 Preferred Security is US$25.00 plus the accrued and unpaid distribution for the then-current distribution period, subject to limitations in the event of liquidation of Banco Santander, S.A. (the "**Guarantor**" or "**Banco Santander**"). See "*Description of the Exchange Series 5 Preferred Securities—Rights upon Liquidation*".

Payment of cash distributions and payments upon liquidation or redemption with respect to the Exchange Series 5 Preferred Securities are unconditionally guaranteed by the Guarantor to the extent described under "*Description of the Guarantee*".

***Investing in the Exchange Series 5 Preferred Securities involves risks. See "Risk Factors" beginning on page 16.***

Under Spanish law, the Issuer and the Guarantor are required to provide to the Spanish tax authorities certain information relating to owners of beneficial interests in the Series 5 Preferred Securities and, under certain circumstances, are required to withhold taxes from distributions. See "*Spanish Withholding Tax Requirements*".

In accordance with the terms of article 24.5 of Royal Decree 1310 of 4 November 2005, which transposes Article 13.5 of Directive 2003/71/EC (the "**Prospectus Directive**") into Spanish law, the *Comisión Nacional del Mercado de Valores* has, by virtue of a letter dated 11 September 2009 and delivered to the United Kingdom Financial Services Authority (the "**FSA**"), transferred the responsibility for approving this Listing Prospectus to the FSA. This Listing Prospectus, which includes Annex A, Annex B and Exhibits I, II and III (the "**Listing Prospectus**") has been approved by the FSA pursuant to Section 87A of the Financial Services and Markets Act 2000 (the "**FSMA**"), which is the competent authority for the purposes of the Prospectus Directive and relevant implementing measures in the United Kingdom, as a prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to Santander Finance Preferred, S.A. Unipersonal and Banco Santander, S.A. and the Exchange Series 5 Preferred Securities.

Application has been made to the FSA in its capacity as competent authority under the FSMA (the "**UK Listing Authority**") for the Exchange Series 5 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 Exchange Series 5 Preferred Securities to be admitted to trading on the Regulated Market of the London Stock Exchange. References in this Listing Prospectus to the Exchange Series 5 Preferred Securities being "listed" (and all related references) shall mean that such Exchange Series 5 Preferred Securities have been admitted to the Official List and have been admitted to trading on the Regulated Market of the London Stock Exchange.

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

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The date of this Listing Prospectus is 4 December, 2009

## RESPONSIBILITY STATEMENT

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

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, the Listing Prospectus:

1. the Guarantor's 2008 Annual Report for the year ended 31 December 2008 and the Guarantor's Auditor's Report and Annual Consolidated Accounts thereto (together the "**2008 Annual Report**"), which includes the consolidated financial statements, as well as the management report, the balance sheet and income statement of the Guarantor and the auditor's report on the consolidated financial statements thereon;
2. the Guarantor's 2007 Annual Report for the year ended 31 December 2007 (the "**2007 Annual Report**"), which includes the consolidated financial statements as well as the management report, the balance sheet and income statement of the Guarantor and the auditor's report on the consolidated financial statements thereon;
3. the interim consolidated condensed audited financial statements of the Guarantor for the six months ended 30 June 2009 and the auditor's report thereto (the "**First Half Report**");
4. the interim consolidated unaudited financial data of the Guarantor for the nine months ended 30 September 2009 (the "**Third Quarter Report**");
5. the Issuer's non-consolidated audited financial statements and auditor's report for the year ended 31 December 2008 (the "**Issuer's 2008 Financial Report**");
6. the Issuer's non-consolidated audited financial statements and auditor's report for the year ended 31 December 2007 (the "**Issuer's 2007 Financial Report**"); and
7. the Issuer's non-consolidated interim financial statement and interim management report for the period ended 30 June 2009, together with the Limited Auditors Report (the "**Issuer's 2009 Half Year Financial Report**"),

provided that any statement contained herein or in a document all or the relevant portion of which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Listing 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 Article 16 of 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 Listing Prospectus.

Any information incorporated by reference in the documents listed at (1) to (7) above do not form part of this Listing Prospectus.

From the date hereof and throughout the period that the Exchange Series 5 Preferred Securities remain listed on the Regulated Market of the London Stock Exchange, the Issuer and the Guarantor will, at the specified offices of the Registrar, Transfer Agent and Paying Agent (as defined below) provide, free of charge, upon oral or written request, a copy of this Listing Prospectus (and any documents incorporated by reference in this Listing Prospectus). Written or oral requests for such documents should be directed to the specified office of the Issuer or to the Registrar, Transfer Agent and Paying Agent (as defined below).

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

Unless otherwise indicated, “securityholder” refers to the registered holder of any Series 5 Preferred Security. “Beneficial Owner” refers to an owner of a beneficial interest in any Series 5 Preferred Security.

Unless otherwise indicated, all references in this Listing Prospectus to “initial purchaser” refer to Lehman Brothers Inc (the “**Initial Purchaser**”).

In this Listing Prospectus, references to “$”, “US$”, “USD” and “US dollars” are to United States dollars. References to “Sterling”, “GBP” and “£” are to Pound Sterling. References to “Euro”, “EUR” and “€” are to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community as amended from time to time.

## NOTICE TO INVESTORS

**This Listing Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any Exchange Series 5 Preferred Securities by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. The delivery of this Listing Prospectus does not imply that there has been no change in our affairs or that the information in this Listing Prospectus is correct as of any date after the date of this Listing Prospectus.**

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this Listing Prospectus and the purchase, offer or sale of the Exchange Series 5 Preferred Securities and (2) obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the Exchange Series 5 Preferred Securities under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither the Issuer, the Guarantor nor the Initial Purchaser shall have any responsibility therefor.

You acknowledge that:

- you have not relied on the Initial Purchaser or any person affiliated with the Initial Purchaser in connection with your investigation of the accuracy of information contained in this Listing Prospectus or your investment decision; and

- no person has been authorised to give any information or to make any representation concerning us or the Exchange Series 5 Preferred Securities, other than as contained in this Listing Prospectus and, if given or made, any such other information or representation should not be relied upon as having been authorised by us or the Initial Purchaser.

In making an investment decision, you must rely on your own examination of our company and the terms of the offering, including the merits and risks involved. The Exchange Series 5 Preferred Securities have not been recommended by any U.S. federal or state securities commission or regulatory authority of the United States. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence.

You acknowledge that the Initial Purchaser is not responsible for, and is not making any representation to you concerning, our future performance or the accuracy or completeness of this Listing Prospectus.

You should consult with your own advisors as to legal, tax, business, financial and related aspects of an investment in the Exchange Series 5 Preferred Securities. You must comply with all laws applicable in any place in which you buy, offer or sell the Exchange Series 5 Preferred Securities or possess or distribute this Listing Prospectus and you must obtain all applicable consents and approvals, and none of the Issuer, the Guarantor or the Initial Purchaser shall have any responsibility for any of the foregoing legal requirements.

You may not use any information herein for any purpose other than considering an investment in the Exchange Series 5 Preferred Securities.

## SPANISH WITHHOLDING TAX REQUIREMENTS

Under Spanish law, distributions in respect of the Series 5 Preferred Securities as well as imputed income deriving from the exchange of the Series 5 Preferred Securities in relation to an exchange offer will be subject to withholding tax in Spain, currently at the rate of 18%, in the case of individual holders (as defined herein) who are resident for tax purposes in Spain. Each of the Issuer and the Guarantor is required pursuant to Spanish law to submit to the Spanish tax authorities certain details relating to Beneficial Owners who receive distributions on the Series 5 Preferred Securities or obtain imputed income deriving from the exchanges of the Series 5 Preferred Securities in relation to an exchange offer. Beneficial Owners in respect of whom such information is not provided to the Issuer or the Guarantor in accordance with procedures described herein will receive payments net of Spanish withholding tax, currently at the rate of 18%. Neither the Issuer nor the Guarantor will pay additional amounts in respect of any such withholding tax in any of the above cases. See "*Taxation—Spanish Tax Considerations—Evidencing of Beneficial Owner Residency*".

The Issuer and the Guarantor have arranged certain procedures with Acupay System LLC ("**Acupay**") and the Depositary Trust Company ("**DTC**") that will facilitate the collection of the required Beneficial Owner information. The procedures arranged by Acupay and DTC are intended to facilitate the collection of information regarding the identity and residence of Beneficial Owners who (i) are exempt from Spanish withholding tax requirements and therefore entitled to receive payments in respect of the Series 5 Preferred Securities free and clear of Spanish withholding taxes and (ii) are (a) direct participants in DTC, (b) hold their interests through securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a direct or indirect custodial relationship with a direct participant in DTC (each such entity an "indirect DTC participant") or (c) hold their interests through direct DTC participants. These procedures are set forth in Annexes A and B to this Listing Prospectus.

Such procedures may be amended to comply with Spanish laws and regulations or any judicial or administrative interpretation thereof. The description of these procedures contained in this Listing Prospectus is a summary only. Beneficial Owners must seek their own tax advice to ensure that they comply with all procedures with respect to providing Beneficial Owner information. None of the Issuer, the Guarantor, the Initial Purchaser, Acupay or DTC assume any responsibility therefor.

DTC is under no obligation to continue to perform the tax certification procedures and such procedures may be modified or discontinued at any time. In addition, DTC may discontinue providing its services as securities depositary with respect to the Series 5 Preferred Securities at any time by giving reasonable notice to us.

If DTC or the direct or indirect participants in DTC are unable to facilitate the collection of such information, the Issuer may attempt to remove the Series 5 Preferred Securities from the DTC clearing system and this may affect the liquidity of the Series 5 Preferred Securities. Provision has been made for the Series 5 Preferred Securities to be represented by certificated Series 5 Preferred Securities in the event that the Series 5 Preferred Securities cease to be held through DTC. See "*Description of the Exchange Series 5 Preferred Securities—Form, of Exchange Series 5 Preferred Securities; Book-entry System*".

The Issuer and the Guarantor, as applicable, may, in the future, withhold amounts from payments for the benefit of Beneficial Owners who are subject to Corporate Income Tax in Spain if the Spanish tax authorities determine that the Series 5 Preferred Securities do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 or otherwise require such withholding to be made. If this were to occur, neither the Issuer nor the Guarantor will pay additional amounts in respect of such withholding. See "Taxation—Spanish Tax Considerations—Legal entities with tax residency in Spain—Corporate Income Tax (*Impuesto sobre Sociedades*)".

## PRESENTATION OF INFORMATION

We publish our consolidated financial statements in Euros and to the extent that any amounts reflected in such financial statements are stated in United States dollars or any other currency, such amounts have been translated from Euros at an assumed rate and solely for convenience and should not be construed as representations that such United States dollars or other currency actually represent such dollar or other currency amounts or could be converted into such dollars or other currency at the rate indicated.

## WHERE YOU CAN FIND MORE INFORMATION

Banco Santander files annual and periodic reports and other information with the SEC.

You may read and copy any document Banco Santander files at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at l-800-SEC-0330 for further information on the operation of the public reference rooms. Our SEC filings are also available to the public over the Internet on the SEC's Electronic Delivery Gathering, Analysis and Retrieval (EDGAR) System which can be found at the SEC's website at *http://www.sec.gov*.

See page 2 for a list of documents incorporated by reference into this Listing Prospectus.

With the exception of the documents specifically incorporated by reference in this Listing Prospectus as set forth on page 2, material contained on or accessible through our website is not incorporated into this Listing Prospectus. You may also request a copy of our filings at no cost, by writing or calling us at the following addresses:

Banco Santander, S.A.
New York Branch
45 East 53rd Street
New York, New York 10022
(212) 350-3500

or

Banco Santander, S.A.
Ciudad Grupo Santander
Avenida de Cantabria
28660 Boadilla del Monte
Madrid, Spain
Attn: Shareholders' Office
(011) 34-91-259-6520

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Listing Prospectus and the information incorporated by reference herein contains statements that constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include information regarding:

- exposure to various types of market risks;
- management strategy;
- capital expenditures;
- earnings and other targets; and
- asset portfolios.

Forward-looking statements may be identified by words such as "expect," "project," "anticipate," "should," "intend," "probability," "risk," "VaR," "DCaR," "ACaR," "RORAC," "target," "goal," "objective," "estimate," "future" and similar expressions. The Issuer and the Guarantor include forward-looking statements in this Listing Prospectus and the information incorporated by reference herein. Forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements.

You should understand that adverse changes in the following important factors, in addition to those discussed in the "*Risk Factors*" section of this Listing Prospectus, could affect the Guarantor's future results and could cause those results or other outcomes to differ materially from those anticipated in any forward-looking statement:

***Economic and Industry Conditions***

- exposure to various types of market risks, principally including interest rate risk, foreign exchange rate risk and equity price risk;

- general economic or industry conditions in Spain, the United Kingdom, other European countries, Latin America, the United States and the other areas in which the Bank has significant business activities or investments;
- continued deterioration in the global economy, and continued volatility in the capital markets;
- the effects of a decline in real estate prices, particularly in Spain, the United Kingdom and the United States;
- monetary and interest rate policies of the European Central Bank and various central banks;
- inflation or deflation;
- the effects of non-linear market behaviour that cannot be captured by linear statistical models, such as the VaR/DCaR/ACaR model the Bank uses;
- changes in competition and pricing environments;
- the inability to hedge some risks economically;
- the adequacy of loss reserves;
- acquisitions or restructurings of businesses that may not perform in accordance with the Bank's expectations;
- changes in demographics, consumer spending or saving habits; and
- changes in competition and pricing environments as a result of the progressive adoption of the internet for conducting financial services and/or other factors.

***Political and Governmental Factors***

- political stability in Spain, the United Kingdom, the United States, other European countries and Latin America;
- changes in Spanish, United Kingdom, United States, European Union or other laws, regulations or taxes; and
- increased regulation in light of the global financial crisis.

***Transaction and Commercial Factors***

- the Bank's ability to integrate successfully its acquisitions, and the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters while the Bank integrates these acquisitions; and
- the outcome of the Bank's negotiations with business partners and governments.

***Operating Factors***

- technical difficulties and the development and use of new technologies by the Bank and its competitors;
- the impact of changes in the composition of the Bank's balance sheet on future net interest income; and
- potential losses associated with an increase in the level of substandard loans or non-performance by counterparties to other types of financial instruments.

The forward-looking statements contained in this Listing Prospectus and the information incorporated by reference herein speak only as of the date of this Listing Prospectus and the reports incorporated by reference herein, respectively. Neither the Issuer nor the Guarantor undertakes to update any forward-looking statement to reflect events or circumstances after such dates or to reflect the occurrence of unanticipated events.

Neither the Issuer nor the Guarantor undertakes any obligation to release publicly the results of any future revisions the Issuer or the Guarantor may make to forward-looking statements to reflect events or circumstances after the date of this Listing Prospectus or to reflect the occurrence of unanticipated events.

## ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES

The Issuer and the Guarantor are limited liability companies (*sociedades anónimas*) organised under the laws of Spain. All of the Issuer's directors and substantially all of the executive officers and directors of the Bank, and certain of the experts named in this Listing Prospectus, are not residents of the United States and all or a substantial portion of the assets of the Guarantor and the Issuer's and their respective directors and officers are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons with respect to matters arising under the Securities Act or to enforce against them judgments of courts of the United States predicated upon civil liability under the Securities Act. There is doubt as to the enforceability in Spain in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated solely upon the securities laws of the United States. The Guarantor has expressly submitted to the non-exclusive jurisdiction of New York State and United States federal courts sitting in New York City for the purpose of any suit, action or proceeding arising out of the Guarantee and has appointed Banco Santander, S.A., New York Branch, as its agent in New York City to accept service of process in any such action.

## SUMMARY

*This Summary must be read as an introduction to this Listing Prospectus. Any decision to invest in the Exchange Series 5 Preferred Securities should be based on a consideration of this Listing Prospectus as a whole, including the documents incorporated by reference, by any investor. No civil liability attaches to the Issuer or the Guarantor in respect of this Summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Listing Prospectus. Where a claim relating to information contained in this Listing Prospectus is brought before a court in an European Economic Area member state (each, an "EEA State"), the plaintiff may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating the Listing Prospectus before the legal proceedings are initiated.*

*The cross references in this Summary to sections in the Listing Prospectus are included for informational purposes only and do not form part of this Summary for purposes of the Prospectus Directive.*

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| Issuer | Santander Finance Preferred, S.A. Unipersonal is a wholly owned subsidiary of the Guarantor registered as a company with limited liability under the laws of Spain, being its exclusive activity to issue preferred securities in various markets and deposit the net proceeds with the Bank. The Issuer's share capital is €150,500. The Issuer has no material assets other than inter-company debt with affiliates and has no subsidiary companies. There are four directors on the Board of Directors of the Issuer, please see "*The Issuer*" below for more information. |
| Guarantor | Banco Santander, S.A. is incorporated under the laws of Spain and its activities are subject to special Spanish legislation governing credit institutions and the supervision, control and regulation of the Bank of Spain. The Guarantor, together with its subsidiaries, operate principally in Spain, the United Kingdom, Portugal, other European countries, Latin America and the United States offering a wide range of financial products. As at 31 December, 2008 the Group had €1,049.6 billion total assets. As of 13 October, 2009 Banco Santander's paid-up share capital was €4,077,931,685, such share capital has not changed from that date. There are nineteen directors on the Board of Directors of the Guarantor. |
| Registrar, Transfer Agent and Paying Agent | The Bank of New York Mellon<br>101 Barclay Street<br>New York, New York 10286<br>USA |
| Auditors | Deloitte, S.L.<br>Plaza Pablo Ruiz Picasso, 1<br>Madrid<br>Spain |
| Securities | US$600,000,000 6.50% Non-Cumulative Guaranteed Series 5 Preferred Securities (par value US$25.00 per security) |
| Issue Price | US$25.00 per security |
| Distributions Payable on the Securities | Fixed rate of 6.50% per annum. |
| Day Count Fraction | 30/360 |
| Distributions | Non-cumulative cash Distributions on the Series 5 Preferred Securities accrued from 31 January 2007 and are payable quarterly in arrears on 31 January, 30 April, 31 July and 31 October in each year.<br><br>Distributions on the Exchange Series 5 Preferred Securities are limited by the amount of the Distributable Profits of the Bank for the previous year and to any limitations that may be imposed by Spanish banking regulations on capital adequacy for credit institutions, as determined in accordance with guidelines and |

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| | requirements of the Bank of Spain and other Spanish law as in effect from time to time. For more information see "*Description of the Exchange Series 5 Preferred Securities - Distributions*" below. |
| | Except as provided in the section referred to in the above paragraph, the holders of the Exchange Series 5 Preferred Securities are not entitled to share in the profits of the Issuer. |
| Issue Date of the Original Series 5 Preferred Securities | 31 January 2007 |
| Issue Date of the Exchange Series 5 Preferred Securities | 23 January 2008 |
| Yield | 6.50 per cent. |
| Optional Redemption | The Exchange Series 5 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 or after 31 January 2017 at the redemption price of US$25.00 per Exchange Series 5 Preferred Security, plus the accrued and unpaid Distribution for the then-current Distribution Period to the date fixed for redemption. For more information see "*Description of the Exchange Series 5 Preferred Securities – Optional Redemption*" below. |
| Ranking of the Securities | The Exchange Series 5 Preferred Securities will rank (a) junior to all liabilities of the Issuer including subordinated liabilities; (b) *pari passu* with each other and with any other series of Preferred Securities of the Issuer; and (c) senior to the Issuer's ordinary shares. |
| Form of the Securities | The Exchange Series 5 Preferred Securities have been issued in registered form represented by two Global Preferred Security Certificates, deposited with, or on behalf of, DTC and registered in the name of DTC or its nominee. No direct participant, indirect participant or other person is entitled to have Exchange Series 5 Preferred Securities registered in its name, receive or be entitled to receive physical delivery of Exchange Series 5 Preferred Securities in definitive form or be considered the owner or holder of the Exchange Series 5 Preferred Securities. See "*Description of the Exchange Series 5 Preferred Securities – Form of Series 5 Preferred Securities; Book-entry System*" |
| Status of the Guarantee | Banco Santander, S.A. as Guarantor, has unconditionally and irrevocably guaranteed the payment of Distributions, the Liquidation Distribution and the redemption price with respect to the Exchange Series 5 Preferred Securities, subject, in the case of Distributions, to the limitations on distributions referred to above. For more information see "*Description of the Guarantee*". |
| | The obligations of the Guarantor under the Guarantee constitute an unsecured obligation of the Guarantor and will rank junior to all liabilities of the Guarantor, including subordinated liabilities (other than any guarantee or contractual right expressly ranking equally with or subordinated to the Guarantee); will rank *pari passu* with the most senior Preferred Securities issued by the Guarantor and any obligations of the Guarantor under any guarantee issued by it relating to any Preferred Securities issued by any Subsidiary; and will rank senior to the Guarantor's ordinary shares. |
| Beneficial Owner Identification Requirements under Spanish Tax Law | Under Spanish Law 13/1985 (as amended by Law 19/2003, Law 23/2005 and Law 4/2008) and Royal Decree 1065/2007, the Issuer and the Guarantor are required to provide to the Spanish tax authorities certain information relating to Beneficial Owners |

obtaining income on the Series 5 Preferred Securities. This information includes the identity and country of residence of Beneficial Owners and the amount of income received by such Beneficial Owners, and with respect to each Distribution Payment Date, must be collected on or prior to each Distribution Record Date and filed by the Issuer and the Guarantor with the Spanish tax authorities on an annual basis.

The delivery of such information, while the Exchange Series 5 Preferred Securities are in global form, shall generally be made through the relevant participants in DTC. The Issuer will withhold at the then-applicable rate (currently 18%) from any Distribution payment or imputed income derived from the exchange of the Exchange Series 5 Preferred Securities as to which the required information has not been provided or the required procedures have not been followed.

Voting Rights ................................................ Holders of the Exchange Series 5 Preferred Securities do not have any voting rights unless either the Issuer or the Bank, under the Guarantee, fails to pay Distributions in full on the Exchange Series 5 Preferred Securities for four consecutive distribution periods. In such an event, the holders of outstanding Exchange Series 5 Preferred Securities will have limited rights to vote. For more information see "*Description of the Exchange Series 5 Preferred Securities – Voting Rights*" below.

Listing ........................................................... The Exchange Series 5 Preferred Securities have been listed on the New York Stock Exchange. Application has been made for the Exchange Series 5 Preferred Securities to be admitted to the Official List and to be admitted to trading on the London Stock Exchange's Regulated Market.

The Original Series 5 Preferred Securities will be delisted from the Official List and the admission to trading on the London Stock Exchange's Regulated Market will be cancelled.

Fees and Commissions.................................. The fees of the FSA and the London Stock Exchange in relation to such application amount to £7,175.

Date of Purchase Agreement ........................ 16 January 2007

ISIN and CUSIP ............................................ US80281R8051
80281R805

Credit Ratings................................................ The Exchange Series 5 Preferred Shares are currently rated A2 by Moody's Investors Service Inc., A- by Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**"), and A+ by Fitch Ratings.

Use of Proceeds ............................................. The net proceeds of the issue of the Original Series 5 Preferred Securities have been deposited on a subordinated and permanent basis with the Guarantor, and will be used for general corporate purposes and to further strengthen the capital base of the Group.

Governing Law .............................................. The Guarantee is governed by, and shall be construed in accordance with, the laws of the State of New York. The ranking of the Guarantee is governed by Spanish law.

The Series 5 Preferred Securities were authorised by the resolutions adopted by the shareholders and the board of directors on 15 January 2007 and are governed by Spanish law.

Risk Factors................................................... *Investing in the Exchange Series 5 Preferred Securities involves risks. The following summary does not purport to be complete and is taken from, and is qualified in its entirety by the "Risk Factors" section below.*

**Risks Relating to the Group's Operations**

*Geographical Risk.* Adverse changes affecting the economies of the countries in Europe or Latin America where the Group operates would likely have a significant adverse impact on the Group's financial condition.

*Cyclical Risk.* Market trends and the strength of the economy in the regions where the Group operates affect the income derived from certain of the products and services offered by the Group.

*Short Term Risk*. 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.

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

*Inherent Risk.* Risks concerning borrower credit quality and general economic conditions are inherent in the Group's business.

*Current Market Conditions Risk*. The financial problems which may face the Group's customers could have a material adverse effect on the Group's business, financial condition and results of operations.

*Counterparty Risk*. The Group is exposed to risks faced by other financial institutions and many of the routine transactions the Group enters into expose it to significant credit risk in the event of default by one of the Group's significant financial counterparties.

*Real Estate Risk*. The Group's exposure to Spanish, UK and U.S. real estate markets makes it more vulnerable to adverse developments in these markets.

*Market Risk*. Market downturns are likely to lead to declines in the volume of transactions that the Group executes for its customers and, therefore, to a decline in the Group's non-interest revenues.

*Market Fluctuation Risk.* Protracted adverse market movements can reduce the level of activity in the market or reduce market liquidity, which can lead to material losses if deteriorating positions cannot be closed out in a timely way, especially if the market was not very liquid.

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

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

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

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

*Interest Rate Risk.* Interest rates are highly sensitive to factors outside the Group's control and 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, which could result in an increase in interest expense relative to interest income, resulting in a reduction in net interest income.

*Foreign Exchange Risk.* Fluctuations in the value of the Euro against other currencies may adversely affect the Group's profitability and the price of the Group's shares and no assurance can be given that the governments of the countries in which the Group operates will not institute restrictive exchange controls.

*Regulatory Framework Risk.* Changes in the regulatory framework in the jurisdictions where the Group operates could adversely affect its business.

*Operational Risk.* Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations.

*Accounting Principles.* There may be less publicly available information about the Group than is regularly published about companies in the United States. The Group's financial statements prepared in accordance with IFRS differ from U.S. GAAP.

*Legal and Regulatory Proceedings Risk.* The Group is exposed to risk of loss from legal and regulatory proceedings.

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

**Risks Relating to Latin America**

The Group's Latin American subsidiaries' growth, asset quality and profitability may be adversely affected by volatile macroeconomic and political conditions. Significant competition in some Latin American countries could intensify price competition and limit the Group's ability to increase its market share in those markets. Latin American economies can be directly and negatively affected by adverse developments in other countries.

**Risks Relating to the Series 5 Preferred Securities**

*Tax Risks.* The Issuer and the Guarantor will withhold Spanish withholding tax from any payment in respect of the Series 5 Preferred Securities as to which the Beneficial Owner information has not been provided. If such withholding does occur the Beneficial Owner will have to apply for any refund to which they may be entitled.

If the Exchange Series 5 Preferred Securities are not listed on an organised market in an OECD country on any Distribution Record Date, distributions to Beneficial Owners not resident in Spain for tax purposes may be subject to withholding tax.

*Payment Risk.* Distributions on the Exchange Series 5 Preferred Securities are not cumulative.

The Bank's obligations under the Guarantee are limited to the amounts of the payments due under the Exchange Series 5 Preferred Securities.

The Exchange Series 5 Preferred Securities and the Guarantee rank junior to any of the Issuer's and the Guarantor's present and future senior and subordinated indebtedness.

Non-payment of distributions may adversely affect the trading price of the Exchange Series 5 Preferred Securities.

*Redemption Risk.* The Exchange Series 5 Preferred Securities have no fixed redemption date and investors have no right to call for their redemption.

*Enforcement Risk.* An investor may be unable to enforce judgements obtained in U.S. courts against the Issuer and the Guarantor.

## RISK FACTORS

*Each of the Issuer and the Guarantor believes that the following factors may affect the ability of the Issuer and the Guarantor to fulfil their obligations under the Series 5 Preferred Securities. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor are in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which (although not exhaustive) could be material for the purpose of assessing the market risks associated with the Series 5 Preferred Securities are also described below. Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Series 5 Preferred Securities but, prospective investors should note that the inability of the Issuer or the Guarantor to pay distributions, principal or other amounts on or in connection with the Series 5 Preferred Securities may occur for reasons which may not be considered significant by the Issuer and the Guarantor based on the information currently available to them, or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Listing Prospectus and reach their own views prior to making any investment decision. Prospective investors should also consult their own financial and legal advisers about risks associated with an investment in the Series 5 Preferred Securities and the suitability of investing in the Series 5 Preferred Securities in light of their particular circumstances.*

### 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 2008, Continental Europe accounted for approximately 52% of the Group's total loan portfolio (Spain accounted for 38% of the Group's total loan portfolio), while the United Kingdom and Latin America accounted for 33% and 15%, respectively. Therefore, adverse changes affecting the economies of Continental Europe (in particular Spain), the United Kingdom or the Latin American countries where the Group operates would likely have a significant adverse impact on the Group's loan portfolio and, as a result, on its financial condition, cash flows and results of operations.

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

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

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

Historically, the Group's principal source of funds has been customer deposits (demand, time and notice deposits). At 31 December 2008, 20.6% of these customer deposits are time deposits in amounts greater than US$100,000. Time deposits have represented 48.8%, 48.9% and 44.2% of total customer deposits at the end of 2008, 2007 and 2006, respectively. Large-denomination time deposits may be a less stable source of deposits than other types of deposits.

The loss of market liquidity, triggered by the deterioration of the United States sub-prime credit market, continues to affect the supply and cost of liquidity and funding. The effects of the downturn have spread to the global economy, in particular to issuances in wholesale markets (principally asset backed securities) and to availability of liquid resources via the interbank markets. In this context, there can be no assurance that the Group will not incur materially higher funding costs or be required to liquidate certain assets.

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

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

Following the bankruptcy filing by Lehman Brothers Holdings, Inc. there were runs on deposits at several financial institutions and numerous institutions sought additional capital. Central banks around the world have coordinated efforts to increase liquidity in the financial markets by taking measures such as increasing the amounts they lend directly to financial institutions, lowering interest rates and significantly increasing temporary reciprocal currency arrangements ("**swap lines**").

In an attempt to prevent the failure of the financial system, the U.S. and European governments have intervened on an unprecedented scale. In the United States, the federal government has taken equity stakes in several financial institutions, has implemented a programme to guarantee the short-term and certain medium-term debt of financial institutions, has increased consumer deposit guarantees and has brokered the acquisitions of certain struggling financial institutions, among other measures. In the United Kingdom, the government has effectively nationalised some of the country's largest banks, has provided a preferred equity programme open to all financial institutions and a programme to guarantee short-term and certain medium-term debt of financial institutions, among other measures. In Spain, the government has increased consumer deposit guarantees, has made available a programme to guarantee the debt of certain financial institutions, has created a fund to purchase assets from financial institutions and the Spanish Ministry of Economy and Finance has been authorised, on an exceptional basis and until 31 December 2009, to acquire, at the request of credit institutions resident in Spain, shares and other capital instruments (including preferred shares) issued by such institutions. In addition, in 2009 the Spanish government set up the *Fondo de Reestructuración Ordenada Bancario* ("**FROB**") which manages the restructuring of credit entities and supports the capacity of such entities in the process of integration. There is no assurance that these measures will successfully alleviate the current financial crisis. In addition, some of these measures could lead to increased government ownership and control over financial institutions and further consolidation in the financial industry, all of which could adversely affect the Group's business, financial condition and results of operations.

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

*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, United Kingdom, Latin American, United States, or global economic conditions, or arising from systemic risks in the financial systems, could reduce the recoverability and value of the Group's assets and require an increase in the Group's level of provisions for credit losses. Deterioration in the economies in which the Group operates could reduce the profit margins for the Group's banking and financial services businesses.

*The financial problems faced the Group's customers could adversely affect the Group.*

Market turmoil and economic recession, especially in Spain, the United Kingdom, the United States and certain Latin American countries, could materially and adversely affect the liquidity, businesses and/or financial conditions of the Group's borrowers, which could in turn further increase the Group's non-performing loan ratios, impair the Group's loan and other financial assets and result in decreased demand for borrowings in general. In a context of continued market turmoil, economic recession and increasing unemployment coupled with declining consumer spending, the value of assets collateralising the Group's secured loans, including homes and other real estate, could decline significantly, which could result in impairment of the value of the Group's loan assets. Moreover, in 2008, the Group experienced an increase in the Group's non-performing loan ratios, a deterioration in asset quality and a slowdown in business volumes as compared to 2007. In addition, the Group's customers may further significantly decrease their risk tolerance to non-deposit investments such as stocks, bonds and mutual funds, which would adversely affect the Group's fee and commission income. Any of the conditions described above could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

*The Group's exposure to Spanish, United Kingdom and United States real estate markets makes it more vulnerable to adverse developments in these markets.*

As mortgage loans are one of the Group's principal assets, comprising 48.3% of its loan portfolio at 31 December, 2008, the Group is currently highly exposed to developments in real estate markets, especially in Spain (40.4%) and the United Kingdom (85%). In addition, the Group currently has exposure to certain real estate developers in Spain. From 2002 to 2007, demand for housing and mortgage financing in Spain increased significantly driven by, among other things, economic growth, declining unemployment rates, demographic and social trends, the desirability of Spain as a holiday destination and historically low interest rates in the Eurozone. The United Kingdom experienced a similar increase in housing and mortgage demand, driven by, among other things, economic growth, declining unemployment rates, demographic trends and the increasing prominence of London as an international financial centre. During late 2007, the housing market began to adjust in Spain and the United Kingdom as a result of excess supply (particularly in Spain) and higher interest rates. In 2008, as economic growth came to a halt in Spain and the economy began to contract in the United Kingdom, retail interest rates continued to increase, housing oversupply persisted, unemployment continued to increase and demand continued to decrease in both countries, home prices declined while mortgage delinquencies increased. As a result, the Group's non-performing loan ratio increased from 0.78% at 31 December 2006, to 0.94% at 31 December 2007, and to 2.02% at 31 December 2008, decreasing the coverage ratio from 187%, to 151% and 91%, respectively. At 30 September, 2009 the non-performing loan ratio of the Group was 3.03% and the coverage ratio was 73%. These trends, especially higher interest and unemployment rates coupled with declining real estate prices, could have a significant adverse impact on the Group's mortgage payment delinquency rates, which in turn could have a significant adverse effect on the Group's business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

The Group can give no assurance that the Group's recent and any future 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 assurances that the Group's expectations with regards to integration and synergies will materialise.

*The Group may fail to realise the anticipated benefits of the Group's recent acquisitions.*

The success of the Group's recent acquisitions will depend, in part, on the Group's ability to realise the anticipated benefits from combining the Group's business with the businesses of Sovereign, Alliance & Leicester and Bradford & Bingley. It is possible that the integration process could take longer or be more costly than anticipated or could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of each company to maintain relationships with clients, customers or employees. The Group's efforts to integrate these companies are also likely to divert management attention and resources. If the Group takes longer than anticipated or is not able to integrate the aforementioned businesses, the anticipated benefits of the Group's recent acquisitions may not be realised fully or at all, or may take longer to realise than expected

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

The restructuring plan in place for the integration and separation of ABN AMRO into and among the businesses and operations of the Group is complex and involves substantial reorganisation of ABN AMRO's operations and legal structure. In addition, it contemplates activities taking place simultaneously in a number of businesses and jurisdictions. Implementation of the reorganisation and the realization of the forecast benefits within the planned timetable may be challenging. Execution of the restructuring requires management resources previously devoted to the Group's businesses and the retention of appropriately skilled ABN AMRO staff. The Group may not realise the benefits of the acquisition or the restructuring when expected or to the extent projected.

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

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

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

Changes in market interest rates could affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. This difference could result in an increase in interest expense relative to interest income leading to a reduction in the Group's net interest income. Income from treasury operations is particularly vulnerable to interest rate volatility. Since the majority of the Group's loan portfolio reprices in less than one year, rising interest rates may also bring about an increasing non-performing loan portfolio. Interest rates are highly sensitive to many factors beyond the Group's control, including deregulation of the financial sector, monetary policies, domestic and international economic and political conditions and other factors. As of 31 December 2008 the Group's interest rate risk measured in 'daily value at risk' ("**VARD**") terms amounted to €157.7 million.

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

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

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

As of 31 December, 2008, the Group's largest exposures on temporary positions (with a potential impact on the income statement) were concentrated in descending order on the pound sterling and the Brazilian real. On that day, its largest exposures on permanent positions (with a potential impact on equity) were concentrated, in descending order, on the Brazilian real, the pound sterling, the Mexican peso and the Chilean peso.

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

As a result of the current financial crisis and ensuing government intervention, it is widely anticipated that there will be a substantial increase in government regulation of the financial services industry, including the imposition of higher capital requirements, heightened disclosure standards and restrictions on certain types of transaction structures. In addition, novel proposals for new regulatory initiatives, abound in the current environment. If enacted, new regulations could require the Group to inject further capital into the Group's business as well as in businesses the Group acquires, restrict the type or volume of transactions the Group enters into, or set limits on or require the modification of rates or fees that the Group charges on certain loan or other products, any of which could lower the return on the Group's investments, assets and equity. The Group may also face increased compliance costs and limitations on its ability to pursue certain business opportunities.

Changes in regulations, which are beyond the Group's control, may have a material effect on the Group's business and operations. As some of the banking laws and regulations have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, no assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have an adverse affect on the Group's business.

*Operational risks are inherent in the Group's business.*

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

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer or the Group will be unable to comply with their obligations deriving as a result of the Issuer being a company with securities admitted to listing on the Official List of the UK Listing Authority.

*Different disclosure and accounting principles between Spain and the U.S. may provide different or less information about the Group than expected.*

There may be less publicly available information about the Group than is regularly published about companies in the United States. While the Group is subject to the periodic reporting requirements of the Securities Exchange Act of 1934 (the "**Exchange Act**"), the disclosure required from foreign private issuers under the Exchange Act is more limited than the disclosure required from U.S. issuers. Additionally, the Group presents its financial statements under the EU-IFRS-IASB which differs from U.S. GAAP.

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

The Group faces various issues that may give rise to risk of loss from legal and regulatory proceedings. These issues include appropriately dealing with potential conflicts of interest; legal and regulatory requirements; ethical issues; and conduct by companies in which the Group holds strategic investments or joint venture partners which could increase the number of litigation claims and the amount of damages asserted against the Group or subject the Group to regulatory enforcement actions, fines and penalties. Currently, the Bank 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. For information relating to the legal proceedings involving the Group's businesses, see "Litigation and General Information".

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

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

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

The Group's long-term debt is currently rated investment grade by the major rating agencies, Moody's Investors Service España, S.A., S&P, Fitch Ratings Ltd. and Dominion Bond Rating Service and are as follows:

| | Long term | Short term | Ratings Awarded | Date | Outlook |
|---|---|---|---|---|---|
| S&P | AA | A1+ | - | April 2009 | Negative |
| Fitch Ratings | AA | F1+ | A/B | July 2009 | Stable |
| Moody's | Aa2 | P1 | B- | July 2009 | Negative |
| DBRS | AA | R1 (high) | - | April 2009 | Stable |

In July 2009, Fitch Ratings Ltd. affirmed Banco Santander's 'AA' ratings and removed the Ratings Watch Negative. A stable outlook was assigned. These changes were due to the good management of the integration of the recent acquisitions in Brazil, the United Kingdom, Europe and the United States, which will provide revenues and cost synergies. Another factor was the increase in core capital to 7.3% at the end of the first quarter of 2009. This agency also pointed out the Group's good position in the current complex environment given the diversification of its businesses, its capacity to generate recurrent commercial revenues and the policy of strict control of costs.

S&P said Banco Santander was overcoming the crisis well, but changed its outlook from stable to negative because of the deterioration of credit conditions in some of the Group's markets.

Lastly, Moody's Investors Service España, S.A., as part of its look at all countries, in July 2009 put the Group's long-term rating at Aa2, with negative outlook and financial strength at B-. The reasons for this were the exposure to the Spanish, United Kingdom and United States markets, although in the case of the latter it said they would provide profits in the long term.

The Group's failure to maintain favourable ratings and outlooks could increase the cost of its funding and adversely affect the Group's interest margins.

**Risks relating to Latin America**

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

The economies of the eight 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, Global Wholesale Banking, Asset Management and Private Banking) accounted for €2,945 million of profit attributed to the Group for the year ended 31 December 2008 (an increase of 10% from €2,666 million for the year ended 31 December 2007). Negative and fluctuating economic conditions, such as a changing interest rate environment, impact the Group's profitability by causing lending margins to decrease and leading to decreased demand for higher margin products and services.

Negative and fluctuating economic conditions in some Latin American countries could also result in government defaults on public debt. This could affect the Group in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is high in several Latin American countries in which the Group operates.

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

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

*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 Series 5 Preferred Securities**

*The Issuer and the Guarantor are required to provide certain information relating to Beneficial Owners to the Spanish tax authorities. The Issuer and the Guarantor, as the case may be, will withhold Spanish withholding tax from any payment in respect of the Series 5 Preferred Securities as to which the required Beneficial Owner information has not been provided, including in connection with any imputed income arising from an exchange of the Series 5 Preferred Securities for other securities under an exchange offer.*

Under Spanish Law 13/1985 (as amended by Law 19/2003, Law 23/2005 and Law 4/2008) and Royal Decree 1065/2007, the Issuer and the Guarantor are required to provide certain information relating to Beneficial Owners to the Spanish tax authorities. This information includes the identity and country of residence of each Beneficial Owner that receives a payment on the Series 5 Preferred Securities or obtains imputed income deriving from the exchange of the Exchange Series 5 Preferred Securities for other securities under an exchange offer, and the distributions received or the imputed income obtained by such Beneficial Owner and must be obtained with respect to each distribution record date or the exchange offer expiration date, as the case may be, by the fourth New York business day before the relevant distribution record date or the exchange offer expiration date, as the case may be, or, under certain circumstances, by 9:45 a.m. (New York time) on the fourth New York business day following the relevant distribution record date or the exchange offer expiration date, as the case may be, and filed by the Issuer and the Guarantor with the Spanish tax authorities on an annual basis. If DTC or the direct or indirect participants in DTC fail for any reason to provide the Issuer and the Guarantor (through Acupay) with the required information described under "*Taxation — Spanish Tax Considerations — Evidencing of Beneficial Owner Residency*" in respect of the Beneficial Owner of any of the Exchange Series 5 Preferred Securities, the Issuer or the Guarantor, as the case may be, will be required to withhold tax and will pay distributions in respect of such Securities net of the withholding tax applicable to such payments (currently at the rate of 18%). The Issuer or the Guarantor, as the case may be, will also withhold tax on any income imputed to individual holders resident in Spain for tax purposes, in connection with any exchange of the existing Series 5 Preferred Securities for other preferred securities. If withholding occurs due to failure to provide the required tax information through Acupay, affected Beneficial Owners would have to either follow the quick refund procedure or apply directly to the Spanish tax authorities for any refund to which they may be entitled. See "*Taxation — Spanish Tax Considerations — Evidencing of Beneficial Owner Residency*". The Issuer and the Guarantor will not pay any additional amounts with respect to any such withholding.

*The Issuer and the Guarantor have agreed to provide certain procedures arranged by Acupay and DTC to facilitate the collection of information concerning the identity and residence of Beneficial Owners through the relevant participants in DTC. If the agreed procedures prove ineffective or if the relevant participants in DTC fail to provide and verify the required information as of each distribution record date, the Issuer or the Guarantor, as the case may be, will withhold at the then-applicable rate (currently at the rate of 18%) from any payment in respect of the Series 5 Preferred Securities as to which the agreed procedures prove ineffective or have not been followed, and neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding.*

The delivery of the required Beneficial Owner identity and country of residence information must be made through the relevant direct or indirect participants in DTC in accordance with the procedures set forth under "*Taxation — Spanish Tax Considerations — Evidencing of Beneficial Owner Residency*". Each such DTC participant must provide the required information in respect of all of the Beneficial Owners holding interests through such participant as of each distribution record date, and neither the Issuer nor the Guarantor shall be responsible for any DTC participant's failure to do so. Such failure may arise as a result of the failure of an indirect DTC participant holding through a direct DTC participant to provide the necessary information in a timely manner. In the event of any error in a direct DTC participant's compliance with these procedures, Acupay will seek to notify such direct DTC participant of any deficiencies in the information provided by such direct DTC participant, and in the event such direct DTC participant fails to correct such deficiencies in a timely manner, the Issuer or the Guarantor, as the case may be, will withhold at the then-applicable rate from any payment in respect of the Series 5 Preferred Securities held through such direct DTC participant. Neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding. In order to obtain a refund of any amounts withheld, affected Beneficial Owners will have to either follow the quick refund procedure or apply directly to the Spanish tax authorities for any refund to which they may be entitled, as described under "T*axation — Spanish Tax Considerations — Evidencing of Beneficial Owner Residency*", and neither the Issuer nor the Guarantor shall be responsible for any damage or loss incurred by Beneficial Owners in connection with such procedures.

*The Series 5 Preferred Securities may be subject to certain Spanish taxation if they are not listed on an Organised Market in an OECD Country*

If the Series 5 Preferred Securities are not listed on an organised market in an OECD country on any Distribution Record Date, distributions to Beneficial Owners not resident in Spain for tax purposes in respect of the Series 5 Preferred Securities may be subject to withholding tax. See "*Taxation—Spanish Tax Considerations—Tax Rules for Series 5 Preferred Securities not Listed on an Organised Market in an OECD Country*."

*The Exchange Series 5 Preferred Securities could increase or decrease in value.*

The trading price of the Exchange Series 5 Preferred Securities could increase or decrease in value, depending on many factors, including, among others, the results, financial condition and credit ratings of the Issuer or the Guarantor the markets for similar securities and other factors beyond our control, including general economic and market conditions.

*Distributions on the Exchange Series 5 Preferred Securities are not cumulative.*

Distributions on the Exchange Series 5 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 it 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 Exchange Series 5 Preferred Securities have no fixed redemption date and investors have no rights to call for redemption of the Exchange Series 5 Preferred Securities.*

The Exchange Series 5 Preferred Securities have no fixed final redemption date and holders have no rights to call for the redemption of the Exchange Series 5 Preferred Securities. Although the Exchange Series 5 Preferred Securities may be redeemed at the option of the Issuer on or after 31 January 2017, there are limitations on redemption of the Exchange Series 5 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 Exchange Series 5 Preferred Securities.*

The Bank's obligation to make payments under the Guarantee is limited to the extent of the amounts due under the Exchange Series 5 Preferred Securities. A distribution will not be paid under the Exchange Series 5 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 Exchange Series 5 Preferred Securities, any Preferred Securities of the Bank, or any other Preferred 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 Preferred 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 Preferred Securities of the Bank and had all other Preferred 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 Exchange Series 5 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 Exchange Series 5 Preferred Securities and the Guarantee is junior to certain other obligations of the Issuer and the Guarantor.*

The Exchange Series 5 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 30 September 2009, the Guarantor had approximately €82,441 million of outstanding unconsolidated indebtedness (including guarantees of subsidiary indebtedness) to which its obligations under the Guarantee of the Exchange Series 5 Preferred Securities will rank junior, and €6,438 million of preferred securities issued by subsidiaries guaranteed by the Guarantor, with which its obligations under the Guarantee of the Exchange Series 4 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 30 September 2009, subsidiaries of the Guarantor had an aggregate total of €161,209 million of outstanding indebtedness and €1,230 million of preferred shares not guaranteed by the Guarantor and €52,952 million outstanding indebtedness and €6,425 million of preferred shares guaranteed by the Guarantor.

As of the date of this Listing Prospectus, the Issuer did not have any senior or subordinated indebtedness and has issued and outstanding US$190 million Series 1 Preferred Securities, €300 million Series 2 Preferred Securities, €200 million Series 3 Preferred Securities, US$500 million Series 4 Preferred Securities, US$350 million Series 6 Preferred Securities, £250 million Series 7 Preferred Securities, £679 million Series 8 Preferred Securities, €126 million Series 9 Preferred Securities, US$825 million Series 10 Preferred Securities and US$162 million Series 11 Preferred Securities which will rank *pari passu* to the Issuer's obligations under the Exchange Series 5 Preferred Securities.

*Non-payment of distributions may adversely affect the trading price of the Exchange Series 5 Preferred Securities.*

If in the future, payments are limited on the Exchange Series 5 Preferred Securities because the Bank has insufficient Distributable Profits, the Exchange Series 5 Preferred Securities may trade at a lower price. If investors sell the Exchange Series 5 Preferred Securities during such a period, investors may not receive the same price as an investor who does not sell its Exchange Series 5 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 Exchange Series 5 Preferred Securities which may be limited due to insufficient Distributable Profits, the market price for the Exchange Series 5 Preferred Securities may be more volatile than other securities that do not reflect these limitations.

*You may be unable to enforce judgments obtained in U.S. courts against the Issuer or the Guarantor.*

All of the Issuer's directors and substantially all the directors and executive officers of the Guarantor are not residents of the United States, and substantially all the assets of these companies are located outside of the United States. As a consequence, you may not be able to effect service of process on these non-U.S. resident directors and executive officers in the United States or to enforce judgments against them outside of the United States. The Issuer and the Guarantor have been advised by their Spanish counsel that there is doubt as to whether a Spanish court would enforce a judgment of liability obtained in the United States against the Issuer or the Guarantor predicated solely upon the securities laws of the United States. See "E*nforceability of Certain Civil Liabilities*".

## 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 Listing Prospectus, the share capital of the Issuer is €150,500 divided into 1,505 ordinary shares of par value €100.00 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 Exchange Series 5 Preferred Securities be deposited on a permanent basis with the Guarantor or one of its consolidated subsidiaries.

As of the date of this Listing Prospectus, the Issuer did not have any senior or subordinated indebtedness and has issued and has outstanding US$190 million Series 1 Preferred Securities, €300 million Series 2 Preferred Securities, €200 million Series 3 Preferred Securities, US$500 million Series 4 Preferred Securities, US$350 million Series 6 Preferred Securities, £250 million Series 7 Preferred Securities, £679 million Series 8 Preferred Securities, €126 million Series 9 Preferred Securities, US$825 million Series 10 Preferred Securities and US$162 million Series 11 Preferred Securities which will rank *pari passu* to the Issuer's obligations under the Exchange Series 5 Preferred Securities.

There has been no material adverse change in the prospects of the Issuer since 31 December, 2008. There has been no significant change in the financial or trading position of the Issuer which has occurred since 30 June 2009.

Save for the above referred issues and for the Series 5 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 Listing Prospectus, the Issuer has prepared its audited financial statements for the year ended 31 December, 2008.

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<br>Edificio Amazonia<br>Avenida de Cantabria, s/n<br>28660 Boadilla del Monte<br>Madrid, Spain | Chairman | Senior Vice-president of the Guarantor |
| Maria Visitación Díaz Varona | Ciudad Grupo Santander<br>Edificio Amazonia<br>Avenida de Cantabria, s/n<br>28660 Boadilla del Monte<br>Madrid, Spain | Director | Vice-president of the Guarantor |
| Antonio Torío Martín | Ciudad Grupo Santander<br>Edificio Amazonia<br>Avenida de Cantabria, s/n<br>28660 Boadilla del Monte<br>Madrid, Spain | Director | Vice-president of the Guarantor |

| | | | |
|---|---|---|---|
| Pablo Roig García Bernalt | Ciudad Grupo Santander<br>Edificio Amazonia<br>Avenida de Cantabria, s/n<br>28660 Boadilla del Monte<br>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 Listing Prospectus by reference for the year ended 31 December 2008, 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.

The financial statements of the Issuer incorporated by reference at paragraphs 5 to 7 of "*Documents Incorporated by Reference*" on page 2 are direct and accurate translations of the financial statements originally prepared in Spanish.

**UNAUDITED BALANCE SHEET AND INCOME STATEMENT AS AT 30 JUNE 2009**

The following information for the six month period ended 30 June 2009 has been extracted from the financial statements of the Issuer.[1]

**(Thousands of Euros)**

| ASSETS | 30 June 2009 | 31 December 2008 | Variation |
|---|---|---|---|
| Long term time deposits | 1,925,337 | 1,912,206 | 1,313,100 |
| Loans and advances to Group companies | 23,914 | 26,735 | -2,821 |
| Cash and cash equivalents | 23,531 | 16,086 | 7,445 |
| **TOTAL ASSETS** | **1,972,782** | **1,955,027** | **17,755** |

| LIABILITIES | 30 June 2009 | 31 December 2008 | Variation |
|---|---|---|---|
| Issued capital | 151 | 151 | 0 |
| Reserves | 1,340 | 2,084 | -744 |
| Net profit | 2,160 | -744 | 2,094 |
| Gains to distribute in several years | 3 | 0 | 3 |
| Tax provisions | 863 | 863 | 0 |
| Preferred securities | 1,944,766 | 1,928,990 | 15,776 |
| Long term debt with Group companies | 9 | 9 | 0 |
| Tax liabilities | 91 | 153 | -62 |
| Accrued expenses and deferred income | 23,399 | 23,521 | -122 |
| **TOTAL LIABILITIES** | **1,972,782** | **1,955,027** | **17,755** |

| PROFIT AND LOSS | For the period ended 30 June 2009 | For the period ended 30 June 2008 | Variation |
|---|---|---|---|
| Finance income | 64,976 | 59,978 | 4,998 |
| Finance expenses | -62,141 | -60,188 | -1,953 |

[1] The financial information for the period ended 30 June 2009 is unaudited but has been subject to a limited review made by Deloitte, S.L/ as auditors and the financial information for the period ended 30 June 2008 is provided for comparative purposes only and has not been audited.

| | | | |
|---|---|---|---|
| External professional services | -411 | -743 | 332 |
| Depreciation and amortization | -264 | 637 | -901 |
| **Net Profit** | **2,160** | **-316** | **2,476** |

## SELECTED FINANCIAL INFORMATION OF THE ISSUER

| | Thousands of Euros | | |
|---|---|---|---|
| | **31 December 2008** Audited | **31 December 2007** Audited | **31 December 2006** Audited |
| **Income Statement Data:** | | | |
| Gross operating income | 123,313 | 116,498 | 35,536 |
| Net operating income | 122,104 | 115,938 | 35,451 |
| Income before taxes | 122,104 | 115,938 | 35,451 |
| Corporate Income tax | 0 | -26 | -4 |
| Net consolidated income | 122,104 | 115,912 | 35,447 |
| Minority interests of preferred securities | -122,848 | -115,858 | -35,440 |
| Attributable income | -744 | 54 | 7 |

| | Thousands of Euros | |
|---|---|---|
| | **For the Period ended 30 June 2009** Unaudited | **For the Period ended 30 June 2008** Unaudited |
| **Income Statement Data:** | | |
| **Gross operating income** | 64,976 | 59,978 |
| **Net operating income** | 64,565 | 59,235 |
| **Income before taxes** | 64,565 | 59,235 |
| **Net consolidated income** | 64,565 | 59,235 |
| Minority interests of preferred securities | -62,405 | -59,551 |
| **Attributable income** | 2,160 | -316 |

| | **30 June 2009** Audited | **31 December 2008** Audited | **31 December 2007** Audited | **31 December 2006** Audited |
|---|---|---|---|---|
| **Consolidated Balance Sheet Data:** | | | | |
| **Total assets** | 1,972,782 | 1,955,027 | 1,966,624 | 1,033,639 |
| Long term time deposits (1) | 1,925,337 | 1,912,206 | 1,927,344 | 1,003,976 |
| **Liabilities** | | | | |
| Preferred securities (2) | 1,944,766 | 1,928,990 | 1,937,130 | 1,023,918 |
| **Capitalization** | | | | |
| Capital and reserves | 1,491 | 2,235 | 572 | 160 |
| Total capitalization | 3,651 | 1,491 | 2,235 | 167 |

(1) Long term deposits are deposited in Banco Santander as a guarantee of the securities.

(2) The preferred securities issued are:

- On 11 March 2004, Santander Finance Preferred, S.A. (Unipersonal) issued 7,600,000 series 1 preferred securities, at $25 par value.
- On 30 September 2004, Santander Finance Preferred, S.A. (Unipersonal) issued 300,000 series 2 preferred securities, at €1,000 par value.
- On 8 October 2004, Santander Finance Preferred, S.A. (Unipersonal) issued 200,000 series 3 preferred securities, at €1,000 par value.
- On 21 November 2006, Santander Finance Preferred, S.A. (Unipersonal) issued 20,000,000 series 4 preferred securities, at $25 par value.
- On 31 January 2007, Santander Finance Preferred, S.A. (Unipersonal) issued 24,000,000 series 5 preferred securities, at $25 par value.
- On 5 March 2007, Santander Finance Preferred, S.A. (Unipersonal) issued 14,000,000 series 6 preferred securities, at $25 par value.
- On 10 July 2007, Santander Finance Preferred, S.A. (Unipersonal) issued 5,000 series 7 preferred securities at GBP50,000 par value.

Note: Subsequent to 30 June 2009, the Issuer, issued on 27 July 2009, GBP679,400,000 Series 8 Fixed/Floating Rate Non-cumulative Perpetual Guaranteed Preferred Securities and €125,700,000 Series 9 Fixed/Floating Rate Non-cumulative Perpetual Guaranteed Preferred Securities and on 29 September 2009 it issued US$825,109,575 Series 10 Fixed Preferred Securities and US$161,587,000 Series 11 Fixed to Floating Preferred Securities.

**BANCO SANTANDER, S.A. AS GUARANTOR**

## INFORMATION ABOUT THE GUARANTOR

The name of the Bank is BANCO SANTANDER, S.A., formerly Banco Santander Central Hispano, S.A., and it operates under the trading name "**Santander**".

The Bank is registered in the Commercial Registry of Cantabria 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 Commercial Registry of Cantabria in volume 448 of the Archive, folio 1, sheet number 1960, Adaptation entry one.

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

The current text of subsections of Article 5 of the Bylaws is set forth in the public deed dated 2 November 2009 which records the share capital as an amount of €4,114,413,067.50. This document was registered with the Mercantile Registry of Cantabria on such date.

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 4.1 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.

The Bank 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 the Bank for the years ended 31 December, 2008 and 2007 and the First Half Report 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 19 June 2009 to audit the annual financial statements for the financial year ending 31 December 2009.

## BUSINESS OVERVIEW

The Group is a financial group offering a wide range of financial products. At 31 December, 2008, the Group was the seventh largest banking group in the world by market capitalisation[1] and the largest banking group in the Eurozone with a stock market capitalisation of €54.0 billion, stockholders' equity of €57.6 billion and total assets of €1,049.6 billion. It had an additional €118.7 billion in mutual funds, pension funds and other assets under management at that date. As of 31 December, 2008, the Group had 48,467 employees and 5,998 branch offices in Continental Europe, 24,379 employees and 1,303 branches in the United Kingdom, 96,405 employees and 6,089 branches in Latin America and 1,710 employees in other geographic regions.

The Group's principal operations are in Spain, the United Kingdom, Portugal, other European countries, Latin America and the United States. At 31 December, 2008 the Group also had significant operations in New York as well as financial investments in Sovereign (during the first quarter of 2009, the Group completed the acquisition

[1] Source: Bloomberg

of 100% of Sovereign). In Latin America, the Group has majority shareholdings in banks in Argentina, Brazil, Chile, Colombia, Mexico, Puerto Rico, Uruguay and Venezuela.

In accordance with the criteria established by the IFRS-IASB, the structure of the operating business areas has been segmented into two levels:

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

- Continental Europe. This covers all retail banking business (including Banco Banif, S.A. ("**Banif**"), the Group's specialised private bank), wholesale banking and asset management and insurance conducted in Europe, with the exception of the United Kingdom. This segment includes the following units: the Santander Branch Network, Banco Español de Crédito, S.A. ("**Banesto**"), Santander Consumer Finance (including Drive (as defined below)) and Portugal.

- United Kingdom. This includes retail and wholesale banking, asset management and insurance conducted by the various units and branches of the Group.

- Latin America. This embraces all the financial activities conducted via the Group's subsidiary banks and other subsidiaries in Latin America. It also includes the specialised units in International Private Banking, as an independent globally managed unit. The Group's business in New York is also managed in this area.

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

- Retail Banking. This covers all customer banking businesses (except those of Corporate Banking, which are managed globally throughout the world).

- Global Wholesale Banking. This business reflects the returns from Global Corporate Banking, Investment Banking and Markets worldwide, including all treasury activities under global management, as well as the Group's equities business.

- Asset Management and Insurance. This includes the Group's units that design and manage mutual and pension funds and insurance.

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

In 2008, the Group maintained the same primary and secondary operating segments as it had in 2007.

In addition, and in line with the criteria established in the EU-IFRS required to be applied under Bank of Spain's Circular 4/2004, the results of businesses discontinued in 2007 (the Group's Latin American pension management companies) and which were consolidated by global integration were eliminated from various lines of the income statement and included in "net profit from discontinued operations".

## Geographic Level

### *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 2008 there were four main units within this area: The Santander Branch Network, Banesto, Santander

Consumer Finance and Portugal including retail banking, global wholesale banking, asset management and insurance.

Continental Europe is the largest business area of the Group. At the end of 2008, it accounted for 43% of total customer funds under management, 52% of total loans and credits and 54% of profit attributed to the Group or the Group's main business areas.

The area had 5,998 branches and 48,467 employees (direct and assigned) at the end of 2008.

In 2008, the Continental Europe segment's profit attributed to the Group increased by 11% to €4,908 million. Return on equity, ("**ROE**"), in 2008 was 21.2%, a 0.1% decrease from 2007.

***Santander Branch Network***

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

At the end of 2008, the Santander Branch Network had 2,993 branches and a total of 19,447 employees (direct and assigned), of which one employee was temporary, dedicated to retail banking in Spain. Compared to 2007, there was a net increase of 46 branches and a net increase of 55 employees.

In 2008, the Santander Branch Network grew by approximately 4.0% in lending, 16.2% in profit attributed to the Group.

In 2008, profit attributed to the Group from the Santander Branch Network was €2,098 million, 16.2% higher than profit attributed to the Group in 2007, while the ROE reached 25.3% (as compared to 22.7% in 2007).

The 4.0% growth in lending in 2008 versus 2007 reflects a decrease in mortgage activity offset by a 9% increase in other types of credits. Impaired loans grew to 2.6% from 0.6% in 2007.

Customer funds under management experienced a reduction of 4.1% during 2008, which came principally from a decrease of 37% in mutual funds.

***Banco Español de Crédito ("Banesto")***

At the end of 2008, Banesto had 1,915 branches and 10,440 employees (direct and assigned), of which 39 employees were temporary (a decrease of 31 branches and 336 employees as compared to the end of 2007).

For the purposes of the Group's financial statements, Banesto's results of operations have been calculated using the criteria described at Note 2 (Accounting policies and measurement bases) of the Consolidated Financial Statements and Directors' Report for the year ending 31 December, 2008. As a result, the data set forth herein may not coincide with the data published independently by Banesto.

In 2008 profit attributed to the Group from Banesto was €754 million, a 12.8% increase from 2007, while the ROE reached 18.8% (as compared to 18.3% in 2007).

In 2008, Banesto grew by approximately 3% in lending and 6.9% in customer deposits and there was a decrease of 30.5% in off-balance sheet customer funds. Impaired loans grew to 1.6% in 2008 from 0.5% a year earlier.

***Santander Consumer Finance***

The Group's consumer financing activities are conducted through its subsidiary Santander Consumer Finance S.A. ("**Santander Consumer Finance**") and its group of companies. Most of its activities relate to auto financing, personal loans, credit cards, insurance, and customer deposits. These consumer financing activities are mainly focused on Spain, Portugal, Germany, Italy and the U.S. The Group also conducts this business in the UK, Hungary, the Czech Republic, Austria, the Netherlands, Norway, Poland, Finland and Sweden.

At the end of 2008, this unit had 290 branches (as compared to 285 at the end of 2007) and 8,052 employees (direct and assigned) (as compared to 7,221 employees at the end of 2007), of which 429 employees were temporary.

In 2008, this unit generated gross profit attributed to the Group of €696 million, a 3.1% decrease from 2007, while the ROE reached 17% (as compared to 34.1% in 2007). Three countries account for 74% of the profit attributable to the Group: Germany (55%), Spain (14%) and Italy (5%). Of note are the increases in Germany

(+19.3%) and Nordic countries (+29.6%) that offset the reduction in Spain (-54.3%) due to the strong increase in provisions.

At the end of 2008, total lending for this subsidiary amounted to €54 billion (a 17.8% increase as compared to 2007). Two-thirds of it is auto finance, with a greater share of new vehicles (34% vs. 28% for used vehicles), and the combined share of consumer loans via dealers, cards and direct credit represent 22% of the total portfolio.

The most relevant factors that explain the business of Santander Consumer Finance in 2008 have been:

- The contraction of the European consumer market and particularly the car segment. In this context, the area almost managed to maintain its new auto financing in Europe (-3%), as Spain's shrinkage was offset by the strength of the German market and strong growth in Italy and the Nordic countries;

- Business diversification in Europe enabled Santander Consumer Finance to offset the weak macroeconomic situation in some markets with the greater strength and capacity to generate synergies in others. Of note were Germany and the Nordic countries which offset the much lower contribution from Spain, affected by larger provisions as the performance of revenues and expenses remained positive; and

- Attributable profit rose 5.6% in US dollars and credit quality ratios remained sound for the standards of the business (the ratio of non-performing loans (NPLs) was 4.9% and coverage of 88%).

***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 2008, the Portuguese unit operated 770 branches (as compared to 763 branches at the end of 2007) and had 6,584 employees (direct and assigned) (as compared to 6,405 employees at the end of 2007), of which 248 employees were temporary.

In 2008 profit attributed to the Group was €531 million, 0.7% higher than in 2007, while the ROE reached 27% (28.6% in 2007).

***Others***

The rest of the Group's businesses in Continental Europe (Banif, Asset Management, Insurance and Global Wholesale Banking) generated profit attributed to the Group of €829 million, 15.3% more than in 2007.

***United Kingdom***

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

Abbey is a significant financial services provider in the United Kingdom, being the second largest residential mortgage lender and the third largest savings brand measured by outstanding balances, following the combinations in 2008 with Alliance & Leicester and Bradford & Bingley's retail deposits, branch network and its related employees. Abbey also provides a wide range of retail savings accounts, and operates across the full range of personal financial services.

At the end of 2008, the Group had 1,303 branches and a total of 24,379 employees (direct and assigned) in the United Kingdom, of which 325 employees were temporary. Compared to 2007, there was a net increase of 599 branches and 7,552 employees due mainly to the acquisitions described above.

For purposes of the Group's financial statements, Abbey's results of operations have been calculated using the criteria described at Note 2 (Accounting policies and measurement bases) of the Consolidated Financial Statements and Directors' Report for the year ended 31 December, 2008. As a result, the data set forth herein may not coincide with the data published independently by Abbey.

The figures shown below do not include any impact on results of Alliance & Leicester whose financial statements were consolidated into the Group at the end of 2008. Bradford and Bingley's fourth quarter results are included (£10 million).

In 2008, Abbey contributed €1,247 million profit attributable to the Group (a 3.8% increase from 2007) which represents 14% of the Group's total operating areas. Loans and advances increased by 9.9% and customer funds under management increased 4.9% during the same period. ROE was 28.6% (as compared to 32.3% in 2007).

In 2008 personnel expenses and general administrative expenses decreased by 5.6% and 12.2% respectively, due to continuing cost reduction activity.

Impaired loans at the end of 2008 increased to 1.0% from 0.6% at the end of 2007, while the coverage ratio increased from 66% to 69% The increase in impaired loans was due both to the acquisition of Alliance & Leicester and to the market decline.

In May 2009, Banco Santander announced that Abbey, Alliance & Leicester and Bradford & Bingley will be changing their names to Santander in 2010. This means any Santander customer in the UK will be able to use any of the Bank's 1,300 branches by the end of 2010.

***Latin America***

At 31 December, 2008, the Group had 6,089 offices and 96,405 employees (direct and assigned) in Latin America (as compared to 4,498 offices and 65,628 employees, respectively, at 31 December, 2007), of which 257 were temporary employees. On that date, Latin America accounted for 21% of the total customer and funds under management, 15% of total loans and credits and 32% of profit attributed to the Group of the Group's main business areas.

Profit attributed to the Group from Latin America was €2,945 million, a 10.4% increase from 2007, while the ROE reached 26.1% (as compared to 29.1% in 2007). At the end of 2008, Latin America accounted for 32% of the operating areas' profit attributed to the Group after the consolidation of Banco Real in Santander Brasil and the assets and liabilities of ABN-AMRO Uruguay in Santander Uruguay.

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

| | **Percentage Held At 31 December 2008** | | **Percentage Held At 31 December 2008** |
|---|---|---|---|
| Banco Santander Río, S.A. (Argentina) | 99.30 | Banco Santander (Mexico), S.A. Institución de Banca Múltiple | 74.95 |
| Banco Santander, S.A. (Brazil) | 97.93 | Banco Santander Puerto Rico | 90.59 |
| Banco Santander Chile | 76.73 | Banco Santander, S.A. (Uruguay) | 100.00 |
| Banco Santander Colombia, S.A. | 97.85 | Banco de Venezuela, S.A. Banco Universal | 98.42 |

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

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

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

*Brazil*. Santander Brazil Group, made up of Banco Santander (Brasil) S.A. and Banco Real, is the third private financial franchise in Brazil by size/results. Santander Brazil Group has 3,603 branches and 21.9 million individual customers.

The Group has been focusing on improving efficiency via best practices in expenses and revenues, and on technological and operational integration. Additionally, the Group has established several strategies and growth targets.

Lending rose 165% in local currency, mainly due to the consolidation of Banco Real. Excluding Banco Real, lending to individual customers grew by 14%, and lending to SMEs and companies by 45% (all percentages in local currency).

Deposits and mutual funds increased by 126% (in local currency).

Profit attributable to the Group from Brazil in 2008 was €1,105 million, a 22.0% increase when compared with 2007 (a 21.9% increase in local currency). At the end of 2008 ROE was 25.5%, NPLs was 3.6% and the NPLs coverage was 102%.

*Mexico*. Banco Santander, S.A. (Mexico), is one of the leading financial services companies in Mexico. It leads the third largest banking group in Mexico in terms of business volume. The Group has a network of 1,129 branches and 8.8 million customers in Mexico.

Loans and credits increased in 2008 by 8%. Of note were the 4% decrease of consumer credits and the growth of mortgage lending (+23%) and of commercial lending (+17%).

Profit attributable to the Group from Mexico decreased 8.2% to €600 million (a decrease of 0.2% in local currency). ROE was 20.8%, the ratio of non-performing loans was 2.4% at the end of 2008 and the NPLs coverage was 132.

*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 507 branches and 3.1 million banking customers.

In 2008, lending increased by 20% (to individuals +17% and to companies +16%), while deposits increased by 19%.

Profit attributed to the Group from Chile increased 0.3% to €545 million (a 6.3% increase in local currency). ROE was 37.3%, the ratio of non-performing loans was 2.6% and the NPLs coverage was 102%.

*Puerto Rico*. Banco Santander Puerto Rico is one of the largest financial institutions in Puerto Rico. The Group has 133 branches and 0.5 million customers.

The economy has been in recession, affecting both the growth of the financial system and its profitability, under pressure from lower activity and higher risk premiums. In this environment, the Group has continued to focus on selective growth in business with individual customers and companies and cutting costs.

In 2008, loss attributed to the Group from Puerto Rico was €19 million, compared to the €1 million obtained in 2007 due to the higher net loan-loss provision in 2008. The ratio of non-performing loans stood at 6.9% and the NPLs coverage was 61%.

*Venezuela*. Banco de Venezuela is one of the country's largest banks with 285 branches and 3.2 million banking customers.

The Group focused in 2008 on maximising the return on the balance sheet, keeping comfortable levels of liquidity and boosting recurring revenues through greater customer linkage (growth in deposits and fee-generating services) and strict control of risks. Lending rose by 14%, and deposits by 9%.

Profit attributed to the Group from Venezuela grew to €317 million from €179 million a year earlier (an 89.4% increase in local currency). ROE stood at 58.9%, the ratio of non-performing loans was 1.9% and the NPLs coverage was 126%

On 22 May 2009, Santander announced that it had reached an agreement in principle for the sale of its holding in Banco de Venezuela to the Republic of Venezuela (see "*Recent Developments*", below).

*Colombia*. Banco Santander Colombia, S.A. has 76 branches and 0.5 million banking customers.

The Group focused in 2008 on developing its franchise and selective growth in business, while maintaining appropriate levels of liquidity. Lending grew by 2% and deposits plus mutual funds increased by 34%.

Profit attributable to the Group from Colombia was €27 million in 2008, 73.8% higher than in 2007 in local currency. The ratio of non-performing loans was 1.79% and the NPLs coverage was 204%.

*Argentina*. Banco Santander Río S.A. is one of the country's leading banks, with 292 branches and 2.1 million banking customers.

In 2008, the Group focused its strategy on linking customers rather than increasing their number. On the other hand, a more selective criteria in lending was applied with greater emphasis on capturing deposits and maintaining comfortable levels of liquidity. Lending rose 18% while deposits increased by 12%.

Banco Santander Río made a positive contribution to the Group's earnings, with profit attributable to the Group of €216 million in 2008, a 24.1% increase in local currency.

*Others*

In 2008 Uruguay generated profit attributed to the Group of €9 million with no impact from the consolidation of ABN-AMRO which took place at the end of December 2008.

**Business Level**

***Retail Banking***

The Group's Retail Banking generated 85% of the operating areas' total income in 2008 and 75% of profit before tax. In 2008, Retail Banking generated total income of €26,775 million, 16.9% higher than in 2007. Profit before tax was €9,376 million, 2.9 higher than in 2007. This segment had 165,244 employees at the end of 2008.

This segment growth was due to two effects. On the one hand, the performance in Euro terms in the United Kingdom and Latin America reflects the negative impact of exchange rates, which absorbed the growth in their respective currencies of management. On the other, the incorporation of one quarter of Banco Real has a positive impact of 3 percentage points on profits.

Retail Banking in Continental Europe continued the growth trends in volume and earnings of the last two years. Net interest income rose 20.5% and profit before tax 9.2%. The main units of growth were the Santander Branch Network and Banesto Retail. The main drivers were the good evolution of business compared to the market, although quarter-on-quarter growth eased such as management of prices in a changing environment of interest rates and selective control of expenses.

Retail Banking in the UK in Euro terms was very conditioned by the negative impact of exchange rates (16 percentage points). The 12.7% growth in revenues and 5.9% rise in expenses, both in sterling, resulted in a further improvement in efficiency. Net loan-loss provisions increased 44.3% and profit before tax was 12.1% higher (-3.5% in Euro).

The results of Retail Banking in Latin America came from growth in customer business, the good performance of net interest income and net fees, and control of costs compatible with ongoing business development. In addition to the entry of Banco Real, the factors behind this segment growth were the rise in the number of individual customers and SMEs, greater linkage and development of loyalty products. Profit before tax for Retail Banking in 2008 was lower than 2007 because there was a large increase in net loan-loss provisions partly due to the deterioration of the global economy and partly due to the unification of provisioning criteria in Brazil after the integration of Banco Real. Excluding the exchange-rate effect, profit before tax, was comparable to that in 2007.

The Global Private Banking division, created in the second half of 2007, includes institutions that specialise in financial advice and asset management for high income clients: Banif and Allfunds in Spain; Cater Allen, James Hay, Abbey Share dealing and Abbey International in the UK and Santander Private Banking in Latin America and Italy, as well as the units of domestic private banking in Portugal and Latin America, jointly managed with local retail banks.

Profit before tax for the year was 4.9% lower at €429 million. This was due to two factors: on the one hand, the evolution of exchange rates, which reduced the profit growth by 6.6 percentage points and, on the other, the allowances made by Banif in the last part of the year, after the collapse of Lehman Brothers.

***Global Wholesale Banking***

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

This segment, managed by Santander Global Banking & Markets, contributed 13% of operating areas' total income and 21% of profit before tax (€2,548 million, 23% more than in 2007). This segment had 2,572 employees at the end of 2008.

In the case of Santander Global Banking & Markets, the improvement was due to a customer-focused business model, the area's global capacities and connection with local units, and the strength of the Group's capital and liquidity which made it possible to increase profitable activity without restrictions. Four factors were at play:

- Firstly, the significant increase in customer revenues by 35% in 2008 as compared to 2007, which accounted for more than 85% of the area's total revenues. All zones registered double digit growth after absorbing the large negative impact of exchange rates. Customer revenues in the UK and Latin America rose 51% and 37% in 2008 as compared to 2007, respectively, in Euros, while Spain's grew by 26% in 2008 as compared to 2007. Among the large markets for Global Wholesale Banking, only Portugal fell by 11% in 2008 because of the large operations in 2007;

- Secondly, the 29% fall in the results of trading activity, affected by instability in markets;

- Thirdly, strict adjustment of expenses and structures to the new environment, as a result of which total operating expenses were 0.2% lower than in 2007; and

- Lastly, a big increase in generic provisions because of large operations in the second half of the year, particularly in the fourth quarter. These provisions were more than four times higher than those recorded in 2007.

These factors were reflected in the income statement with operating profit before tax increasing 23% in 2008.

Santander is present in global transaction banking (which includes cash management, trade finance and basic financing), in corporate finance (comprising mergers and acquisitions and asset and capital structuring), in credit markets (which include origination activities, risk management, distribution of structured products and debt), in rates (comprised of structuring and trading activities in financial markets of interest rate and exchange rate instruments) and in global equities (activities relating to the equity markets).

**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. At 31 December, 2008 it accounted for 2.7% of total income and 4.1% of profit before tax (€537 million, -1.3% in comparison to 2007). This segment had 1,435 employees at the end of 2008.

Total income fell 2.8%, as the higher revenues from insurance did not offset the fall in fee income. The latter was hit by the decline in the volume of mutual funds in the main countries where the Group operates, particularly Spain. Profit before tax was 1.3% lower. The pension fund business in Latin America played no part in the results as it was sold and discontinued in 2007. Total revenues contributed to the Group by asset management and insurance, including those recorded by the distribution networks, amounted to €3,689 million (+1.3%).

*Asset Management*

Santander Asset Management's global business generated €1,542 million of fees in 2008 (-18.4%). Profit before tax, after deducting operating expenses (3.4% lower than in 2007) and fees paid to the networks, was 9.0% lower at €221 million. Total managed pension and mutual funds amounted to €100 billion.

Activity in developed countries was determined by the strong preference for liquidity and on-balance sheet funds. These trends, which in the fourth quarter spread to the other markets where the Group operates, influenced the volumes managed by Santander Asset Management.

As a result, most of its business, principally Traditional Management (€94 billion), was affected by the global fall in share prices in what has been considered to be the worst year for stock markets in 30 years.

*Insurance*

The global business of Santander Insurance generated income (fees and revenues from insurance activity) of €2,147 million (+22.6%), 6.9% of the operating areas' total. Its total contribution to the Group's results, the sum of profit before tax of the insurance companies and brokers (€316 million) and fees received by networks, was €2,020 million (+23.6%).

The volume of premium income distributed in the year was more than €9.6 billion (+34%). Life-savings products contributed 72% of the total, life-risk 15% and non-life 13%

Of the total premium income, 84% was subscribed by Group companies.

Santander Insurance made further progress in its global business model, developing new products and distribution channels. Of note was the launch of the "affinities channel", which leverages relations with corporate clients to distribute insurance to their clients. Ten distribution agreements were signed. This supplements the strength of the Group's branches (the main distribution channel) and of the Group's direct channels.

***Financial Management and Equity Stakes***

At the end of 2008, this area had 1,710 employees (direct and assigned) (compared to 1,526 employees at the end of 2007), of which 456 were temporary.

This area is responsible for a series of centralised activities and acts as the Group's holding entity, managing all capital and reserves and assigning capital and liquidity to the other businesses. The cost of liquidity, via the transfer of funds to various businesses, is carried out at the short-term market rate, which was 4.26 % in 2008 (4.06 % in 2007).

The area made a loss of €223 million due to the following:

- Firstly, all the €3,572 million of capital gains generated in 2008, net of taxes, were assigned to extraordinary write-downs.

  The €586 million from the sale of Grupo Santander City, €741 million from the sale of ABN AMRO's liabilities and the €2,245 million from the sale of the businesses in Italy acquired from ABN AMRO were assigned as follows: €1,430 million to writing down the stakes in Fortis and Royal Bank of Scotland; €904 million to amortising the intangible assets of Abbey; €386 million to a fund for restructuring costs; €382 million to an early retirement fund; €295 million to amortizing the goodwill of Santander Consumer Finance and write-downs in portfolios and €175 million to other funds. All figures are net of taxes.

  In 2007 capital gains were higher than the allowances by €934 million net of taxes.

- Secondly, share of results of entities accounted for using the equity method was €780 million in 2008 compared to €427 million in 2007. This difference was due, on the one hand, to a greater contribution from RFS Holdings, B.V. (basically Banco Real) which in 2008 consolidated nine months of profit after tax (in the fourth quarter it was consolidated by global integration), while in 2007 it was only consolidated from October, the date of the acquisition, until the end of the year. CEPSA's contribution, on the other hand, was lower because as of 1 October 2008, its profits ceased to be recorded by the equity method as the stake was transferred to non-current assets held for sale.

- Thirdly, gains on financial assets and liabilities were affected in 2008 by the creation of a €643 million fund (€450 million net of tax) for the victims of the collapse of Lehman Brothers and the fraud of Bernard L. Madoff.

*Equity Stakes*

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

The main events in 2007 and 2008 were the sale of 1.79% of Intesa Sanpaolo in the second quarter of 2007 (generating a capital gain of €566 million) and the consolidation of the assets acquired to ABN AMRO and the transfer of the Group's investment in CEPSA to available for sale financial assets in 2008. On 31 March 2009, the Group announced that it had reached an agreement to sell its holding in CEPSA subject to certain conditions.

*Financial Investments*

The Group's most important financial investment at 31 December, 2008 was in Sovereign where the Group had a 24.99% stake. On 13 October 2008, Banco Santander, S.A. and Sovereign, the parent of Sovereign Bank, announced that Banco Santander would acquire Sovereign through a share exchange. This acquisition was completed in January 2009.

*Industrial Portfolio*

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

The following table summarizes the Group's main industrial holdings at 31 December, 2008:

| **Company** | **Business** | **Percentage Held at 31 December 2008** |
|---|---|---|
| France Telecom España, S.A. | Telecommunications | 5.01 |
| CEPSA | Oil and Petrochemicals | 32.5 |
| Cableeuropa – Grupo ONO | Telecommunications | 4.47 |

***Financial Management***

This area manages the Group's structural exchange rate position, the structural interest rate risk of the parent bank and liquidity risk. The management of liquidity risk is conducted through debt issuance and securitisation.

The cost of hedging the capital of the Group's non-Euro denominated investments is another activity. The current hedging policy is aimed at protecting the capital invested and the year's results through various instruments that are considered appropriate for their management. The main units that have exchange rate risk continued to be hedged in 2007 and 2008.

This sub segment also manages shareholders' equity, the allocation of capital to each business unit, and the cost of financing investments, with the result that the contribution to earnings is usually negative.

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

| | Millions of Euros | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | | | | | 2007 | | | | |
| (Summarised) Balance Sheet | Continental Europe | United Kingdom | Latin America | Financial Management and Holdings | *Total* | Continental Europe | United Kingdom | Latin America | Financial Management and Holdings | *Total* |
| Loans and advances to customers | 325,379 | 202,623 | 96,054 | 2,833 | 626,888 | 314,714 | 184,080 | 70,228 | 2,076 | 571,099 |
| Financial assets held for trading (excluding loans and advances) | 72,303 | 50,028 | 20,966 | 2,686 | 145,983 | 44,846 | 53,787 | 22,846 | 1,328 | 122,808 |
| Available-for-sale financial assets | 12,806 | 2,785 | 19,208 | 14,122 | 48,920 | 10,149 | 44 | 12,628 | 21,528 | 44,349 |
| Loans and advances to credit institutions | 63,296 | 31,518 | 19,946 | 48,222 | 162,981 | 54,798 | 22,165 | 12,847 | 26,502 | 116,312 |
| Non-current assets | 5,562 | 1,210 | 3,272 | 245 | 10,289 | 5,373 | 4,685 | 1,805 | (202) | 11,661 |
| Other asset accounts | 17,644 | 30,626 | 30,496 | 179,522 | 258,288 | 20,185 | 7,103 | 21,630 | 168,925 | 217,844 |
| **Total assets/ liabilities** | **496,989** | **318,790** | **189,941** | **247,630** | **1,253,350** | **450,067** | **271,865** | **141,985** | **220,156** | **1,084,073** |
| Customer deposits | 165,763 | 143,200 | 108,257 | 3,009 | 420,229 | 149,061 | 122,500 | 82,046 | 1,800 | 355,407 |
| Marketable debt securities | 52,076 | 67,996 | 8,674 | 107,657 | 236,404 | 70,004 | 76,056 | 5,031 | 82,196 | 233,287 |
| Subordinated liabilities | 1,752 | 9,890 | 3,847 | 23,384 | 38,837 | 2,433 | 8,345 | 2,540 | 22,874 | 36,193 |
| Liabilities under insurance Contracts | 13,889 | 3 | 2,958 | - | 16,850 | 10,907 | 6 | 2,121 | - | 13,034 |
| Deposits from credit institutions | 85,044 | 60,063 | 29,998 | 38,961 | 214,066 | 66,027 | 38,688 | 19,064 | 47,789 | 171,567 |
| Other liability accounts | 154,812 | 32,306 | 23,623 | 14,915 | 225,656 | 131,362 | 23,094 | 22,595 | 18,541 | 195,593 |
| Equity | 23,653 | 5,332 | 12,583 | 59,704 | 101,272 | 20,273 | 3,177 | 8,588 | 46,955 | 78,993 |
| Off-balance-sheet customer funds | 63,332 | 7,180 | 48,210 | - | 118,723 | 92,761 | 10,225 | 47,990 | - | 150,977 |
| **Total funds under management** | **560,321** | **325,970** | **238,150** | **247,630** | **1,372,073** | **542,828** | **282,091** | **189,975** | **220,155** | **1,235,051** |

| (Summarised) Income Statement | Millions of Euros | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | | | | | 2007 | | | | |
| | **Continental Europe** | **United Kingdom** | **Latin America** | **Financial Management and Holdings** | ***Total*** | **Continental Europe** | **United Kingdom** | **Latin America** | **Financial Management and Holdings** | ***Total*** |
| **Net Interest Income** | **9,413** | **2,411** | **8,659** | **(2,312)** | **18,172** | **7,742** | **2,334** | **6,654** | **(1,777)** | **14,953** |
| Income from equity instruments | 266 | — | 58 | 229 | 553 | 201 | 1 | 37 | 183 | 423 |
| Income from companies accounted for using the equity method | (4) | — | 21 | 780 | 797 | 9 | 2 | 4 | 427 | 441 |
| Net fee and commission income | 4,086 | 926 | 3,393 | 46 | 8,451 | 4,137 | 1,007 | 2,866 | 30 | 8,040 |
| Gains/losses on financial assets and liabilities | 771 | 500 | 926 | 1,346 | 3,543 | 732 | 436 | 702 | 1,113 | 2,982 |
| Other operating income/(expenses) | 148 | 49 | (54) | 64 | 208 | 133 | 65 | (5) | 43 | 237 |
| **Gross Income** | **14,681** | **3,887** | **13,002** | **154** | **31,724** | **12,955** | **3,845** | **10,258** | **19** | **27,077** |
| Staff costs | (3,126) | (986) | (2,655) | (197) | (6,964) | (3,037) | (1,045) | (2,222) | (248) | (6,551) |
| Other administrative expenses | (1,620) | (618) | (2,304) | (474) | (5,015) | (1,527) | (784) | (1,867) | (289) | (4,467) |
| Depreciation and amortisation of tangible and intangible assets | (580) | (157) | (437) | (96) | (1,270) | (559) | (102) | (348) | (259) | (1,268) |
| Net impairment losses on financial assets | (2,477) | (456) | (3,082) | (331) | (6,345) | (1,557) | (312) | (1,619) | (13) | (3,502) |
| Provisions (net) | (37) | (29) | (565) | (1,068) | (1,699) | 30 | 5 | (553) | (506) | (1,024) |
| **Profit/(loss) from operations** | **6,841** | **1,642** | **3,959** | **(2,011)** | **10,431** | **6,305** | **1,608** | **3,649** | **(1,296)** | **10,265** |
| Net impairment losses on non-financial assets | (16) | — | (7) | (1,026) | (1,050) | (8) | — | (30) | (1,511) | (1,549) |
| Other non-financial gains/(losses) | (30) | 31 | 42 | 1,806 | 1,849 | 26 | 15 | 161 | 2,257 | (2,459) |
| **Profit/(Loss) Before Tax** | **6,794** | **1,673** | **3,994** | **(1,231)** | **11,230** | **6,323** | **1,622** | **3,781** | **(550)** | **11,175** |
| Income Tax | (1,756) | (426) | (711) | 1,009 | (1,884) | (1,777) | (421) | (822) | 685 | (2,336) |
| **Profit/(loss) From Ordinary Activities** | **5,039** | **1,247** | **3,283** | **(222)** | **9,346** | **4,546** | **1,201** | **2,958** | **135** | **8,840** |
| Profit/(loss) from discontinued operations | (21) | — | 7 | — | (13) | — | — | 112 | 684 | 797 |
| **Consolidated Profit/(loss) for the Year** | **5,018** | **1,247** | **3,290** | **(222)** | **9,332** | **4,546** | **1,201** | **3,071** | **819** | **9,636** |
| **Attributable to minority interests** | **110** | **—** | **346** | **1** | **456** | **107** | **—** | **404** | **65** | **576** |
| **Profit attributable to the Group** | **4,908** | **1,247** | **2,945** | **(223)** | **8,876** | **4,439** | **1,201** | **2,666** | **754** | **9,060** |

Business Segments: At the secondary level of segment reporting, the Group is structured into Commercial Banking, Global Wholesale Banking, Asset Management and Insurance; 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 summarised income statements and other significant data are as follows:

| | Millions of Euros | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | | | | | 2007 | | | | |
| **(Summarised) Income Statement** | **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** | **18,362** | **1.934** | **188** | **(2,312)** | **18,172** | **15,235** | **1,364** | **131** | **(1,777)** | **14,953** |
| Income from equity instruments | 149 | 162 | 13 | 229 | 553 | 80 | 148 | 12 | 183 | 423 |
| Income from companies accounted for using the equity method | 16 | 2 | — | 780 | 797 | 13 | 2 | — | 427 | 441 |
| Net fee and commission income | 7,137 | 861 | 407 | 46 | 8,451 | 6,618 | 922 | 470 | 30 | 8,040 |
| Gains/losses on financial assets and liabilities | 1,144 | 1,027 | 26 | 1,346 | 3,543 | 962 | 878 | 29 | 1,113 | 2,982 |
| Other operating income/(expenses) | (33) | (39) | 215 | 64 | 208 | (5) | (30) | 229 | 43 | 237 |
| **Gross Income** | **26,775** | **3,947** | **848** | **154** | **31,724** | **22,901** | **3,285** | **872** | **19** | **27,077** |
| Staff costs | (5,987) | (647) | (132) | (197) | (6,964) | (5,539) | (632) | (132) | (248) | (6,551) |
| Other administrative expenses | (4,015) | (380) | (147) | (474) | (5,015) | (3,633) | (392) | (153) | (289) | (4,467) |
| Depreciation and amortisation of tangible and intangible assets | (1,067) | (88) | (19) | (96) | (1,270) | (898) | (91) | (19) | (259) | (1.268) |
| Net impairment losses on financial assets | (5,740) | (275) | 1 | (331) | (6,345) | (3,426) | (63) | — | (13) | (3,502) |
| Provisions (net) | (603) | (13) | (16) | (1,068) | (1,699) | (459) | (35) | (23) | (506) | (1,024) |
| **Profit /(loss) from operations** | **9.363** | **2,544** | **535** | **(2,011)** | **10,431** | **8,946** | **2,072** | **544** | **(1,296)** | **10,265** |
| Net impairment losses on non-financial assets | (25) | — | 2 | (1,026) | (1,050) | (37) | — | — | (1,511) | (1,549) |
| Other non financial gains/losses | 38 | 5 | — | 1,806 | 1,849 | 202 | — | — | 2,257 | (2,459) |
| **Profit/(Loss) Before Tax** | **9,376** | **2,548** | **537** | **(1,231)** | **11,230** | **9,110** | **2,072** | **544** | **(550)** | **11,175** |
| Income tax | (2,066) | (684) | (144) | 1,009 | (1,884) | (2,334) | (523) | (163) | 684 | (2,336) |
| **Profit/(loss) from ordinary activities** | **7,311** | **1,865** | **393** | **(222)** | **9,346** | **6,776** | **1,548** | **381** | **134** | **8,840** |
| Profit/(loss) from discontinued operations | (13) | — | — | — | (13) | — | — | 112 | 684 | 797 |
| **Consolidated profit/(loss) for the year** | **7,297** | **1,865** | **393** | **(222)** | **9,332** | **6,776** | **1,548** | **493** | **819** | **9,636** |
| **Attributable to minority interests** | **422** | **11** | **22** | **1** | **456** | **457** | **9** | **45** | **65** | **576** |
| **Profit Attributable to the parent** | **6,875** | **1,854** | **371** | **(223)** | **8,876** | **6,319** | **1,539** | **448** | **754** | **9,060** |

**Significant New Products and/or Activities**

***New Products and/or Activities***

*Global New Products Committee* (“**GNPC**”)

Any new product or service that a Group entity intends to market must be authorised by this committee.

In 2008 the GNPC held 15 meetings, at which a total of 190 products or product families were analysed.

A local new products committee is set up in each country in which an entity of the Group is based. Once a new product or service has undergone the required procedures, this committee must seek the approval of the GNPC. In Spain, the functions of the local new products committee are discharged by the CGNP itself.

The areas represented on the GNPC, which is chaired by the general secretary, are: Tax Advisory, Legal Advisory, Customer Care, Internal Audit, Commercial Banking, Global Corporate Banking, CIVIR/Integrated Risk Control, Compliance, the Controller's Unit, Financial Transactions and Markets, Operations and Services, Global Wholesale Banking Risks, Corporate Banking Risks and IFIs, Credit Risk, Market Risks, Risks - Systematic, Solvency Risk, Technology and Operational Risk, Santander Private Banking, Technology, Global Treasury, Universities and, lastly, the unit proposing the new product or a representative of the local new products committee.

Before a new product or service is launched, the aforementioned areas, together with any independent experts required to correctly evaluate the risks incurred (such as, for example, Money Laundering Prevention), conduct an exhaustive analysis of all the matters involved and express their opinion as to whether the product or service should be marketed.

On the basis of the documentation received, the GNPC, after checking that all requirements for the approval of the new product or service have been met and considering the risk guidelines established by the Group’s risk committee, either approves, rejects or sets conditions for the proposed new product or service.

The GNPC pays particular attention to the suitability of the new product or service for the environment in which it is to be marketed. To this end, it places particular emphasis on ensuring that:

- Each product or service is sold by people who know how to sell it;
- Customers know what they are investing in and are aware of the risk involved in the particular product or service, and this can be evidenced by supporting documentation;
- The product or service fits the customer's risk profile;
- Each product or service is sold where its sale is possible, not only from a legal or tax standpoint (i.e. it complies with the legal or tax regime of the country in question), but also with regard to the local financial culture; and
- When a given product or service is approved, maximum placement limits are set.

***Procedures manual for the sale of financial products (the “Manual”)***

The Manual, which has been used at Banco Santander since 2004 in the retail sale of financial products in Spain, was fully updated in 2007 as a result of the entry into force on 1 November of Directive 2004/39 on Markets in Financial Instruments (“**MiFID**”), which establishes new requirements governing the sale of financial products.

The Manual is applied to investment services for financial products, including: fixed-income or equity securities or other financial instruments, money market instruments, shares or units in collective investment undertakings, traded derivatives, OTC derivatives and atypical financial contracts. Nevertheless, the GNPC may opt to include other financial products within the scope of the Manual, as was the case with structured deposits, savings and investment insurance, and pension plans.

The Manual starts out with a segmentation of customers and products and establishes various categories of commercial treatment, which basically depend on the type of service to be provided. The combination of these elements (customer category, product type and commercial treatment) produces a matrix that determines the mechanism to be applied (advisability test, suitability test) in order to assess a customer's suitability for a given product, and to establish the warnings that should be given to the customer.

The customer and product segmentation is the result of uniting the internal classification already used by Santander prior to MiFID (internal customer segmentation and product segmentation into green, yellow or red products) with that established by MiFID (segmentation of customers into retail clients, professional clients and eligible counterparties, and product segmentation into complex and non-complex products), giving rise to a level of protection that surpasses the minimum required under MiFID.

The various types of commercial treatment, arranged on a scale of descending involvement of the Bank, are as follows: (i) advised sale, which includes, in turn, portfolio advice and management; and (ii) non-advised sale, which encompasses marketing and mere performance of the sale.

In 2008, 164 products subject to the Manual were submitted for approval. Although most of these products were investment funds, authorisation was also granted for the marketing of other kinds of products, such as warrants, derivatives, structured deposits and savings and investment insurance.

Of these 164 products, 80 were new products submitted to the GNPC and 84 were existing products submitted to the Office for the Manual (a specific body created to oversee implementation of the Manual which forms part of the compliance department). Of the 164 products, 5 were not approved because of their high reputational risk. Of the 159 products approved, 33 were not assigned a specific colour, a different colour being assigned on the basis of the target customers. The remaining 126 products were categorised as follows: 47 were classified as green products (37%), 43 as yellow products (34%) and 36 as red products (29%). The red, yellow and green colours are assigned, not only on the basis of the risk of loss inherent in a product, but also taking into account the relative degree of difficulty experienced by the public in understanding its features.

Of the 159 products approved, 86 were classified under MiFID as complex products and 57 as non-complex products. The remaining 16 products are savings or investment insurance or pension plans subject to the manual but not governed by MiFID and, therefore, they are not classified as complex or non-complex.

**Principal Markets in which the Guarantor competes**

The Group is one of the principal financial groups in the Spanish banking sector. At 31 December, 2008 it was the leading Spanish banking group in terms of total assets, customer lending, on balance sheet customer funds, net worth and profits.

The information sourced from the Annual Report of Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**") contained in this section "*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 EUROS | **BBVA** MILLIONS OF EUROS |
|---|---|---|
| Total assets | 1,049,632 | 542,650 |
| Gross customer lending | 633,814 | 342,671 |
| On balance sheet customer funds (1) | 694,055 | 376,380 |
| Book net worth (2) | 66,869 | 26,586 |
| Consolidated profit for year | 9,332 | 5,385 |
| Profit attributed to the Group | 8,876 | 5,020 |

| (*) | **SANTANDER GROUP(**)** | **BBVA** |
|---|---|---|
| Banking branch network (3) | 13,390 | 7,787 |
| Workforce | 170,961 | 108,972 |
| Ratios: | | |
| - Roe | 17.07 | 21.5 |
| - Efficiency | 41.86 | 40.9 |
| - Level of default | 2.04 | 2.12 |
| - Coverage for default | 91 | 91 |

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

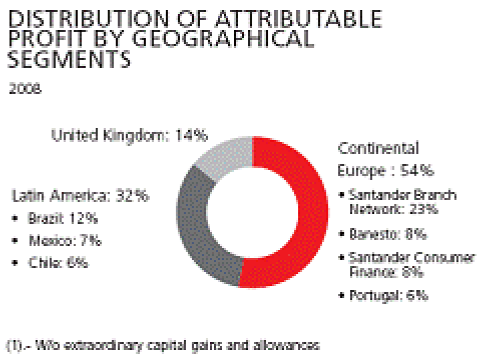
(**) The amounts contained in this column, which have been taken from the 2008 Annual Report of the Bank, are unaudited

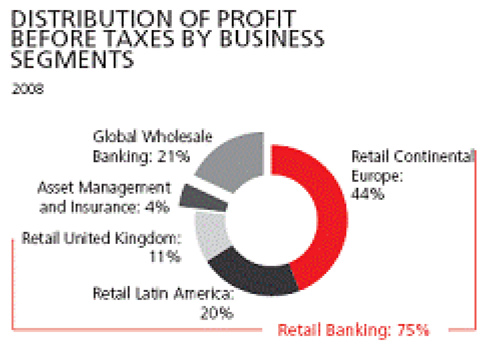
(1) On Balance Sheet Customer Funds = Customer Deposits + Debt Securities + Subordinated Debt + Insurance Liabilities.

(2) Net of own shares and after applying profit and loss for the year. Does not include minority interests or valuation adjustments.

(3) In Spain and abroad.

The following charts illustrate the Group's attributable profit broken down by operative geographical segments and the Group's profit before taxes broken down by operative business segments for the 2008 financial year:




## ORGANISATIONAL STRUCTURE

Banco Santander, S.A. is the parent company of the Group. At 31 December, 2008 the Group was made up of 831 companies that consolidate by the global integration method. Additionally, there are 149 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 30 June, 2009.

The following is a description of certain factors which, if produced could have a material adverse effect on the Guarantor or that would cause the disclosed financial information not to be indicative of the Group's future operating results or of its financial condition:

- The global financial services sector is likely to remain competitive with a large number of financial service providers and alternative distribution channels. Additionally, consolidation in the sector (through mergers, acquisitions or alliances) is likely to occur as the other major banks look to increase their market share, combine with complementary businesses or strengthen their balance sheets. In addition, regulatory changes will take place in the future that the Guarantor expects will increase the overall level of regulation in the markets;
- a continued downturn in the Spanish and United Kingdom real estate markets, and a corresponding increase in mortgage defaults;
- uncertainty regarding interest rates in the United States and other countries;
- 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 the current global economic slowdown will have over Latin America and fluctuations in local interest and exchange rates;
- continued instability and volatility in the financial markets;
- continued changes in the macroeconomic environment could cause further deterioration in the quality of the Group's customers' credit;

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

## ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

The Bylaws of the Bank (Article 41) provide that the maximum number of Directors is 22 and the minimum number 14.

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

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

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

| BOARD OF DIRECTORS | EXECUTIVE COMMITTEE | RISK COMMITTEE | AUDIT AND COMPLIANCE COMMITTEE | APPOINTMENTS AND REMUNERATION COMMITTEE | INTERNATIONAL COMMITTEE | TECHNOLOGY, PRODUCTIVITY AND QUALITY COMMITTEE | EXECUTIVE | EXTERNAL |
|---|---|---|---|---|---|---|---|---|
| CHAIRMAN<br>MR. EMILIO BOTÍN-SANZ DE SAUTUOLA Y GARCÍA DE LOS RÍOS | ■ C | | | | ■ C | ■ C | ■ | |
| FIRST DEPUTY CHAIRMAN<br>MR. FERNANDO DE ASÚA ÁLVAREZ (3) | ■ | ■ V | ■ | ■ C | | ■ | | ■ I |
| SECOND DEPUTY CHAIRMAN AND CHIEF EXECUTIVE OFFICER<br>MR. ALFREDO SÁENZ ABAD | ■ | | | | ■ | ■ | ■ | |
| THIRD DEPUTY CHAIRMAN<br>MR. MATÍAS RODRÍGUEZ INCIARTE | ■ | ■ C | | | | | ■ | |
| FOURTH DEPUTY CHAIRMAN<br>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) | | | | | | | | E |
| MR. GUILLERMO DE LA DEHESA ROMERO | | | | | | | | I |
| MR. RODRIGO ECHENIQUE GORDILLO | | | | | | | | E |
| MR. ANTONIO ESCÁMEZ TORRES | | | | | | | | I |
| MR. FRANCISCO LUZÓN LÓPEZ | | | | | | | | |
| MR. ABEL MATUTES JUAN (3) | | | | | | | | I |
| MR. JUAN RODRIGUEZ INCIARTE | | | | | | | | |
| MR. LUIS ÁNGEL ROJO DUQUE (3) | | | C | | | | | I |
| MR. LUIS ALBERTO SALAZAR-SIMPSON BOS (3) | | | | | | | | I |
| MS. ISABEL TOCINO BISCAROLASAGA | | | | | | | | I |
| GENERAL SECRETARY AND OF THE BOARD<br>MR. IGNACIO BENJUMEA CABEZA DE VACA (2) (3) | | | | | | | | |
| DEPUTY GENERAL SECRETARY AND OF THE BOARD<br>MR. JAIME PÉREZ RENOVALES(2) | | | | | | | | |

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

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

(2) Not Directors.

(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 (non member) 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. FERNANDO DE ASÚA ÁLVAREZ | IBM ESPAÑA, S.A. | HONORARY CHAIRMAN |
| | TÉCNICAS REUNIDAS, S.A. | VICE CHAIRMAN |
| | CONSTRUCTORA INMOBILIARIA URBANIZADORA VASCO-ARAGONESA, S.A. | DIRECTOR |
| MR. ALFREDO SÁENZ ABAD | FRANCE TELECOM ESPAÑA, S.A. | DIRECTOR |
| MR. MATÍAS RODRÍGUEZ INCIARTE | BANCO ESPAÑOL DE CRÉDITO, S.A. | DIRECTOR |
| | UCI, S.A. | CHAIRMAN |
| | FINANCIERA PONFERRADA, S.A. | DIRECTOR |
| | OPERADOR DEL MERCADO IBERICO DE ENERGIA POLO ESPAÑOL, S.A. | DIRECTOR |
| | FUNDACIÓN PRINCIPE DE ASTURIAS | CHAIRMAN |
| | SANITAS, SOCIEDAD ANÓNIMA DE SEGUROS | DIRECTOR |
| MR. MANUEL SOTO SERRANO | INDRA SISTEMAS, S.A. | VICE CHAIRMAN |
| | GRUPO LAR INVERSIONES INMOBILIARIAS, S.A. | DIRECTOR |
| | CORPORACIÓN FINANCIERA ALBA, S.A. | DIRECTOR |
| | MERCAPITAL, S.L. | CHAIRMAN OF THE |

| Directors | Company Name | Functions |
|---|---|---|
| | | Advisory Committee |
| | CARTERA INDUSTRIAL REA, S.A. | Director |
| Mr. Antoine Bernheim [1] | ASSICURAZIONI GENERALI, S.p.A. | Chairman |
| | INTESA SAN PAOLO S.p.A. | Vice Chairman of the Supervisory Board |
| | ALLEANZA ASSICURAZIONI S.p.A | Vice Chairman |
| | MEDIOBANCA – BANCA DI FINANZIARIO S.p.A | Director |
| | LVMH | Vice Chairman |
| | BOLLORÉ INVESTISSEMENT | Vice Chairman |
| | GENERALI FRANCE | Director |
| | GENERALI DEUTSCHLAND, AG | Director |
| | GENERALI ESPAÑA HOLDING ENTIDADES DE SEGUROS, S.A. | Director |
| | BSI | Director |
| | GENERALI HOLDING VIENNA | Director |
| | GENERAL DEUTSCHLAND HOLDING AG | Director |
| | GRAAFSCHAP HOLLAND | Director |
| | CHRISTIAN DIOR, S.A. | Director |
| | EURAZEO | Member of the Supervisory Board |
| | CIMENTA FRANCAIS | Director |
| | HAVAS | Director |
| | CHRISTIAN DIOR COUTURE | Director |
| Mr. Antonio Basagoiti García-Tuñón | FAES FARMA, S.A. | Vice Chairman |
| | PESCANOVA, S.A. | Director |
| | A.T. KEARNEY | Member External Advisory Committee |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea | BANCO ESPAÑOL DE CRÉDITO, S.A. | Executive Chairwoman |
| | ASSICURAZIONI GENERALI, S.p.A. | Director |
| Mr. Javier Botín-Sanz de Sautuola y O'Shea | JB CAPITAL MARKETS, SOCIEDAD DE VALORES, S.A. | Chairman and Chief Executive Officer |
| | FUNDACIÓN MARCELINO BOTÍN | Member of the Board of Trustees |
| Lord Burns (Terence) | ABBEY NATIONAL PLC | Chairman |
| | ALLIANCE & LEICESTER PLC | Chairman |
| | GLAS CYMRU (WELSH WATER) | Chairman |
| | PEARSON GROUP PLC | Director |
| | CHANNEL FOUR TELEVISION CORPORATION | Director |
| Mr. Guillermo de la Dehesa Romero | AVIVA VIDA Y PENSIONES, S.A. DE SEGUROS Y REASEGUROS | Chairman |
| | AVIVA GRUPO CORPORATIVO | Chairman |
| | CAMPOFRÍO FOOD GROUP, S.A. | Director |
| | GOLDMAN SACHS EUROPE LTD. | Director |
| Mr. Antonio Escámez Torres | SANTANDER CONSUMER FINANCE, S.A | Chairman |
| | OPEN BANK SANTANDER CONSUMER, S.A. | Chairman |
| | ATTIJARIWAFA BANK, SOCIÉTÉ ANONYME | Vice Chairman |
| | ARENA MEDIA COMMUNICATIONS ESPAÑA, S.A. | Chairman |
| | GRUPO KONECTANET, S.L. (2) | Vice Chairman |
| | FUNDACIÓN BANCO SANTANDER | Chairman |
| Mr. Francisco Luzón López | INDUSTRIA DE DISEÑO TEXTIL, S.A. (Inditex) | Director |

| Directors | Company Name | Functions |
|---|---|---|
| Mr. Abel Matutes Juan | FIESTA HOTELS & RESPORTS, S.L. | Chairman |
| | EURIZON FINANCIAL GROUP | Director |
| | FCC CONSTRUCCIÓN, S.A. | Director |
| | TUI AG | Member of the Supervisory Board |
| Mr. Juan Rodríguez Inciarte(2) | SANTANDER CONSUMER FINANCE, S.A. | Director |
| | BANCO BANIF, S.A. | Director |
| | RFS HOLDINGS | Director |
| | ABN AMRO BANK, N.V. | Member of the Supervisory Committee |
| | ABN AMRO HOLDING N.V. | Member of the Supervisory Committee |
| | JCF SERVICES CO LLC. | Advisor |
| | SAAREMA INVERSIONES, S.A. | Chairman and Chief Executive Officer |
| | ABBEY NATIONAL PLC | Vice Chairman |
| | ALLIANCE & LEICESTER PLC | Director |
| | VISTA CAPITAL DE EXPANSION, S.A. | Director |
| Mr. Luis Alberto Salazar-Simpson Bos | FRANCE TELECOM ESPAÑA, S.A. | Chairman |
| | CONSTRUCTORA INMOBILIARIA URBANIZADORA VASCO-ARAGONESA, S.A. | Chairman |
| Ms. Isabel Tocino Biscarolasaga | CLIMATE CHANGE CAPITAL | Director |
| | TELEMADRID | Director |
| | DIAGONAL GEST | Director |

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

(2) Mr. Antonio Escámez Torres is an individual representative of Santander Consumer Finance in the board of directors of Grupo Konectanet S.L.

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

During the 2008 financial year there were 77 cases in which Directors, including those who are members of senior management, abstained from participating and voting in the discussions of the Board of Directors or its Committees.

The breakdown of the 77 cases is as follows: on 47 occasions, the conflicts arose from proposals for appointment and re-election, delegation of powers or revocation of delegated powers; on 24 occasions, the matter under consideration was the approval of the terms of remuneration and other terms and conditions of the contractual relationship of the Bank with the executive directors; on 5 occasions, the annual verification of the status of the directors made by the appointments and remuneration committee at its meeting of 12 March 2008 pursuant to article 6.3 of the Rules and Regulations of the Board; and on one occasion to record the congratulations of the executive committee to a director for an appointment.

## 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 paragraphs 1 to 4 of "*Documents Incorporated by Reference*".

The Guarantor prepares audited consolidated and non-consolidated annual financial statements, which are incorporated by reference under paragraphs 1 and 2 of "*Documents Incorporated by Reference*" and has prepared audited consolidated financial data of the Group for the 6 months ended 30 June 2009 the English translations of which are incorporated by reference under paragraphs 1 to 3 of "*Documents Incorporated by Reference*" on page 2. Such documents are direct and accurate translations of the financial statements originally prepared in Spanish.

The consolidated and non-consolidated annual financial statements of the Guarantor for the 2008 and 2007 financial years and the First Half Report were audited by the external audit firm Deloitte, S.L. (formerly Deloitte & Touche España, S.L.). There are no reservations or qualifications of the auditors in relation to the individual and consolidated annual financial statements of the Guarantor for the 2008 and 2007 financial years.

The information contained in "*Business Overview*" above is not audited and was obtained from the internal accounting records of the Guarantor, save for the summarised balance sheets and income statements of the various geographical segments (principal level) and the summarised income statements and other significant data of the business segments (secondary level), which has been audited and was obtained from the Guarantor's 2008 Annual Report and the Guarantor's 2007 Annual Report.

The information relating to the 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 Guarantor's 2008 Annual Report.

The financial information contained in the Third Quarter Report of the Guarantor has not been audited, but it was approved by the Bank's Board of Directors at its meeting on 26 October 2009, following a favourable report from the audit and compliance committee on 21 October 2009. In its review, the audit and compliance committee verified that the third quarter information had been drawn up in accordance with the same principles and practices as the annual financial statements.

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

The date of the most recent audited annual consolidated financial information of the Guarantor is 31 December, 2008.

The audited consolidated and non-consolidated financial statements of the Guarantor for each of the years ended 31 December, 2008 and 31 December, 2007 have been filed with the Spanish securities market regulator. The Guarantor has also filed with the Spanish Securities market regulator the June 2009 Condensed Audited Financial Statements of the Group, an English translation of which has been incorporated by reference into this Listing Prospectus.

## LITIGATION AND GENERAL INFORMATION

### LEGAL PROCEEDINGS

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened or which the Guarantor is aware) which may have, or have had in the previous twelve months, significant effects on the Guarantor and/or the Group's financial position or profitability.

The following is a summary of certain legal proceedings affecting the Group. The Guarantor believes that it has made adequate reserves related to the costs anticipated to be incurred in connection with these and other legal proceedings and believes that liabilities related to such proceedings should not have a significant effect 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 sometimes unable 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-related proceedings

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

- A "*Mandado de Segurança*" was filed by Banco Santander, S.A. and other Group companies claiming their right to pay the Brazilian social contribution tax on net income at a rate of 8%. In the case of Banco Santander, S.A., on 9 June 2008 a special and extraordinary appeal was filed at the Federal Supreme Court against the unfavourable judgment of the Federal Regional Court dated 14 January 2008. Banco Santander, S.A. awaits a decision in respect of this appeal. In the case of Banco ABN AMRO Real, S.A., two "*Mandados de Segurança*" were filed; for the first of these, an appeal was filed at the Supreme Court and Federal Supreme Court and, for the second, an appeal was filed on 12 February 2008 at the Federal Regional Court in response to the unfavourable judgement handed down on 29 January 2008.

- A "*Mandado de Segurança*" was filed by Banco Santander, S.A. and other Group companies claiming their right to consider the social contribution tax on net income as deductible in the calculation of Brazilian corporation tax. In the case of Banco Santander, S.A., this action was declared unwarranted and an appeal was filed at the Federal Regional Court, requesting as a precautionary remedy, stay of the claimability of the tax credit. Permission was granted to deposit the disputed amounts with the courts. On 1 October 2007, an unfavourable judgment was handed down by the Federal Regional Court, which was appealed by Banco Santander, S.A. (Brazil) through the presentation of "*Embargos de Declaraçao*" on 8 October 2007. On 6 March 2008 the Court rejected the "*Embargos de Declaraçao*" and dismissed the subsequent appeal. On 1 July 2008 a related special and extraordinary appeal was filed.

- A "*Mandado de Segurança*" was filed by Banco Santander, S.A. and other Group entities claiming their right to pay the Brazilian PIS and COFINS social contributions only on the income from the provision of services. In the case of Banco Santander, S.A., the "*Mandado de Segurança*" was declared unwarranted and an appeal was filed at the Federal Regional Court. On 13 September 2007, the Federal Regional Court found in favour of Banco Santander, S.A. Unión Federal has filed an appeal against this judgment. In the case of Banco ABN AMRO Real, S.A., on 9 March 2007, the court found in favour of Banco AMRO Real, S.A. Unión Federal has also lodged an appeal against this judgment at a higher court. On 29 September 2009 an agreement was published whereby it partially accepts the appeal.

- Legal proceedings were filed on 24 August 2000 by ABN AMRO Arrendamiento Mercantil, S.A. ("**Arrendamiento Mercantil**") requesting the Income Tax deductibility of the depreciation and amortisation expense in the same period in which an income on leasing transaction is recognised. The entity had a favourable judgment handed down on 16 April 2008 which has been appealed against by the Brazilian tax authorities. A decision has yet to be made by the Federal Regional Court in respect of this appeal.

- Real Leasing, S.A., Arrendamiento Mercantil and Banco ABN AMRO Real, S.A. have filed various administrative and legal claims in connection with the deductibility of the provision for doubtful debts for 1995.

- Banco Santander, S.A. and other Group companies are involved in several administrative and legal proceedings against various municipalities that demand payment of the Service Tax on certain items of income from transactions not classified as provisions of services.

- 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 at first instance was handed down 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 action filed by Sovereign Bancorp Inc claiming for a foreign tax credit in connection with taxes paid outside of the United States in fiscal years 2003 to 2005 in relation to financial transactions carried out with an international bank.

- As of the date of this Listing Prospectus, other less significant tax litigation was in progress.

**Non-tax-related proceedings**

At present, and during the last twelve months, the main non-tax-related proceedings concerning the Group are as follows:

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

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

- *LANETRO, S.A.*: claim (ordinary lawsuit no. 558/2002) filed by LANETRO, S.A. against Banco Santander, S.A. at Madrid Court of First Instance no. 34, requesting that the Guarantor comply with the obligation to subscribe to €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 Guarantor filed extraordinary appeals on grounds of procedural infringements and has filed an extraordinary cassation appeal against the aforementioned decision, which were given leave to proceed by the Supreme Court. LANETRO has already opposed those appeals.

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

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

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

Galesa de Promociones, S.A. replied to the counterclaim on 12 January 2009 and the parties' pre-trial hearing took place on 7 April, 2009. The hearing took place on 30 September 2009. A decision has yet to be made.

- A declaratory large claims action has been 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 Guarantor. This claim sought the termination of a settlement agreement entered into between the Guarantor 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 Guarantor was ordered to pay €1.8 million, plus the related legal interest since February 1997, to return a property that was given in payment under the aforementioned agreement, to pay an additional €72.9 million relating to the replacement value of the assets foreclosed, and subsequently sold, by the Guarantor, and to pay all the related court costs. The Guarantor and Inversión Hogar, S.A. filed appeals against the judgment.

  On 30 July 2007, the Madrid Provincial Appellate Court handed down a decision upholding in full the appeal filed by the Guarantor, revoking the ruling issued at first instance and dismissing the appeal filed by Inversión Hogar, S.A. On completion of the clarification procedure, as it had announced previously, Inversión Hogar, S.A. filed an appeal against the aforementioned decision at the Civil Chamber of the Supreme Court, which has been granted leave to proceed by the Madrid Provincial Appellate Court at the preliminary admission for consideration stage.

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

  This complaint was duly contested by Santander Investment, S.A. on 5 November 2007. The preliminary hearing was set for 28 April 2008 although it was subsequently postponed until a related claim is resolved. In a decision issued by the Madrid Court of First Instance no. 13 on 11 September 2008 the proceeding in connection with the civil preliminary ruling was stayed. The plaintiffs have appealed the decision and the Bank responded to and opposed the plaintiff's appeal on 16 December 2008.

- *Gaesco Bolsa Sociedad de Valores, S.A.*: On 6 February 2008, Banco Santander, S.A. filed a request for arbitration with the Secretary of the Spanish Arbitration Court against the business entity Gaesco Bolsa, Sociedad de Valores, S.A., in respect of the claim for €66,418,077.27 that the latter owes Banco Santander, S.A. as a result of the early termination of the financial transaction framework agreement entered into by the aforementioned company and Banco Santander, S.A. and the financial transactions set out in the agreement. On 12 May 2009, an arbitral award was issued upholding all the claims of Banco Santander, S.A. and dismissing the counterclaim filed by Gaesco Bolsa, Sociedad de Valores, S.A. GAESCO has requested the annulment of the arbitral ruling to the Provincial Appellate Court. Mobilaria Monesa, S.L. (parent of the former Gaesco) has filed a claim against Banco Santander, S.A. at Santander Court of First Instance no.5, reproducing the claims discussed and resolved in arbitration, a circumstance which has been brought to the Court’s attention.

- *Former Banco do Estato de Sâo Paulo – S.A. - “Banespa” employees*: a claim was filed in 1998 by the association of retired Banespa employees (AFABESP) on behalf of its members, requesting the payment of a half-yearly bonus initially envisaged in the entity's by-laws in the event that the entity obtained a profit and that the distribution of this profit were approved by the board of directors. The bonus was not paid in 1994 and 1995 since the bank did not make a profit and partial payments were made from 1996 to 2000 in variables percentages as agreed by the board of directors, the aforementioned clause being eliminated from the by-laws in 2001. In September 2005 the Regional Labour Court ordered Banco Santander Meridional S.A. (which changed its name to Banco Santander Banespa, S.A. in 2006), to pay the half-yearly bonus and the bank lodged an appeal at the High Labour Court. A decision was handed down on 25 June 2008, ordering the bank to pay the half-yearly bonus from 1994 onwards for a maximum amount equivalent to that of the share in profits. The related appeals against this decision will be filed at the High Labour Court and at the Federal Supreme Court, as applicable.

- *Absorption of Banco Santander Noroeste S.A. "Banco Noroeste" by Banco Santander Brasil S.A.*: Three claims have been filed by minority shareholders of the former Banco Noroeste requesting, in addition to compensation for damage and losses, the annulment of the shareholders' meeting that approved the merger between Banco Noroeste and Banco Santander Brasil S.A., arguing that when the merger took place they should have been offered a market value that would have enabled them to decide whether or not to sell their shares at that value.

  In the three cases, judgments were handed down at first instance, one of which found in favour of Banco Santander Brasil S.A. and the other two against it. In the latter two cases the shareholders' meeting was not declared null and void but rather Banco Santander Brasil S.A. was ordered to pay compensation. Appeals were filed against these judgments.

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

  In the case of the shareholders that sold their shares, the Court indicated that they should receive the difference between the value at which they sold their shares (equity value) and market value (calculated as the disposal value) at that time, plus interest. In the case of the shareholders that did not sell, the Court considers that they should receive the market value at that time plus interest, less the present value of their shares. Unlike the judgments handed down at first instance, lost profit and damages were excluded and the amount of lawyers' fees was reduced. An appeal against this judgment will be filed at higher courts.

  In August 2009, an agreement was reached with the minority shareholders of the former Banco Noroeste by virtue of which Banco Santander Brasil S.A. made a payment of Brazilian reais 106 million as compensation for damages related to the absorption of Banco Noroeste by Banco Santander Brasil S.A.. Such compensation included the repurchase to the shareholders of the shares of Banco Santander Brasil S.A. that they held and the payment for all related damages. Based on the agreement, the shareholders accepted the annulment of all actions against Banco Santander (Brasil) S.A. and agreed not to file any further claims for the same reasons.

- *Lehman Brothers* ("**Lehman**"): The Lehman bankruptcy was made public on 15 September 2008. Various customers of the Group were affected by this situation since they had invested in securities issued by Lehman or in other products which had such assets as their underlying security.

  On 12 November 2008, the Group announced the implementation of a solution (which was of a strictly commercial, exceptional nature and did not imply any admission of mis-selling) for holders of one of the products sold - Seguro Banif Estructurado- issued by the insurance company Axa Aurora Vida, which had as its underlying security a bond issued and guaranteed by Lehman. The solution involved replacing the Lehman issuer risk with the issuer risk of Group subsidiaries. The exchange period ended on 23 December 2008. As a result of the exchange, at year-end 2008, a loss was recognised in the consolidated income statement for the difference of €46 million (€33 million after tax) between the fair value of the bonds received and the bonds delivered in the exchange.

  In February 2009 the Group offered a similar solution to other customers affected by the Lehman bankruptcy. The cost of this transaction, before tax, was €143 million (€100 million after tax), which was recognised in the consolidated income statement for 2008.

  At the date of this Listing Prospectus, it is known that certain claims have been filed against a Group company in relation to the marketing of the bonds referred to above. The Bank's directors and its legal advisers consider that the various Lehman products were sold in accordance with the applicable legal regulations in force at the time of each sale or subscription and that the fact that the Bank acted as intermediary would not give rise to any liability in relation to the insolvency of Lehman. Accordingly, it has not been necessary to recognise any liability in this connection in our consolidated financial statements.

- *Bernard L. Madoff Investment Securities LLC:* The investigation by the SEC into the alleged fraud of Bernard L. Madoff Investment Securities LLC ("**Madoff Securities**") took place in December 2008. The exposure of customers of the Group through the subfund Optimal Strategic US Equity Limited ("**Optimal Strategic**") was €2,330 million, of which €2,010 million related to institutional investors and international private banking customers, and the remaining €320 million were in the investment portfolios of the Group's private banking customers in Spain, who were qualifying investors.

  On 27 January 2009, the Group announced its decision to offer a solution to those of its private banking customers who had invested in Optimal Strategic and had been affected by the alleged fraud.

  This solution, which was applied to the principal amount invested, net of redemptions, totalled €1,380 million. It consisted of a replacement of assets whereby the private banking customers could exchange their investments in Optimal Strategic for preferred participating securities to be issued by the Group for the aforementioned amount, with an annual coupon of 2% and a call option that can be exercised by the issuer in year ten. The pre-tax cost of this transaction for the Group was €500 million (€350 million after tax), and this amount was recognised in the consolidated income statement for 2008.

  The Group believes it has at all times exercised diligence in the management of its customers' investments in the Optimal Strategic fund. These products have always been sold in a transparent way pursuant to applicable legislation and established Group procedures and, accordingly, the decision to offer a solution was taken in view of the exceptional circumstances attaching to this case and based on solely commercial reasons, due to the interest the Group has in maintaining its business relationship with these customers.

  At the time of the intervention, Madoff Securities was a broker-dealer authorised, registered and supervised by the SEC and was also authorised as an investment advisor by the US Financial Industry Regulatory Authority ("**FINRA**").

  At the date of this Listing Prospectus, it is known that certain claims had been filed in relation to this matter. The Group is currently assessing the advisability of taking the appropriate legal action.

  On 18 March 2009, the Group issued the preferred participating securities earmarked for the replacement of assets offered to the private banking customers affected by the intervention in Madoff Securities and those affected by the Lehman bankruptcy who were not able to participate in the exchange made on 23 December 2008 (referred to above). The preferred participating securities have been listed on the London Stock Exchange since 23 March 2009. The level of acceptance of the exchange proposal is close to 96%.

  On 26 May 2009, two funds managed by Optimal Investment Services, a wholly owned indirect subsidiary of Banco Santander, announced that they had entered into an agreement with Irving H. Picard, the trustee for the liquidation of Madoff Securities. Under the agreement, in exchange for the funds' payment of the reduced demands, the trustee will allow the funds' claims in the liquidation proceeding and reduce his clawback demands on the funds. The funds are Optimal Strategic and Optimal Arbitrage Limited ("**Arbitrage**"). These are the only Optimal Strategic funds that had customer accounts at Madoff Securities.

  The agreement provides that the funds' claims against Madoff Securities' estate would be allowed in their full amounts, calculated on a cash-in, cash-out basis, of US$1,540,141,278 and US$9,807,768, respectively, and the funds would be entitled to Securities Investor Protection Corporation advances of US$500,000 each. The funds will pay 85% of the clawback claims that the trustee has asserted so far against the funds. The payments will total US$129,057,095 for Optimal Strategic and US$106,323,953 for Arbitrage.

  Optimal Strategic and Santander would agree not to file any other claims against Madoff Securities estate. The agreement also contains an "equal treatment" provision, so that if the trustee settles similar clawback claims for less than 85%, the funds will receive a rebate of a portion of their payments to equalise the percentages applied to the funds.

  The agreement followed the trustee's investigation of Optimal Strategic's conduct in dealing with Madoff Securities, including a review of Optimal Strategic's documents relating to due diligence conducted by Optimal Strategic, in which the relevant trustee concluded that their conduct does not provide grounds to assert any claim against the Optimal Strategic companies or any other entity of the Group (other than the clawback claims described above). The funds' potential clawback liability did not imply any wrongdoing by the funds.

The agreement contains releases of all clawback and other claims the trustee may have against the funds for any matters arising out of the funds' investments with Madoff Securities. The trustee's release would apply to all potential claims against other Optimal Strategic companies, Santander companies and their investors, directors, officers and employees who agree to release the trustee and the Madoff Securities estate, to the extent the claims arose out of the funds' dealings with Madoff Securities. It also releases both funds from potential clawback liability for any other withdrawals made by them.

Madoff Securities is currently undergoing liquidation under the Securities Investor Protection Act of 1970 in the United States Bankruptcy Court in New York. Madoff Securities' principal, Bernard L. Madoff, has pleaded guilty to conducting probably the largest "Ponzi" scheme in history. The agreement was approved by the United States Bankruptcy court in New York on 16 June 2009.

As of the date of this Listing Prospectus, other less significant non-tax-related proceedings were in progress.

### Other Litigation

In addition to the matters described above, the Guarantor 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 Guarantor 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 Guarantor 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 Guarantor; as a result, the outcome of a particular matter may be material to the Guarantor'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 Guarantor's income for that period.

As of the date of this Listing Prospectus, the Group has recorded provisions that it believes reasonably cover any contingencies that might arise from these tax-related and non-tax-related proceedings.

## SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Group since 30 September 2009, being the date of the most recently published consolidated interim financial statements of the Bank.

## INTEREST OF NATURAL AND LEGAL PERSONS

So far as the Issuer and the Bank are aware, no person involved in the issue of the Series 5 Preferred Securities had an interest material to the original offer.

## 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 and the transaction in relation to ABN AMRO, each 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 Registrar, Transfer Agent and Paying Agent at 1 Canada Square, London E14 5AE, 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 Listing Prospectus, together with any supplements thereto;
3. Amendment No.1 to the Exchange Offer Registration Statement on Form F-4 and filed with the SEC on 13 December 2007;
4. the Registrar and Transfer and Paying Agency Agreement dated 31 January, 2007 between the Issuer and the Bank of New York Mellon;
5. the Tax Certification and Exchange Processing Agency Agreement between the Issuer, the Guarantor and Acupay System LLC dated 21 November 2006 and the Letter of Appointment dated 31 January 2007 among the Issuer and Acupay System LLC;
6. all the documents incorporated by reference herein and listed on page 2 of this Listing Prospectus;
7. the Public Deed of Issuance relating to the Series 5 Preferred Securities;
8. the Payment and Guarantee Agreement dated 31 January 2007 entered into between the Guarantor, the Issuer and the Bank of New York Mellon; and
9. the Registration Rights Agreement dated 31 January 2007, entered into between the Guarantor, the Issuer and Lehman Brothers Inc.

# RECENT DEVELOPMENTS

## ABN AMRO Acquisition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In April 2009, ABN AMRO sold its branch in Asunción (Paraguay), after its conversion into a subsidiary, to Banco Regional (40% owned by the Rabobank group) for €42.2 million. This sale gave rise to a net gain of approximately €5 million.

**Acquisition of the outstanding 75.65% of Sovereign Bancorp Inc.**

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

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

At the Extraordinary General Meeting on 26 January 2009, the shareholders of Banco Santander approved the capital increase in respect of the acquisition of 75.65% of Sovereign, agreed in October 2008, with 96.9% of the capital present and represented.

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

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

**Metrovacesa, S.A. ("Metrovacesa")**

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

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

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

**Real Tokio Marine Vida e Previdencia S.A.**

In the first quarter 2009 the Santander Brasil Group acquired the 50% of the insurance company Real Tokio Marine Vida e Previdencia S.A. that it did not already own from Tokio Marine for Brazilian Reais 678 million (€225 million).

**Interim Dividends**

Based on a resolution of the Bank's shareholders acting at the general shareholders' meeting held on 19 June 2009, the Bank has offered a new remuneration framework for shareholders, which enabled them to opt to receive the amount equivalent to the second interim dividend of 2009 in cash or in new shares. The three other dividends will be paid in cash.

The first interim dividend for the amount of €0.1352 per share charged to 2009's earnings was paid on 1 August 2009, the same amount as the first interim dividend charged to 2008's earnings.

Under the new remuneration framework, known as Santander Dividendo Elección, each shareholder received a free allotment right of new shares for each share of Santander held. Shareholders could sell these rights to the Bank at a fixed price (€0.12 per right), sell them on the stock market during a number of days in the month of October 2009 at their quotation price or receive new shares in the proportion of one new share for every 91 rights. There is no Spanish withholding[1] applicable to the last two options.

In order to tend to shareholders who choose the latter option, a free of charge capital increase was carried out for €36,481,382.50, which was represented by 72,962,765 shares.

On 4 November 2009, shareholders received new shares or the corresponding amount in cash if they opted to sell the rights to the Bank.

Following this increase, Banco Santander's share capital is €4,114,413,067.50, represented by 8,228,826,135 shares, par value €0.50 each.

**Sale of holding in Compañía Española de Pétroleos, S.A. ("CEPSA")**

On 31 March 2009, Banco Santander announced that it had reached an agreement with the International Petroleum Investment Company ("IPIC") of the Emirate of Abu Dhabi for the sale of its 32.5% stake in CEPSA to the latter, at a price of €33 per share, which would be reduced by the amount of any dividends paid, prior to the closing of the transaction, charged to the 2009 fiscal year. With this transaction, Santander historical annual return derived from its investment in CEPSA has been 13%. The sale has no impact on the Group's earnings.

On 30 July 2009, Santander announced that it had transferred its 32.5% stake in CEPSA to IPIC at the agreed price of €33 per share. The acquirer applied to the National Securities Market Commission (the "***Comisión Nacional del Mercado de Valores***") for exemption from the obligation to launch a tender offer, in accordance with the provisions of article 4.2 of Royal Decree 1066/2007, owing to the existence of a shareholder with a higher stake in the share capital, the denial of which would be cause for termination of the contract.

The above mentioned exemption was granted by the National Securities Market Commission on 15 September 2009, removing the requirement to launch such a tender offer.

**Sale of holding in France Telecom España, S.A.**

On 29 April 2009, the Group announced that it has reached an agreement with the company Atlas Services Nederland BV (a 100%-owned affiliate of France Telecom) on the sale of the 5.01% share package held by the Group in France Telecom España, S.A. for an amount of €377.6 million. The sale has a negative impact on the Group's earnings for an amount of €14 million.

**Sale of holding in Banco de Venezuela, S.A. Banco Universal ("Banco Venezuela")**

On 22 May 2009, Santander announced that it had reached an agreement in principle for the sale of its holding in Banco de Venezuela to the Republic of Venezuela for US$1,050 million dollars. On 6 July 2009 Banco Santander, S.A. announced that it had closed the sale of its stake in Banco de Venezuela to Bank for Economic and Social Development of Venezuela (*Banco de Desarrollo Económico y Social de Venezuela*), a public institution of the Bolivarian Republic of Venezuela for US$1,050 million, of which US$840 million has been paid as of the date of this Listing Prospectus and the remainder will be payable in December 2009.

[1] The options, terms and procedures indicated above may not be the same as those applicable to shareholders holding Santander shares on different foreign stock exchanges.

**Offers to exchange perpetual issues for other financial instruments**

On 9 July 2009, Banco Santander S.A. and its subsidiary Santander Financial Exchanges Limited published on the international markets offers to exchange 30 issues of securities eligible to be included in capital for a total nominal amount of approximately €9,100 million issued by Santander and its subsidiaries. The exchange envisaged the delivery of new securities that meet the current market standards and regulatory requirements to be classified as equity at the consolidated Group level.

The purpose of these offers was to improve the efficiency of the Group's capital structure and to strengthen the Group's balance sheet. The Group's annual borrowing costs will not be increased as a result of exchange offers.

The acceptance level of the exchange offers reached 49.8% and the nominal amount of the new securities issued was €3,210 million.

Among them, US$490,534,950 Series 5 Preferred Securities of the Issuer were tendered and accepted (by Banco Santander) for exchange in an exchange offer which expired on 23 September 2009. On 29 September 2009 settlement of the exchange occurred and Series 10 Fixed Exchange Preferred Securities of Santander Finance Preferred, S.A. Unipersonal were issued.

The capital gains generated came to €724 million, which has been used to strengthen the balance sheet of the Group.

**Purchase of the Securitisations**

On 24 August 2009 Banco Santander invited holders of certain securitisation bonds for a total nominal amount of €16,489 million to tender any or all of the bonds for purchase by Banco Santander for cash. The aggregate nominal amount for the group of securities accepted for purchase was approximately €609 million. The capital gains generated came to €99 million which has been used to strengthen Banco Santander's balance sheet.

**Initial Public Offering of Banco Santander (Brasil) S.A.**

On 13 October 2009, our subsidiary Banco Santander (Brasil) S.A. ("**Santander Brasil**") closed its initial public offering of 525,000,000 units, each unit representing 55 common shares and 50 preferred shares, each without par value, of Santander Brasil. The units were offered in a global offering, which consisted of an international offering of units, including in the form of American depositary shares ("**ADSs**"), each of which represents one unit, in the United States and other countries outside of Brazil, and a concurrent offering of units in Brazil.

The initial public offering price in the global offering was R$23.50 of Brazilian Reais (**"R$"**) per unit and US$13.4033 per ADS.

The underwriters participating in the international offering were granted an option by Santander Brasil to purchase an additional 42,750,000 ADSs, exercisable by 6 November 2009, to cover over-allotments, if any, in connection with the international offering. The underwriters participating in the Brazilian offering were also granted an option by Santander Brasil to purchase up to an additional 32,250,000 units, exercisable within the same period, to cover over-allotments, if any, in connection with the Brazilian offering.

Following the global offering and to the end of the period for the underwriters to exercise the over-allotment options (*green-shoe* option), Banco Santander reported on 10 November, 2009, that the underwriters have partially exercised the *green-shoe* option available to them, as they have subscribed for 35,955,648 units of the total 75,000,000 units contemplated in the offer.

Following the partial exercising of such *green-shoe* option, the placement has been for 17.32% of the capital prior to the increase (14.76% after the increase). The free float of Banco Santander (Brasil) following the transaction amounts to 16.45% (an increase from approximately 2.0% prior to the offering).

The total definitive amount of the increase has been €5,092 million and the estimated amount of the capital gain for the Group, which will be assigned to generic provisions, is €1,499 million (all of the foregoing, at the exchange rates prevailing at the time of the respective transactions). In connection with Santander Brasil's listing on Level 2 of the BM&FBOVESPA S.A. — *Bolsa de Valores, Mercadorias e Futuros* ("**BM&FBOVESPA**"), Santander Brasil has agreed to meet the Level 2 minimum public float requirement of at least 25% of its outstanding capital stock within three years of the date of the offering in order to maintain its listing on such level of the BM&FBOVESPA. The ADSs are listed on the New York Stock Exchange.

Prior to the offering, on 14 August 2009, as a result of a series of share exchange transactions, 100% of the share capital of certain Brazilian asset management, insurance and banking companies (including Santander Seguros S.A. and Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A.), which were previously beneficially owned by the Group and certain minority shareholders, was transferred to Santander Brasil.

The combined shareholders' equity of the transferred businesses was R$2.5 billion. The purpose of these transactions was to consolidate the Group's investments in Brazil, to simplify the current corporate structure and to consolidate the Group's and the minority shareholders' interests in such entities in Santander Brasil. As a result of these transactions, Santander Brasil's capital stock was increased by approximately R$2.5 billion through the issuance of 14,410,886,181 shares, comprised of 7,710,342,899 common shares and 6,700,543,282 preferred shares. In addition, on 17 September 2009, Banco Santander sold to Santander Brasil a loan portfolio consisting of credits to Brazilian companies and their offshore affiliates for a purchase price of US$806.3 million.

Santander Brasil has agreed with the underwriters, subject to certain exceptions, not to offer, sell or dispose of any shares of their share capital or securities convertible into or exchangeable or exercisable for any shares of their share capital during the 180-day period following the date of the prospectus of the offering. Banco Santander, members of Santander Brasil board of directors and executive officer have agreed to substantially similar lock-up provisions, subject to certain exceptions.

Santander Brasil intends to use the net proceeds from the global offering to expand its business in Brazil by growing the bank's physical presence and increasing its capital base. Santander Brasil also intends to improve its funding structure and, along with its traditional funding sources, increase its current credit transactions. In particular, Santander Brasil estimates that it will use (1) 70% of the net proceeds to expand its physical infrastructure, including by opening new branches and installing additional ATM's and to fund increased credit transactions in the Commercial Banking and Global Wholesale Banking segments more effectively than it could do with ordinary funding sources; (2) 20% of the net proceeds to improve its funding structure; and (3) 10% of the net proceeds to increase their capital base, improving its Basel capital adequacy ratio.

*Overview* - Santander Brasil is the third largest non government-owned bank, the largest bank controlled by a major global financial group and the fourth largest bank overall in Brazil with a 10.2% market share in terms of assets, at 31 March 2009. Santander Brasil operations are located across the country and strategically concentrated in the South and Southeast, an area that accounted for approximately 73.1% of Brazil's GDP in 2006, and where they have one of the largest branch networks of any Brazilian bank, according to the Central Bank. According to the consolidated financial statements prepared in accordance with IFRS, for the six months ended 30 June 2009, Santander Brasil generated profit before taxes of R$3.8 billion, and at that date had total assets of R $288.9 billion and shareholders' equity of R$51.1 billion. Santander Brasil's Basel capital adequacy ratio was 17.0% as of 30 June 2009.

In August 2008, Santander Brasil acquired Banco Real which at the time was the fourth largest non government-owned Brazilian bank as measured by assets. At the time of the acquisition, Santander Brasil was the fifth largest non government-owned bank in Brazil as measured by assets. As a result of the acquisition of Banco Real and the organic growth, Santander Brasil's net credit portfolio increased from R$44.6 billion at 30 June 2008 to R$132.3 billion at 31 December 2008, and their total deposits increased from R$46.9 billion at 30 June 2008 to R$124.0 billion at 31 December, 2008, in each case as reported in Santander Brasil's Brazilian GAAP financial statements. In the same period, Santander Brasil active current account holder base increased from approximately 3.5 million to approximately 7.7 million and the distribution network of branches and on-site service units increased from 1,546 to 3,603.

Banco Real's operations are highly complementary to Santander Brasil pre-acquisition operations. Santander Brasil believes that the acquisition offers significant opportunities for the creation of operating, commercial and technological synergies by preserving the best practices of each bank. Banco Real's strong presence in the states of Rio de Janeiro and Minas Gerais has further strengthened Santander Brasil position in the South and Southeast, complementing Santander Brasil strong footprint in the region, particularly in the state of São Paulo. The acquisition of Banco Real has further consolidated Santander Brasil position as a full-service bank with nationwide coverage and scale to compete effectively in Santander Brasil target markets.

Santander Brasil businesses consist of three operating segments:

- Commercial Banking, in which they provide a broad range of products and services and centralize banking transactions of their customers in order to increase the number of products used per customer. Deposit-taking activities, credit operations, retail lending, personal loans, credit card, account overdraft loans, consumer finance, mortgages, corporate lending, Banco Nacional de Desenvolvimento Econômico e Social on-lending, agricultural lending, leasing and private banking are the main areas of this segment

- Global Wholesale Banking, Santander Brasil leads wholesale bank in Brazil and offer financial services and sophisticated and structured solutions to their customers. Santander Brasil maintains focus on four core pillars: (1) strengthening customer relationships, (2) emphasizing performance and productivity to ensure growth, (3) managing risk profiles and (4) solidifying the recognition of its global brand for product distribution. Santander Brasil wholesale business provides its customers with a wide range of domestic and international services, and seeks to provide solutions specifically tailored to the needs of each customer. The Global Wholesale Banking segment's products and services are available not only to global banking and markets clients, but also to corporate and SME customers. Global transaction banking, credit markets, corporate finance, equities, rates, market making, proprietary trading and correspondent banking are the main areas of this segment.

- Asset Management and Insurance, Santander Brasil manage and administer third-party funds on a discretionary and non-discretionary basis, by means of mutual funds, pension funds and individual and corporate investment portfolios. In addition it offers to its retail and SME customers various insurance products, including life and personal injury insurance, homeowner's insurance, credit life insurance, credit card loss and theft insurance and private retirement plans.

Santander Brasil distribution network provides integrated financial services and products to their customers through a variety of channels, including branches and on-site service units *(postos de atendimento bancário* or PABs) and complementary distribution channels such as ATMs, call centres and other alternative direct sales distribution channels like internet banking. These distribution channels are concentrated in the South and Southeast, Brazil's wealthiest regions measured in terms of GDP per capita (representing approximately 73.1% of Brazil's GDP in 2006). As a result of the acquisition of Banco Real, they expanded their distribution network.

Santander Brasil is from time to time subject to certain claims and party to certain legal proceedings incidental to the normal course of its business, including in connection with its lending activities, relationships with its employees and other commercial or tax matters. The main categories of lawsuits and administrative proceedings to which they are subject include: administrative and judicial actions relating to taxes; class actions involving agreements and settlement of debts with the public sector; suits brought by employees, former employees and unions relating to alleged labour rights violations; and civil suits, including from depositors relating to the alleged effects of their implementation of various government economic plans (seeking differences for monetary adjustments on remuneration of bank deposit certificates) and consumer law (i.e., breach of contract and foreign currency indexation, including administrative proceedings) and to the privatization of Banespa.

When there is a probable risk of loss, Santander Brasil usually settles. In such cases and where they litigate a claim, they record a provision for their estimate of the probable loss based on historical data for similar claims. They record provisions (1) on a case-by-case basis based on the analysis and legal opinion of internal and external counsel and / or (2) considering the historical average amount of loss of such category of lawsuits. Due to the established provisions and the legal opinions provided, they believe that any future liabilities related to such lawsuits or proceedings will not have a material adverse effect on their financial condition or results of operations.

Santander Brasil does not record contingency provisions when the risk of loss is remote. In this connection, in December 2008, the Federal Revenue Service issued an infraction notice against Santander Brasil in the total amount of R$3,950.2 million with respect to IRPJ and CSL related to 2002 and 2004. The tax authorities assert that Santander Brasil did not meet the legal requirements for deducting amortization of the goodwill arising from the acquisition of Banespa. Santander Brasil has filed an appeal to the Administrative Counsel of Tax Appeals (*Conselho Administrativo de Recursos Fiscais*) and a ruling is expected within approximately one year. Santander Brasil believes, in accordance with the advice of their external legal counsel, that the Federal Revenue Service's position is incorrect, that the grounds to contest this claim are well-founded, and that the risk of loss is remote. Accordingly, they have not recorded any provisions for this matter since this issue should not have an impact on their financial statements.

Santander Brasil believes that they have made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings and believe that liabilities related to such claims and proceedings should not have, in the aggregate, a material adverse effect on their 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 them; as a result, the outcome of a particular matter may be material to their operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and their level of income for that period.

Santander Brasil share capital consisted of 158,154,602,751 preferred shares and 181,989,171,114 common shares. Santander Brasil did not have any shares in treasury. Immediately after the global offering, Santander Brasil will have 210,864,171,114 common shares and 184,404,602,751 preferred shares outstanding, assuming no exercise of the underwriters' over-allotment options. Following the offering, Banco Santander, will continue to own, indirectly, 85.0% of Santander Brasil common shares, 83.6% of Santander Brasil preferred shares and 84.3% of Santander Brasil total capital, assuming no exercise of the underwriters' over-allotment options.

At 30 June 2009, Santander Brasil had a net tangible book value of R$20.6 billion, corresponding to a net tangible book value of R$6.62 per unit or US$3.39 per ADS (using the selling rate as reported by the Central Bank at 30 June 2009 for Brazilian reais into US dollars of R$1.9516 equals US$1.00 and the ratio of one unit to one ADS). Net tangible book value represents the amount of Santander Brasil total assets less total liabilities, excluding goodwill and other intangible assets, divided by 325,732,887,684, the total number of their common and preferred shares outstanding at 30 June 2009. After giving effect to the sale of the 525,000,000 units offered in the global offering, and assuming that neither the Brazilian underwriters nor the international underwriters have exercised the over-allotment option, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by them, Santander Brasil net tangible book value estimated at 30 June 2009 would have been approximately R$32.62 billion, representing R$8.99 per unit, or US$4.61 per ADS. This represents an immediate increase in net tangible book value of R$2.37 per unit or US$1.21 per ADS to existing shareholders and an immediate dilution in net tangible book value of R$14.51 per unit, or US$7.44 per ADS to new investors purchasing units in the offering. Dilution for this purpose represents the difference between the price per unit or ADS paid by these purchasers and net tangible book value per unit or ADS immediately after the completion of the offerings.

Santander Brasil intends to recommend to its shareholders a policy to distribute 50% of its yearly adjusted net income as dividends and/or interest attributed to shareholders' equity, as required by the Brazilian corporate law and their bylaws. The amount of any distributions will depend on many factors, such as the results of operations, cash flow, financial condition (including capital position), cash requirements, investment plans, prospects, legal requirements, economic climate and other factors deemed relevant by the board of directors and shareholders.

Santander Brasil prospective investors had been advised on the risks and other matters before deciding to purchase Santander Brasil units and ADSs, including among others, risks related to Brazil, risks related to Santander Brasil and the Brazilian Financial Services Industry and risks relating to Santander Brasil units and ADSs, since one or more of these matters could negatively impact Santander Brasil business or financial performance and its ability to implement its business strategy successfully.

**Conversion of "*Valores Santander*"**

With regard to the currently outstanding "*Valores Santander*", which are securities mandatorily convertible into newly-issued ordinary shares of Banco Santander issued in 2007 to partially finance the takeover bid launched on ABN AMRO, Banco Santander has informed on 14 October 2009 that conversion of 754 of such *Valores Santander* was requested in the ordinary conversion period that ended on 5 October 2009. Pursuant to the terms of such securities, Banco Santander has issued 257,647 new shares in exchange for those *Valores Santander*. The public deed formalising the capital increase was registered with the Commercial Registry of Cantabria on 14 October 2009.

In addition, as envisaged in the prospectus concerning the issue of the *Valores Santander* and in view of the free-of-charge capital increase of Banco Santander by means of which the Santander Dividendo Elección program was implemented, Banco Santander agreed to amend the conversion ratio corresponding to the *Valores Santander* (i.e., the number of Banco Santander shares to which each *Valor Santander* gives right) pursuant to the anti-dilution mechanism set forth in the said prospectus.

On 16 November 2009, Banco Santander notified that the new price of each Santander share for conversion purposes has been set at €14.48. Therefore, the new conversion ratio applicable to the *Valores Santander* is 345.303867403315 Banco Santander shares for each Valor Santander, which is the result of dividing the face value of each *Valor Santander* (€5,000) by the aforementioned price (€14.48).

## USE OF PROCEEDS

We intend to use the net proceeds from the sale of the Original Series 5 Preferred Securities for general corporate purposes and to further strengthen the capital base of the Group. The net proceeds from the sale of the Original Series 5 Preferred Securities were deposited on a subordinated and permanent basis with the Guarantor by the Issuer, and it is intended 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 were not used immediately, they will be temporarily invested by the Guarantor to reduce the Group's short-term indebtedness.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

### Selected Consolidated Financial Information of the Guarantor

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

- audited consolidated financial statements as of and for the years ended 31 December 2008, 2007 and 2006, prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS-IASB**").
- unaudited summarised consolidated financial data of the Group for the 9 month period ended 30 September 2009 (the September 2009 Summarised Consolidated Financial Data).
- unaudited summarised consolidated financial data of the Group for the 9 month period ended 30 September 2008 (the September 2008 Summarised Consolidated Financial Data).

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 2008 Annual Report and in the Third Quarter Report incorporated by reference herein to the extent described under "Documents Incorporated by Reference".

With respect to the Guarantor's consolidated income statement for the nine months ended 30 September 2009 in the Guarantor's Third Quarter Report, in order to provide like-for-like comparisons, a proforma statement for 2008 was drawn up, in which Banco Real in Brazil was consolidated by global integration for the whole period. In the following selected financial information the consolidated income statement as of September 2008 is presented without including such adjustments for Banco Real.

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

### Consolidated Income Statement Data:

| | Year ended December 31, | | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | **2008** | **2007** | **2006** | **2009** | **2008** |
| | **(in thousands of euros, except percentages and per share data)** | | | | |
| Interest and similar income | 56,207,656 | 46,312,706 | 37,239,602 | 40,824,453 | 38,488,641 |
| Interest expense and similar charges | (38,035,863) | (31,359,417) | (25,118,665) | (21,346,260) | (26,351,065) |
| **Interest income / (charges)** | **18,171,793** | **14,953,289** | **12,120,937** | **19,478,193** | **12,137,575** |
| Income from equity instruments | 552,809 | 422,618 | 412,714 | 334,909 | 402,335 |
| Income from companies accounting for by the equity method | 797,300 | 441,457 | 426,921 | (2,077) | 796,886 |
| Fee and commission income | 9,942,097 | 9,479,986 | 8,288,580 | 8,108,866 | 7,117,680 |
| Fee and commission expense | (1,491,491) | (1,439,811) | (1,264,385) | (1,280,442) | (1,014,513) |
| Gains/losses on financial assets and liabilities (net) | 2,963,672 | 2,331,696 | 2,062,471 | 3,007,316 | 2,262,856 |
| Exchange differences (net) | 579,827 | 650,734 | 96,635 | (4,132) | 31,462 |
| Other operating income | 9,440,461 | 6,741,246 | 6,076,845 | 5,413,072 | 7,184,488 |
| Other operating expenses | (9,232,417) | (6,503,829) | (5,839,785) | (5,297,944) | (6,978,349) |
| **Total income** | **31,724,051** | **27,077,386** | **22,380,933** | **29,757,761** | **21,940,420** |
| Administrative expenses | (11,979,348) | (11,018,329) | (9,969,171) | (10,947,542) | (8,222,547) |
| *Personnel expenses* | *(6,963,855)* | *(6,551,201)* | *(5,967,873)* | *(6,259,985)* | *(4,921,243)* |
| *Other general expenses* | *(5,015,493)* | *(4,467,128)* | *(4,001,298)* | *(4,687,557)* | *(3,301,304)* |
| Depreciation and amortization | (1,269,527) | (1,267,880) | (1,146,547) | (1,191,660) | (897,961) |
| Provisions (net) | (1,699,114) | (1,023,563) | (1,079,337) | (1,193,757) | (929,689) |
| Impairment losses on financial assets (net) | (6,345,433) | (3,502,604) | (2,480,993) | (7,473,132) | (3,966,378) |
| Impairment losses on other assets (net) | (1,049,704) | (1,548,610) | (20,781) | (36,528) | (28,499) |
| Gains/(loss) on disposal of assets not classified as non-current assets held for sale | 118,046 | 1,815,867 | 352,120 | 45,517 | 72,546 |
| Gains/(loss) on non-current assets held for sale not classified as discontinued operations | 1,730,781 | 642,974 | 959,162 | (213,772) | 722,014 |
| **Operating profit/(loss) before tax** | **11,229,752** | **11,175,241** | **8,995,386** | **8,746,887** | **8,689,906** |
| Income tax | (1,884,223) | (2,335,686) | (2,254,598) | (1,751,558) | (1,544,137) |

| | Year ended December 31, | | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2008 | 2007 | 2006 | 2009 | 2008 |
| | (in thousands of euros, except percentages and per share data) | | | | |
| **Profit from continuing operations** | **9,345,529** | **8,839,555** | **6,740,788** | **6,995,329** | **7,145,769** |
| Profit from discontinued operations (net) | (13,115) | 796,595 | 1,504,965 | 53,493 | 173,923 |
| **Consolidated profit for the period** | **9,332,414** | **9,636,150** | **8,245,753** | **7,048,822** | **7,319,692** |
| *Profit attributable to the Parent* | *8,876,414* | *9,060,258* | *7,595,947* | *6,740,197* | *6,935,196* |
| *Profit attributable to minority interests* | *456,000* | *575,892* | *649,806* | *308,625* | *384,496* |
| | | | | | |
| *Per share information:* | | | | | |
| Average number of shares (thousands) (1) | 7,271,470 | 6,801,899 | 6,701,728 | 8,524,768 | 7,153,077 |
| Basic earnings per share (in euros) | 1.2207 | 1.332 | 1.1334 | 0.7907 | 0.9695 |
| Basic earnings per share continuing operation (in euros) | 1.2229 | 1.2279 | 0.9442 | 0.7847 | 0.9458 |
| Diluted earnings per share (in euros) | 1.2133 | 1.3191 | 1.1277 | 0.7875 | 0.9654 |
| Diluted earnings per share continuing operation (in euros) | 1.2155 | 1.216 | 0.9394 | 0.7816 | 0.9418 |
| Dividends paid (in euros) (2) | 0.63 | 0.61 | 0.49 | 0.1352 | 0.1261 |
| Dividends paid (in US$) | 0.88 | 0.89 | 0.64 | 0.1844 | 0.1916 |

## Consolidated Balance Sheet

| | Year ended December 31, | | | Nine months ended September 30 |
|---|---|---|---|---|
| | **2008** | **2007** | **2006** | **2009** |
| | **(in thousands of euros, except percentages and per share data)** | | | |
| **Total assets** | **1,049,631,550** | **912,914,971** | **833,872,715** | **1,082,370,112** |
| Loans and advances to credit institutions (net) (3) | 78,792,277 | 57,642,604 | 69,757,056 | 68,660,947 |
| Loans and advances to customers (net) (3) | 626,888,435 | 571,098,513 | 527,035,514 | 670,059,383 |
| Investment Securities (net) (4) | 124,673,342 | 132,035,268 | 136,760,433 | 168,794,888 |
| Investments: Associates | 1,323,453 | 15,689,127 | 5,006,109 | 156,039 |
| **Contingent liabilities (net)** | 65,323,194 | 76,216,585 | 58,769,309 | 64,714,494 |
| **Liabilities** | | | | |
| Deposits from central banks and credit institutions (5) | 129,877,370 | 112,897,308 | 113,038,061 | 136,470,085 |
| Customer deposits (5) | 420,229,450 | 355,406,519 | 330,947,770 | 471,262,988 |
| Debt securities (5) | 236,403,290 | 233,286,688 | 203,742,817 | 213,565,761 |
| **Capitalisation** | | | | |
| Guaranteed Subordinated debt excluding preferred securities and preferred shares (6) | 15,747,915 | 16,742,134 | 11,186,480 | 15,916,680 |
| Secured Subordinated debt | - | - | - | - |
| Other Subordinated debt | 14,452,488 | 11,666,663 | 12,399,771 | 14,167,114 |
| Preferred securities (6) | 7,621,575 | 7,261,382 | 6,836,570 | 7,221,221 |
| Preferred shares (6) | 1,051,272 | 522,558 | 668,328 | 446,753 |
| Minority interest (including net income of the period) | 2,414,606 | 2,358,269 | 2,220,743 | 2,627,596 |
| Stockholders' equity (7) | 57,586,886 | 55,199,882 | 44,851,559 | 66,958,062 |
| Total capitalization | 98,874,742 | 93,750,888 | 78,163,451 | 107,337,426 |
| Stockholders' Equity per Share (7) | 7.92 | 8.12 | 6.69 | 7.85 |
| **Other managed funds** | | | | |
| Mutual funds | 90,305,714 | 119,210,503 | 119,838,418 | 100,265,040 |
| Pension funds | 11,127,918 | 11,952,437 | 29,450,103 | 11,080,734 |
| Managed portfolio | 17,289,448 | 19,814,340 | 17,835,031 | 17,426,327 |
| Savings -insurance policies | 12,338,405 | 9,008,968 | 6,384,994 | 15,526,001 |
| Total other managed funds | 131,061,485 | 159,986,248 | 173,508,546 | 144,298,102 |
| **Consolidated Ratios** | | | | |
| Profitability Ratios: | | | | |
| Return on average total assets (ROA) | 1.00% | 1.10% | 1.01% | 0.86% |
| Return on average stockholders' equity (ROE) | 17.07% | 21.91% | 21.39% | 14.01% |
| Capital Ratio: | | | | |
| Average stockholders' equity to average total assets | 5.55% | 4.71% | 4.36% | 5.84% |
| Ratio of earnings to fixed charges (8) | | | | |
| Excluding interest on deposits | 1.58% | 1.67% | 1.77% | 2.14% |
| Including interest on deposits | 1.28% | 1.35% | 1.36% | 1.43% |
| **Credit Quality Data (excluding country risk)** | | | | |
| Allowances for impaired balances (*) (excluding country risk) | 12,862,981 | 9,302,230 | 8,626,937 | 16,618,532 |
| Allowances for impaired balances (*) as a percentage of total loans and contingent liabilities | 1.83% | 1.42% | 1.45% | 2.22% |
| Impaired balances (*) (9) | 14,190,813 | 6,178,655 | 4,607,547 | 22,666,378 |
| Impaired balances (*) as a percentage of total loans and contingent liabilities | 2.02% | 0.94% | 0.78% | 3.03% |
| Allowances for impaired balances (*) as a percentage of impaired balances (*) | 90.64% | 150.55% | 187.23% | 73.32% |
| Net loan and contingent liabilities charge-offs as a percentage of total loans and contingent liabilities | 0.55% | 0.41% | 0.31% | 0.87% |

(*) Balances of loans and contingent liabilities

(1) Average number of shares has been calculated on the basis of the weighted average number of shares outstanding in the relevant year, net of treasury stock. The calculation of the weighted average number of shares outstanding, for the years presented, included the adjustment arising from the capital increase with pre-emptive subscription rights carried out in December 2008.

(2) The shareholders at the annual general meeting held on 19 June, 2009 approved a dividend of €0.6508 per share to be paid out of the Guarantor's profits for 2008. In accordance with IAS 33, for comparative purposes, dividends per share paid, as disclosed in the table above, take into account the adjustment arising from the capital increase with pre-emptive subscription rights carried out in December 2008. As a result of this adjustment, the dividend per share for 2008 amounts to €0.6325. As of 30 September, 2009, dividends paid of €0.1352 correspond to the first dividend on account of the profits for 2009.

(3) 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 the Guarantor's consolidated financial statements.

(4) 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 the Guarantor's consolidated financial statements.

(5) 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" as stated in the Guarantor's consolidated financial statements.

(6) In the Guarantor's consolidated financial statements, preferred securities and preferred shares are included under "Subordinated liabilities".

(7) Equals the sum of the amounts included at the end of each year as "Own funds" and "Valuation adjustments" as stated in the Guarantor's consolidated financial statements. The Guarantor's has deducted the book value of treasury stock from stockholders' equity.

(8) 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.

(9) Impaired loans 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. See "Item 4. Information on the Company—B. Business Overview—Financial Management and Equity Stakes—Classified Assets—Bank of Spain Classification Requirements" in the Guarantor's 2008 Form 20-F.

## DESCRIPTION OF THE EXCHANGE SERIES 5 PREFERRED SECURITIES

*The following is a summary of certain terms and provisions of the Exchange Series 5 Preferred Securities. The summary set forth below does not purport to be complete and is subject to, and qualified in its entirety by reference to a public deed of issuance dated 26 January 2007 and the resolutions adopted by the shareholders and the board of directors of the Issuer establishing the Series 5 Preferred Securities and the Exchange Offer Registration Statement. A summary of certain terms and provisions of the Guarantee of the Exchange Series 5 Preferred Securities by the Bank is set forth later in this Listing Prospectus under the heading "Description of the Guarantee".*

### Distributions

Non-cumulative cash distributions on the Exchange Series 5 Preferred Securities (the "**Distributions**") accrue from the date of original issuance and are payable quarterly in arrears on 31 January, 30 April , 31 July and 31 October in each year.

Payment of cash distributions in any year on the Exchange Series 5 Preferred Securities and on all other series of Preferred Securities, as defined below (both issued and which may, in the future, be issued or guaranteed by the Bank) is limited by the amount of the Distributable Profits of the Bank for the previous year as defined below under the section entitled "Description of the Guarantee—Distributions", and to any limitations that may be imposed by Spanish banking regulations on capital adequacy for credit institutions, as determined in accordance with guidelines and requirements of the Bank of Spain and other Spanish law as in effect from time to time. Distributions shall not be payable to the extent that:

- the aggregate of such Distributions, together with (a) any other distributions previously paid during the then-current fiscal year (defined as the accounting year of the Bank) and (b) any distributions proposed to be paid during the then-current Distribution Period, in each case on or in respect of Preferred Securities (including the Exchange Series 5 Preferred Securities) would exceed the Distributable Profits of the immediately preceding fiscal year; or

- 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 Preferred Securities issued by the Bank.

"**Preferred 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 entitled to the benefit of a guarantee ranking *pari passu* with the Bank's obligations under the Guarantee, or any such securities or instruments issued by the Bank and ranking *pari passu* with the Bank's obligations under the Guarantee.

In this Listing Prospectus, "distribution" refers to any distributions paid or to be paid on the Preferred Securities.

If Distributions are not paid in full on the Exchange Series 5 Preferred Securities, all distributions paid upon the Exchange Series 5 Preferred Securities and all other Preferred Securities will be paid *pro rata* among the Exchange Series 5 Preferred Securities and all such other Preferred 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 Exchange Series 5 Preferred Securities and all other Preferred Securities bear to each other.

If Distributions are not paid on the Exchange Series 5 Preferred Securities on the Distribution Payment Date in respect of the relevant Distribution Period as a consequence of the above limitations on Distributions or are paid partially, then the right of the holders of the Exchange Series 5 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 Guarantor 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 Exchange Series 5 Preferred Securities are paid for any future Distribution Period.

The Distributions payable on the Exchange Series 5 Preferred Securities are fixed at 6.50% per annum of their par value. The Distribution payable in respect of any Distribution Period (defined as the period from and including one Distribution payment date (or, in the case of the first Distribution Period, the issuance date) to but excluding the next Distribution payment date) will be computed on the basis of twelve 30-day months and a 360-day year.

Distributions on the Exchange Series 5 Preferred Securities will be payable to the record holders thereof as they appear on the register for the Exchange Series 5 Preferred Securities on each record date, which will be on the 15th calendar day preceding the relevant payment dates. We have been informed by DTC that distributions on Global Preferred Securities Certificates (as defined below) will be paid over to DTC participants in respect of their record holdings on the record date. In the event that any date on which Distributions are payable on the Exchange Series 5 Preferred Securities is not a day on which banks in the city of Madrid (Spain) and The City of New York are open for business and on which foreign exchange dealings may be conducted in the city of Madrid (Spain) and The City of New York (a "**business day**"), then payment of the Distribution payable on such date will be made on the next day which is a business day (and without any interest or other payment in respect of any such delay).

Except as hereinabove provided, holders of the Issuer's Exchange Series 5 Preferred Securities will have no right to participate in the profits of the Issuer.

**Optional Redemption**

The Exchange Series 5 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 or after 31 January 2017, upon not less than 30 nor more than 60 days' notice prior to the relevant redemption date by mail to each record holder, at the redemption price of $25.00 per Exchange Series 5 Preferred Security, plus the accrued and unpaid Distribution for the then-current Distribution Period to the date fixed for redemption.

If the Issuer gives notice of redemption of the Exchange Series 5 Preferred Securities, then by 12:00 Noon, New York City time on the relevant redemption date, the Issuer will:

- irrevocably deposit with the paying agent funds sufficient to pay the foregoing redemption price, including the amount of the accrued and unpaid Distributions for the then-current Distribution Period to the date fixed for redemption; and

- give the paying agent irrevocable instructions and authority to pay the redemption price to the holders of the Exchange Series 5 Preferred Securities.

If the notice of redemption has been given, and the funds deposited as required, then on the date of such deposit:

- Distributions on the Exchange Series 5 Preferred Securities called for redemption shall cease;

- such Exchange Series 5 Preferred Securities will no longer be considered outstanding; and

- the holders will no longer have any rights as holders except the right to receive the redemption price.

If either the notice of redemption has been given and the funds are not deposited as required on the date of such deposit or if the Issuer or the Bank improperly withholds or refuses to pay the redemption price of the Exchange Series 5 Preferred Securities, Distributions will continue to accrue at the rate specified from the redemption date to the date of actual payment of the redemption price.

In order to comply with certain Spanish capital adequacy regulations in force at the date of the issuance of the Exchange Series 5 Preferred Securities, neither the Issuer nor the Bank nor any of their respective subsidiaries shall at any time purchase Exchange Series 5 Preferred Securities, without the prior consent of the Bank of Spain, and in any event not earlier than 31 January 2017. Notwithstanding the foregoing, if Spanish law were to change and such purchases are permitted before 31 January 2017, then, subject to applicable law, the Issuer, the Bank and any of their respective subsidiaries may at any time and from time to time purchase outstanding Exchange Series 5 Preferred Securities by tender, in the open market or by private agreement.

Any Exchange Series 5 Preferred Securities so purchased by the Issuer shall be immediately cancelled.

**Rights upon Liquidation**

If the Issuer is voluntarily or involuntarily liquidated, dissolved or wound-up, the holders of outstanding Exchange Series 5 Preferred Securities will be entitled to receive out of the assets that are available to be distributed to holders, and before any assets are distributed to holders of ordinary shares or any other class of shares of the Issuer ranking junior to the Exchange Series 5 Preferred Securities as to participation in assets, but together with holders of any other Preferred Securities of the Issuer ranking equally with the Exchange Series 5 Preferred Securities as to participation in assets, the following liquidation distribution:

- $25.00 per Exchange Series 5 Preferred Security, plus
- an amount equal to the accrued and unpaid Distributions for the then-current Distribution Period up to the date of payment.

If at the time that any liquidation distribution is to be paid, proceedings are also pending 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 Corporations Act (*Ley de Sociedades Anónimas*), then the liquidation distribution to be paid to the holders:

- of all Preferred Securities of the Issuer;
- of all Preferred Securities of other subsidiaries of the Bank; and
- of Preferred Securities issued by the Bank,

will be limited to and not exceed the amount that would have been paid as the liquidation distribution from the assets of the Bank (after payment in full in accordance with Spanish law of all creditors of the Bank, including holders of subordinated debt but excluding holders of any guarantee or any other contractual right expressed to rank equally with or junior to the Guarantee), had all such Preferred Securities been issued by the Bank, and ranked:

- junior to all liabilities of the Bank;
- *pari passu* with the most senior Preferred Securities which could have been issued by the Bank (if any); and
- senior to the Bank's ordinary shares.

The above limitation will apply even if the Issuer has at the time sufficient assets to pay the liquidation distribution to the holders of all Preferred Securities issued by it, including the Exchange Series 5 Preferred Securities.

If the foregoing liquidation distribution relating to the Exchange Series 5 Preferred Securities and other Preferred Securities cannot be made in full due to the limitation described above, then all payments will be made *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable had there been no such limitation.

Upon receipt of payment of the liquidation distribution, holders of Exchange Series 5 Preferred Securities will have no right or claim on any of the remaining assets of either the Issuer or the Bank. See the section entitled "*Description of the Guarantee–Status*".

Except as provided in the second paragraph above with respect to any liquidation or winding up of the Bank or a reduction in its shareholders equity, the Bank will not permit, and will not take any action to cause, the liquidation, dissolution or winding-up of the Issuer.

**Voting Rights**

The holders of Exchange Series 5 Preferred Securities do not have any voting rights unless either the Issuer or the Bank, under the Guarantee, fails to pay Distributions in full on the Exchange Series 5 Preferred Securities for four consecutive Distribution Periods. In such event, the holders of outstanding Exchange Series 5 Preferred Securities, together with the holders of any other series of Preferred Securities of the Issuer then also having the right to vote for the election of directors, acting as a single class without regard to series, will be entitled to:

- appoint two additional members of the board of directors of the Issuer;
- remove any such board member from office; and
- appoint another person(s) in place of such member(s).

This can be accomplished by either:

- written notice given to the Issuer by the holders of a majority in liquidation preference; or

- an ordinary resolution passed by the holders of a majority in liquidation preference of the securities present in person or by proxy at a special general meeting of the holders convened for that purpose.

If the written notice of the holders is not given as provided in the preceding paragraph, the board of directors of the Issuer, or a duly authorised committee of the board of directors, is required to convene a special general meeting for the above purpose, no later than 30 days after this entitlement arises.

If the board of directors of the Issuer, or its duly authorised committee, fails to convene this meeting within the required 30-day period, the holders of 10% in liquidation preference of the outstanding Exchange Series 5 Preferred Securities and other Preferred Securities of the Issuer are entitled to convene the meeting. The Issuer will determine the place where the separate general meeting will be held.

Immediately following a resolution for the appointment or the removal of additional members to the board of directors, the special general meeting of holders shall give notice of such to:

(1) the board of directors of the Issuer so that it may, where necessary, call a general meeting of the shareholders of the Issuer; and

(2) the shareholder of the Issuer, so that they may hold a general 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 the special general meeting of the holders and to take all necessary measures in such regard.

Once distributions have been paid in full in respect of the Exchange Series 5 Preferred Securities for four consecutive Distribution Periods and any other Preferred Securities of the Issuer in respect of such distribution periods as set out in their own terms and conditions, any member of the board of directors of the Issuer that has been appointed in the manner described in the preceding paragraphs is required to vacate office.

Under the Articles of the Issuer, its board of directors must have a minimum of three members and a maximum of eleven members. At the date of this Listing Prospectus, the board of directors of the Issuer has four directors.

Any amendments or abrogation of the rights, preferences and privileges of the Exchange Series 5 Preferred Securities will not be effective, unless otherwise required by applicable law and except:

- with the consent in writing of the holders of at least two-thirds of the outstanding Exchange Series 5 Preferred Securities; or

- with the sanction of a special resolution passed at a separate general meeting by the holders of at least two-thirds of the outstanding Exchange Series 5 Preferred Securities.

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, the holders of its ordinary shares, or its board of directors may, without the consent or sanction of the holders of its Preferred Securities:

- 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 Exchange Series 5 Preferred Securities, as to the participation in the profits and assets of the Issuer, without limit as to the amount; or

- 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 general meeting of holders.

The vote of the holders of Exchange Series 5 Preferred Securities is not required to redeem and cancel the Exchange Series 5 Preferred Securities. Spanish law does not impose any restrictions on the ability of holders of Preferred Securities who are not residents or citizens of Spain to hold or vote such Preferred Securities.

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:

- will be entitled to receive notice of and to attend the general meeting of shareholders called to adopt this resolution; and

- will be entitled to hold a separate and previous general meeting of holders and vote together as a single class without regard to series on such resolution, but not on any other resolution.

The above 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 shareholder of the Issuer has undertaken to vote in the correspondent general shareholders meeting in conformity 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:

- the liquidation, dissolution or, winding up of the Bank; or

- a reduction in shareholders equity of the Bank under Article 169 of the Corporations Law of Spain.

The Issuer shall cause a notice of any meeting at which the holders of Exchange Series 5 Preferred Securities are entitled to vote, to be mailed to each record holder of Exchange Series 5 Preferred Securities. This notice will include a statement regarding:

- the date, time and place of the meeting;
- a description of any resolution to be proposed for adoption at the meeting at which the holders are entitled to vote; and
- instructions for the delivery of proxies.

**Special General Meetings**

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

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

In a Special General Meeting all resolutions shall be made by the majority set out in "Voting Rights" above, and will be binding on all of the holders of such preferred securities, including those not in attendance and dissenters.

All holders of such 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 such preferred securities shall prove that they held such preferred securities in the manner and subject to the requirements set out in the announcement published when convening such Special General Meeting. Holders of such preferred securities may delegate their representation to another person, by an individual signed letter for each meeting.

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

A Special General Meeting of holders of the Issuer's preferred securities will be convened (i) so long as any Exchange Series 5 Preferred Security is listed on the Regulated Market of the London Stock Exchange and the rules and regulations of the London Stock Exchange 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 London Stock Exchange, in a leading daily newspaper in English and having general circulation in Europe, (ii) in accordance with the requirements of any security exchange on which the

Exchange Series 5 Preferred Securities are listed and (iii) by mail to DTC (in each case not less that 30 nor more than 60 days prior to the date of the act or event to which such notice, request or communication relates).

**Registrar, Transfer Agent and Paying Agent**

The Bank of New York Mellon, presently located at 101 Barclay Street, New York, New York 10286, will act as registrar, transfer agent and paying agent for the Exchange Series 5 Preferred Securities, which together with its successors and assigns, we will refer to as "the Paying Agent."

**Ranking of the Exchange Series 5 Preferred Securities**

The Exchange Series 5 Preferred Securities will rank (a) junior to all liabilities of the Issuer including subordinated liabilities, (b) *pari passu* with each other and with any other series of Preferred Securities of the Issuer and (c) senior to the Issuer's ordinary shares.

The holders of Exchange Series 5 Preferred Securities by their subscription or acquisition waive any different priority that Spanish law or regulations could grant at any time, and particularly those arising from articles 92 and 158 of Law 22/2003 (*Ley Concursal*), if any.

**Form of Exchange Series 5 Preferred Securities; Book-entry System**

The Exchange Series 5 Preferred Securities have been issued in fully registered form represented by two global Preferred Security Certificate (the "**Global Preferred Security Certificate**") and have been deposited with, or on behalf of DTC and registered in the name of DTC or its nominee. Investors may hold securities entitlements in respect of the Global Preferred Security Certificate directly through DTC if they are participants in DTC's book-entry system or indirectly through organisations which are participants in such system.

For so long as Exchange Series 5 Preferred Securities are represented by the Global Preferred Security Certificate, beneficial interests in such Exchange Series 5 Preferred Securities will be transferable only in accordance with the rules and procedures of DTC in effect at such time.

Because DTC can only act on behalf of direct participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in the Exchange Series 5 Preferred Securities represented by the Global Preferred Security Certificate to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate.

The Paying Agent is not required to register the transfer of any Exchange Series 5 Preferred Security that has been called for redemption.

So long as DTC or its nominee is the holder of the Global Preferred Security Certificate, DTC or its nominee will be considered the sole holder of such Global Preferred Security Certificate for all purposes. No direct participant, indirect participant or other person is entitled to have Exchange Series 5 Preferred Securities registered in its name, receive or be entitled to receive physical delivery of Exchange Series 5 Preferred Securities in definitive form or be considered the owner or holder of the Exchange Series 5 Preferred Securities. Each person having an ownership or other interest in Exchange Series 5 Preferred Securities must rely on the procedures of DTC, and, if a person is not a participant in DTC, must rely on the procedures of the participant or other securities intermediary through which that person owns its interest to exercise any rights and obligations of a holder of the Exchange Series 5 Preferred Securities.

Payments of any amounts in respect of the Global Preferred Security Certificate will be made by the Paying Agent to DTC. Payments will be made to beneficial owners of the Exchange Series 5 Preferred Securities in accordance with the rules and procedures of DTC or its direct and indirect participants, as applicable. Neither the Issuer, the Bank nor the Paying Agent nor any of their respective agents will have any responsibility or liability for any aspect of the records of any securities intermediary in the chain of intermediaries between DTC and any beneficial owner of an interest in a Global Preferred Security Certificate, or the failure of DTC or any intermediary to pass through to any beneficial owner any payments that the Paying Agent makes to DTC.

DTC has advised us that it is a limited-purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of transactions among its participants in those securities through electronic securities certificates. DTC participants include securities brokers and dealers, including parties that may act as underwriters, dealers or agents with respect to the securities, banks, trust companies, clearing corporations and certain other organisations, some of which, along with certain of their representatives and others, own DTC. Access to the DTC book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC's rules and operating procedures and will be settled in same day funds.

The address of DTC is 55 Water Street, New York, New York 10041, USA.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and operating procedures and will be settled in same day funds.

### Miscellaneous

Exchange Series 5 Preferred Securities are not subject to any mandatory redemption or sinking fund provisions. Holders of Exchange Series 5 Preferred Securities have no pre-emptive rights.

## DESCRIPTION OF THE GUARANTEE

This section describes the general terms and conditions of the Payment and Guarantee Agreement, which is hereinafter referred to as the "**Guarantee**", that the Bank has executed and delivered for the benefit of the holders from time to time of the Exchange Series 5 Preferred Securities.

Because this is only a summary, it does not contain all the details found in the full text of the Guarantee. If you would like additional information, you should read the full text of the Guarantee, a copy of which will be provided upon request.

### General

Subject to the restrictions specified in this Listing Prospectus, and unless paid by the Issuer, the Bank will pay, in full, to the holders of Exchange Series 5 Preferred Securities, the Guarantee payments, as defined below, as and when due, regardless of any defence, right of set-off or counterclaim which the Issuer may have or assert.

The following payments, if not paid by the Issuer, which we will refer to as Guarantee payments, will be subject to the Guarantee, without duplication:

- any accrued and unpaid Distributions;
- the redemption price for any Exchange Series 5 Preferred Securities redeemed by the Issuer; and
- the liquidation distribution per Exchange Series 5 Preferred Security described under "*Description of the Exchange Series 5 Preferred Securities – Rights upon Liquidation*."

A holder of Exchange Series 5 Preferred Securities may enforce the Guarantee directly against the Bank, and the Bank will waive 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. The Guarantee will not be discharged except by payment of the Guarantee payments in full and by complete performance of all obligations of the Bank under the Guarantee.

The Guarantee constitutes a guarantee of payment and not of collection only.

The Issuer is a wholly-owned subsidiary of the Bank. Under the Guarantee, as long as any Exchange Series 5 Preferred Securities are outstanding, the Bank has agreed to maintain 100% ownership in the ordinary shares of the Issuer.

### Distributions

The Bank will not be obligated to make any guarantee payment in respect of Distributions (including accrued and unpaid Distributions relating to any payment upon redemption or liquidation distribution) on any Exchange Series 5 Preferred Securities, if the aggregate of such Distribution together with (a) any other distributions previously paid during the then-current fiscal year (defined as the accounting year of the Guarantor) and (b) any distributions proposed to be paid during the then-current Distribution Period, in each case on or in respect of Preferred Securities (including the Exchange Series 5 Preferred Securities) would exceed Distributable Profits, as defined below, 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 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 Preferred Securities issued by the Bank.

If the Guarantee payments cannot be made in full due to such limitations, the payments in respect of the Exchange Series 5 Preferred Securities and all other Preferred Securities will be made *pro rata* among all holders of Preferred Securities in the proportion that the amount available for payment bears to the full amount that would have been payable, had there been no limitation.

"Distributable Profits" means, for any fiscal year, the reported net profit (calculated in compliance with the regulations of the Bank of Spain) of the Bank, determined after tax and extraordinary items for such year, as derived from the non-consolidated audited profit and loss account of the Bank, irrespective of whether shareholders' meeting approval is still pending, prepared in accordance with generally applicable accounting standards in Spain and Bank of Spain requirements and guidelines, each as in effect at the time of such preparation. In the event that on any Distribution payment date, the audit of the non-consolidated profit and loss account has not been completed, the reference to be used to calculate the Distributable Profits will be the balance of the unaudited non-consolidated profit and loss account of the Bank as reported in the financial statements delivered to the Bank of Spain in respect of 31 December of the preceding fiscal year.

**Redemption Price**

Under the Guarantee, the Bank will guarantee the payment of the full amount of the redemption price on the Exchange Series 5 Preferred Securities that the Issuer may redeem. However, if this redemption price includes accrued and unpaid Distributions from the current Distribution payment period to the date of redemption, the Bank's obligation to pay this portion of the redemption price will be subject to the limitation described above under the section entitled "—*Distributions*."

**Liquidating Distributions**

If at the time that any liquidation distributions are to be paid pursuant to the Guarantee in respect of the Exchange Series 5 Preferred Securities, proceedings are pending 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 Corporations Act, then payments for such liquidation distributions and any liquidation distributions payable with respect to all other Preferred Securities will not exceed the liquidation distributions that would have been payable 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 expressly ranking equally with or junior to the Guarantee) had all the Preferred Securities been issued by the Bank and ranked:

- junior to all liabilities of the Bank;
- *pari passu* with the most senior Preferred Securities which could have been issued by the Bank (if any); and
- senior to the Bank's ordinary shares.

In the event of any liquidation or winding-up of the Bank or a reduction in its shareholders' equity pursuant to Article 169 of the Spanish Corporations Law, the Bank will exercise its voting rights in order to wind-up the Issuer, subject to the prior consent of the Bank of Spain. In this case, holders of the Exchange Series 5 Preferred Securities right to receive liquidation distributions will be limited as described above.

If the payments described above cannot be made in full due to this limitation, the payments will be made *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable, had there been no such limitation.

**Status**

The Guarantee constitutes an unsecured obligation of the Bank which:

- ranks junior to all liabilities of the Bank, including subordinated liabilities (other than any guarantee or contractual right expressly ranking equally with or junior to the Guarantee);
- ranks *pari passu* with the most senior Preferred Securities which could have been issued by the Bank, if any, and any obligations of the Bank under any guarantee issued by it relating to any Preferred Securities issued by any subsidiary; and
- ranks senior to the Bank's ordinary shares.

Each holder of Exchange Series 5 Preferred Securities by its acquisition of Exchange Series 5 Preferred Securities will be deemed to waive all other priorities that Spanish law or regulations may confer at any time including those arising from articles 92 and 158 of Law 22/2003 of 9 July 2003 (*Ley Concursal*), if any.

If any amount required to be paid pursuant to the Guarantee in respect of a Distribution payable during the most recent Distribution Period has not been paid, due to the limitation on Distributable Profits described above under the section entitled "–*Distributions*" above or otherwise, then:

- no dividends (other than in the form of Bank's ordinary shares or other shares of the Bank ranking junior to the obligations of the Bank under the Guarantee) will be declared or paid or set apart for payment, or other distribution made, upon the Bank's ordinary shares or any other shares of the Bank ranking junior to the Guarantee; and

- the Bank will not redeem, repurchase or otherwise acquire for any consideration (including any amounts to be paid or made available for a sinking fund for redemption of any Bank ordinary shares), the Bank's ordinary shares or any other shares of the Bank ranking junior to the obligations of the Bank under the Guarantee (except by conversion into or exchange for shares of the Bank ranking junior to the Guarantee),

until such time as either the Issuer, or the Bank, in accordance with the Guarantee, shall have resumed the payment of, or set aside payment with respect to, full Distributions on the Exchange Series 5 Preferred Securities for four consecutive Distribution Periods.

The obligations of the Bank ranking equally with the Guarantee are the Bank's guarantees with respect to the following issues of Preferred Securities:

Santander Finance Preferred, S.A. Unipersonal: US$190,000,000 Series 1 Preferred Securities, €300,000,000 Series 2 Preferred Securities, €200,000,000 Series 3 Preferred Securities, US$500,000,000 Series 4 Preferred Securities, Series 6 US$350,000,000 Floating Non-Cumulative Guaranteed Preferred Securities, £250,000,000 Series 7 Preferred Securities, £679,400,000 Series 8 Fixed/Floating Rate Preferred Securities, €125,700,000 Series 9 Fixed/Floating Preferred Securities, US$825,109,575 Series 10 Fixed Preferred Securities and US$161,587,000 Series 11 Fixed/Floating Preferred Securities.

Santander Finance Capital, S.A. Unipersonal: Series V €1,000,000,000 Fixed (the first four periods) and Floating Rate Preferred Securities issued on 4 December 2005; Series VI US$18,183,000 2% Preferred Securities issued on 18 March 2009; Series VII US$24,975,000 2% Preferred Securities issued on 18 March 2009; Series VIII €313,745,000 2% Preferred Securities issued on 18 March 2009; Series IX €153,700,000 2% Preferred Securities issued on 18 March 2009 and Series X €1,965,615,725 Fixed (the first two periods) and Floating Rate Preferred Securities issued on 30 June 2009.

Santander International Preferred, S.A. Unipersonal: Series I US$980,992,500 2% Preferred Securities issued on 18 March 2009 and Series II US$8,582,000 2% Preferred Securities issued on 18 March 2009.

**Other Guarantees**

The Bank will not issue any preferred securities or other securities equivalent to preferred securities ranking senior to its obligations under the Guarantee and will not guarantee payments on preferred securities of any direct or indirect subsidiary if that guarantee would rank senior to the Guarantee (including, without limitation, any guarantee that would provide a priority of payment with respect to Distributable Profits) unless the Guarantee is amended to give to the holders of Exchange Series 5 Preferred Securities the rights and entitlements as are contained in or attached to such preferred securities or securities equivalent to preferred securities or such other guarantee, so that the Guarantee ranks equally with, and contains substantially equivalent rights of priority on payment of Distributable Profits, if any, as such preferred securities or securities equivalent to preferred securities or other guarantee. "Subsidiary" means an entity in which the Bank owns, directly or indirectly, a majority of the voting shares.

**General**

The Bank shall not assign its obligations under the Guarantee without the prior approval of the holders of not less than two-thirds in liquidation preference of the outstanding Series 5 Preferred Securities of the Issuer or by resolution adopted at a special general meeting of the holders (*Junta General Especial de Partícipes*) and approved by holders of at least two-thirds of the liquidation preference of the Series 5 Preferred Securities of the Issuer; 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.

Under the terms of the Guarantee, the Bank will undertake to maintain the ownership of 100% of the ordinary shares of the Issuer, directly or indirectly, as long as any Exchange Series 5 Preferred Securities are outstanding, and not to permit or take any action to cause the liquidation, dissolution or winding up of the Issuer except as described above in "*Description of the Exchange Series 5 Preferred Securities — Rights upon Liquidation*."

**Amendments**

Except as described in "*–Other Guarantees*" above, except for any changes which do not adversely affect the rights of holders, or except for those changes necessary or desirable to give effect to any one or more transactions referred to in "General" above, in which case no vote will be required, the Guarantee may be changed only by agreement in writing with the prior approval of the holders of not less than two-thirds in liquidation preference of all Series 5 Preferred Securities, or by a resolution adopted at a special general meeting of holders (*Junta General Especial de Partícipes*) and approved by the holders of not less than two-thirds in liquidation preference of the Series 5 Preferred Securities.

**Subrogation**

Under the Guarantee, the Bank will be subrogated to all rights that the holders of Exchange Series 5 Preferred Securities may have against the Issuer for amounts that the Bank paid to those holders under the Guarantee and the Bank will have the right to waive payment of any amount of Distributions that it has made to those holders.

The Bank will not, except as required by mandatory provisions of law, exercise any rights that it may acquire by subrogation, indemnity, reimbursement or other agreement, as a result of a payment under the Guarantee, if, at the time of that payment, any amounts are due and unpaid under the Guarantee.

If any amount on the Exchange Series 5 Preferred Securities is paid to the Bank in violation of the preceding paragraph, the Bank will pay that amount to the holders of the Exchange Series 5 Preferred Securities.

**Termination of the Guarantee**

The Guarantee will terminate upon:

- payment of the redemption price of all outstanding Exchange Series 5 Preferred Securities covered by the Guarantee;
- purchase and cancellation of all Exchange Series 5 Preferred Securities; or
- payment of the Exchange Series 5 Preferred Securities liquidation distribution.

The Guarantee will continue to be effective, or will be reinstated, if at any time a holder of an Exchange Series 5 Preferred Security is required to restore payment of any sums paid on such Exchange Series 5 Preferred Security or under the Guarantee.

**Governing Law**

The Guarantee will be governed by, and construed in accordance with, the laws of the State of New York. The ranking of the Guarantee will be governed by Spanish Law.

# TAXATION

## Spanish Tax Considerations

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Spain and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Purchasers of the Series 5 Preferred Securities are advised to consult their own tax advisers as to the tax consequences, including those under the tax laws of the country of which they are resident, of purchasing, owning and disposing of Series 5 Preferred Securities.

The summary set out below is based upon Spanish law as in effect on the date of this Listing Prospectus and is subject to any change in such law that may take effect after such date.

References in this section to securityholders include the Beneficial Owners of the Series 5 Preferred Securities. The statements regarding Spanish law and practice set forth below assume that the Series 5 Preferred Securities will be issued, and transfers thereof will be made, in accordance with the Spanish law.

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

(a) of general application, Additional Provision Two of Law 13/1985, of 25 May on investment ratios, own funds and information obligations of financial intermediaries, as amended by Law 19/2003 of 4 July on legal rules governing foreign financial transactions and capital movements and various money laundering prevention measures, Law 23/2005 of 18 November on certain tax measures to promote the productivity and Law 4/2008, of 23 December, abolishing the Wealth Tax levy, generalising the Value Added Tax monthly refund system and introducing other amendments to the tax legal system as well as Royal Decree 1065/2005, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes;

(b) for individuals resident for tax purposes in Spain which are subject to the Individual Income Tax ("**IIT**"), Law 35/2006 of 28 November, on the Individual Income Tax and on the partial amendment of the Corporate Income Tax law, the Non-Residents Income Tax law and the Wealth Tax law, and Royal Decree 1775/2004, of 30 July promulgating the Individual Income Tax Regulations, along with Law 19/1991, of 6 June on Wealth Tax, as amended by Law 4/2008, of 23 December, abolishing the Wealth Tax levy, generalising the Value Added Tax monthly refund system and introducing other amendments to the tax legal system and Law 29/1987, of 18 December on Inheritance and Gift Tax;

(c) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax ("**CIT**"), Royal Legislative Decree 4/2004, of 5 March promulgating the Consolidated Text of the Corporate Income Tax Law, and Royal Decree 1777/2004, of 30 July promulgating the Corporate Income Tax Regulations; and

(d) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("**NRIT**"), 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 securityholder, the acquisition and transfer of Series 5 Preferred Securities will be exempt from indirect taxes in Spain, i.e., exempt from 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.

### Individuals with Tax Residency in Spain

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

Both distributions periodically received and income derived from the transfer, redemption or repayment of the Series 5 Preferred Securities (including imputed income deriving from the exchange of the Exchange Series 5 Preferred Securities in relation to an exchange offer) constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25.2 of the IIT Law, and must be included in the investor's IIT savings taxable base and taxed at a flat rate of currently 18%.

Both types of income are subject to a withholding on account of IIT at the rate of currently 18%. The individual holder may credit the withholding against his or her final IIT liability for the relevant tax year.

*Wealth Tax (Impuesto sobre el Patrimonio)*

Individuals who are resident in Spain for tax purposes and hold Series 5 Preferred Securities on the last day of any year will be subject to the Spanish Wealth Tax. However, Law 4/2008 has amended Law 19/1991 introducing a credit of 100 per cent. over the tax due and removing the obligation to file a Wealth Tax declaration as from 1 January 2008. Due to this amendment to Law 19/1991, Spanish resident individuals are not effectively subject to Wealth Tax.

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

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Series 5 Preferred Securities by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules. The applicable tax rates currently range between 7.65% and 81.6%, depending on relevant factors.

***Legal Entities with Tax Residency in Spain***

*Corporate Income Tax (Impuesto sobre Sociedades)*

Both distributions periodically received and income derived from the transfer, redemption or repayment of the Series 5 Preferred Securities (including imputed income deriving from the exchange of the Exchange Series 5 Preferred Securities in relation to an exchange offer) are subject to CIT (at the current general tax rate of 30% in accordance with the rules for this tax).

In accordance with Section 59.s) of the CIT Regulations, there is no obligation to withhold on income payable to Spanish CIT 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. The Exchange Series 5 Preferred Securities are being traded on the New York Stock Exchange and the Issuer has made an application for the Exchange Series 5 Preferred Securities to be traded on the London Stock Exchange's Regulated Market. The Series 5 Preferred Securities fulfil the requirements set forth in the legislation for exemption from withholding.

The Directorate General for Taxation (*Dirección General de Tributos — "DGT"*), on 27 July 2004, issued a ruling indicating that in the case of issues made by entities resident in Spain, as in the case of the Issuer, application of the exemption requires that the Series 5 Preferred Securities be placed outside Spain in another OECD country. The Issuer considers that the issue of the Series 5 Preferred Securities falls within this exemption as the Series 5 Preferred Securities were sold outside Spain and in the international capital markets and none of the entities initially placing the Series 5 Preferred Securities was resident in Spain. Consequently, the Issuer will not withhold on distributions to Spanish CIT taxpayers that provide 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, will make the appropriate withholding and the Issuer and the Guarantor will not, as a result, pay additional amounts.

In order to implement the exemption from withholding, the procedures laid down in the Order of 22 December 1999 will be followed. No reduction percentage will be applied. See "*—Evidencing of Beneficial Owner Residency*".

*Wealth Tax (Impuesto sobre el Patrimonio)*

Spanish legal entities are not subject to the Spanish Wealth Tax.

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

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Series 5 Preferred Securities by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax but must include the market value of the Series 5 Preferred Securities in their taxable income for Spanish CIT purposes.

***Individuals and Legal Entities with no Tax Residency in Spain***

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

(a) Non resident investors acting through a permanent establishment in Spain

If the Series 5 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 tax rules applicable to income deriving from such Series 5 Preferred Securities are, generally, the same as those previously set out for Spanish CIT taxpayers. See "*—Legal Entities with Tax Residency in Spain—Corporate Income Tax (Impuesto sobre Sociedades)*". Ownership of the Series 5 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.

(b) Non resident investors not acting through a permanent establishment in Spain

Both distributions periodically received and income derived from the transfer, redemption or repayment of the Series 5 Preferred Securities (including imputed income deriving from the exchange of the Exchange Series 5 Preferred Securities in relation to an exchange offer), obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Series 5 Preferred Securities, through a permanent establishment in Spain, are exempt from NRIT.

Law 4/2008 amends, among other things, Additional Provision Two of Law 13/1985, which was the source of the obligation on Spanish issuers or their parent companies to report to the Spanish tax authorities on the identity and residence of holders of their debt securities. This reporting obligation was typically satisfied, in part, by the collection of certain information from investors at the time of each payment of interest or principal. Spanish issuers, Acupay and DTC (among others) developed certain procedures to enable the timely delivery of such information.

Law 4/2008 removes the obligation on Spanish issuers or their parent companies to provide to the Spanish tax authorities the relevant information concerning holders who are not resident in Spain. The amended wording of Additional Provision Two of Law 13/1985, therefore, continues to apply the reporting obligation only in respect of Spanish resident holders (individual and corporate) and non-resident holders operating through a permanent establishment in Spain.

The implementation of the changes, contemplated by Law 4/2008 is subject to the adoption of relevant secondary legislation. At the date of this Prospectus, such secondary legislation had not yet been adopted.

Pending the enactment of such secondary legislation, and in accordance with the consultation from the General Directorate of Taxation dated 20 January 2009, the current procedures relating to the identity and residence of the Beneficial Owners entitled to receive distributions on the Series 5 Preferred Securities, in the manner detailed under "*— Evidencing of Beneficial Owner Residency*" as laid down in section 44 of Royal Decree 1065/2007, remain applicable irrespective of whether or not the Beneficial Owners of the Exchange Series 5 Preferred Securities are resident in Spain.

If these information obligations are not complied with in the manner indicated, the Issuer will withhold 18% in respect of distributions periodically received and imputed income derived from the exchange of the Exchange Series 5 Preferred Securities and the Issuer will not pay additional amounts.

Regarding imputed income derived from the exchange of the Exchange Series 5 Preferred Securities under an exchange offer, the Issuer, will be required to withhold tax currently at the rate of 18%, if applicable in accordance with the preceding paragraphs, on the difference between the then-current market value, if applicable in accordance with the preceding paragraphs, of the securities received and the issuance price of the Exchange Series 5 Preferred Securities delivered by such Beneficial Owners in exchange. In order to withhold such amount, the Issuer will deduct the amount from any net distribution payment made to Beneficial Owners of the Exchange Series 5 Preferred Securities in the exchange offer on or immediately following the settlement date of such an exchange offer (in addition to the withholding tax corresponding to such distribution payment) or in the event that the amount of the withholding tax to be collected pursuant to an exchange operation exceeds the amount of such net distribution payment, the procedure described in section E of Article II of Annex A to this Listing Prospectus will be followed. According to this procedure, the Issuer will arrange for the sale in the secondary market of an appropriate quantity of securities received upon an exchange of the Exchange Series 5 Preferred Securities under an exchange offer (in this section, the "**Exchange Securities**") as may be necessary to provide cash in sufficient amounts to meet the relevant Beneficial Owner's withholding tax liability with respect to the exchange of Exchange Series 5 Preferred Securities to Exchange Securities. Beneficial Owners (and DTC Participants acting on their behalf) are advised that any transfer or sale of the Exchange Securities pursuant to the above mentioned procedure may give rise to a taxable income equal to the positive difference between the transfer value of the Exchange Securities and their acquisition value. Such income will not be subject to withholding tax in Spain unless the relevant transfer or sale is channelled through a Spanish financial entity acting on behalf of the transferor. The above notwithstanding, the non-Spanish resident Beneficial Owner will have to pay the relevant tax quota, if any, on the income deriving from the transfer or sale of the Exchange Securities unless the exemption described in the preceding paragraphs applies.

The Issuer believes that the filing with the SEC of a shelf registration statement in order to allow public sales of the Series 5 Preferred Securities in the United States and to U.S. persons will not entail the existence of a taxable event (i.e., exchange) under Spanish tax law, either at the time of filing the shelf registration statement or at the time of any resale of the Series 5 Preferred Securities. Nevertheless, the resale of the Series 5 Preferred Securities under a shelf registration statement will be treated for Spanish tax purposes as any other transfer of such securities, with the tax consequences described in the preceding paragraphs.

Beneficial Owners not resident in Spain for tax purposes and entitled to exemption from NRIT who do not timely provide evidence of their tax residency in accordance with the procedure described in detail below, may obtain a refund of the amount withheld from the Issuer by following a quick refund procedure or, otherwise, directly from the Spanish tax authorities by following the standard refund procedure described below under "—*Evidencing of Beneficial Owner Residency* ". Beneficial Owners who have been subject to Spanish withholding tax on income derived from (i) the repayment of principal at the Maturity Date or any earlier date of redemption of Series 5 Preferred Securities issued with OID or (ii) the exchange of the Exchange Series 5 Preferred Securities in relation to an exchange offer may obtain a refund of the amount withheld directly from the Spanish tax authorities. Beneficial Owners are advised to consult their own tax advisers regarding their eligibility to claim a refund from the Spanish tax authorities and the procedures to be followed in such circumstances.

*Wealth Tax (Impuesto sobre el Patrimonio)*

Law 4/2008 has amended Law 9/1991 including a credit of 100 per cent. over the tax due removing the obligation to file a Wealth Tax declaration as from 1 January 2008.

Due to this amendment to Law 9/1991, non-resident individuals are not effectively subject to Wealth Tax.

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

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

Individuals not resident in Spain for tax purposes who acquire ownership or other rights over Series 5 Preferred Securities by inheritance, gift or legacy, will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and state rules, unless they reside in a country for tax purposes with which Spain has entered into a double tax treaty in relation to Inheritance and Gift Tax. In such case, the provisions of the relevant double tax treaty will apply.

Non-resident legal entities which acquire ownership or other rights over the Series 5 Preferred Securities by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax. Such acquisitions will be subject to NRIT (as described above), without prejudice to the provisions of any applicable double tax treaty entered into by Spain. In general, double tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

***Tax Rules for Series 5 Preferred Securities not Listed on an Organised Market in an OECD Country***

*Withholding on Account of IIT, CIT and NRIT*

If the Exchange Series 5 Preferred Securities are not listed on an organised market in an OECD country on any distribution Record Date, distributions to Beneficial Owners in respect of the Exchange Series 5 Preferred Securities will be subject to withholding tax at the current rate of 18%, except if an exemption from Spanish tax or a reduced withholding tax rate is provided by the Spanish law or by an applicable convention for the avoidance of double taxation entered into between Spain and the country of residence of the relevant Beneficial Owner. Individuals and entities that may benefit from such exemptions or reduced tax rates would have to follow either the "—Quick Refund Procedures" or the "—*Standard Refund Procedure*" described below under "—*Evidencing of Beneficial Owner Residency*" in order to obtain a refund of the amounts withheld.

*Wealth Tax (Impuesto sobre el Patrimonio)*

Law 4/2008 has amended Law 9/1991 introducing a credit of 100 per cent. over the tax due removing the obligation to file a Wealth Tax declaration as from 1 January 2008.

Due to this amendment to Law 19/1991, non-resident individuals are not effectively subject to Wealth Tax.

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

***Tax Rules for Payments Made by the Guarantor***

Payments made by the Guarantor to securityholders will be subject to the same tax rules previously set out for payments made by the Issuer.

***Evidencing of Beneficial Owner Residency***

As described under "*Taxation — Spanish Tax Considerations—Individual and Legal Entities with no Tax Residency in Spain*", interest and other financial income (including imputed income deriving from the exchange of the Exchange Series 5 Preferred Securities in relation to an exchange offer) paid with respect to the Exchange Series 5 Preferred Securities for the benefit of non-resident investors not acting, with respect to the Exchange Series 5 Preferred Securities, through a permanent establishment in Spain will not be subject to Spanish withholding tax unless such non-resident investor fails to comply with the relevant tax information procedures.

The information obligations to be complied with in order to apply the exemption are those laid down in sub-section 44(1) of 1065/2007 being the following:

An annual return must be made to the Spanish tax authorities, specifying the following information with respect to the Series 5 Preferred Securities:

(A) the identity and country of residence of the recipient of the income on the Series 5 Preferred Securities (when the income is received on behalf of a third party (i.e., a Beneficial Owner), the identity and country of residence of that third party);

(B) the amount of income received; and

(C) details identifying the Series 5 Preferred Securities.

In accordance with Section 44(2), for the purpose of preparing the annual return referred to in sub-section 44(1) certain documentation regarding the identity and country of residence of the Beneficial Owners obtaining income on the Series 5 Preferred Securities must be submitted to the Issuer and the Guarantor, in advance of each distribution record date, as specified in more detail in Annex A and B to this Listing Prospectus.

In addition to the above, as described under "*Taxation—Spanish Tax Considerations—Legal Entities with Tax Residency in Spain—Corporate Income Tax (Impuesto sobre Sociedades)*", Spanish CIT taxpayers will not be subject to withholding tax on income derived from the Series 5 Preferred Securities, provided that such CIT taxpayers provide relevant information to qualify as such in advance of each distribution record date.

In light of the above, the Issuer, the Guarantor, the Paying Agent, DTC and Acupay have arranged certain procedures to facilitate the collection and verification of information concerning the identity and country of residence of Beneficial Owners (either non-Spanish resident or CIT taxpayers) holding through a Qualified Institution (as defined below) through and including each relevant distribution record date. The delivery of such information, while the Series 5 Preferred Securities are in global form, will be made through the relevant direct or indirect participants in DTC. The Issuer will withhold at the then-applicable rate (currently 18%) from any distribution payment (or imputed income deriving from the exchange of the Exchange Series 5 Preferred Securities in relation to an exchange offer) as to which the required information has not been provided or the required procedures have not been followed.

The procedures set forth under "*—Tax Relief at Source Procedure*" (see Article I and II of Annex A to this Listing Prospectus) are intended to identify Beneficial Owners who are (i) corporations resident in Spain for tax purposes, or (ii) individuals or legal entities not resident in Spain for tax purposes, that do not act with respect to the Series 5 Preferred Securities through a permanent establishment in Spain.

These procedures are designed to facilitate the collection of certain information concerning the identity and country of residence of the Beneficial Owners mentioned in the preceding paragraph (who therefore are entitled to receive income in respect of the Series 5 Preferred Securities free and clear of Spanish withholding taxes) who are participants in DTC or hold their interests through participants in DTC, provided in each case, that the relevant DTC participant is a central bank, other public institution, international organisation, bank, credit institution or financial entity, including collective investment institutions, pension fund or insurance entity, resident either in an OECD country (including the United States) or in a country with which Spain has entered into a double taxation treaty subject to a specific administrative registration or supervision scheme (each, a "**Qualified Institution**").

Beneficial Owners who are entitled to receive income in respect of the Series 5 Preferred Securities free of any Spanish withholding taxes but who do not hold their Series 5 Preferred Securities through a Qualified Institution will have Spanish withholding tax withheld from distribution payments and other financial income paid with respect to their Series 5 Preferred Securities at the then-applicable rate. Beneficial Owners who do not hold their Series 5 Preferred Securities through a Qualified Institution can follow the "*—Quick Refund Procedure*" set forth in Article III of Annex A or the "*—Direct Refund from Spanish Tax Authorities Procedure*" set forth in Article II of Annex B, in order to have such withheld amounts refunded.

A detailed description of these procedures is set forth in Annex A and Annex B to this Listing Prospectus.

Beneficial Owners, their custodians or DTC participants with questions about these Spanish tax information reporting and withholding procedures, including the submission of tax certification information and a certificate of tax residence issued by the relevant tax authority of the Beneficial Owner's country of residence, may contact Acupay at one of the following locations. Please mention the CUSIP and ISIN for the Series 5 Preferred Securities when contacting Acupay (which are set forth under "*Plan of Distribution*"). There is no cost for this assistance.

Via email: info@acupay.com

By post, telephone or fax:

IN LONDON:

Acupay System LLC
Attention: Nina Santa-Maria
First Floor
28 Throgmorton Street
London EC2N 2AN
United Kingdom
Tel. 44-(0)-207-382-0340
Fax. 44-(0)-207-256-7571

IN NEW YORK:

Acupay System LLC
Attention: Sabrina Cruz
30 Broad Street — 46th Floor
New York, N.Y. 10004
USA
Tel. 1-212-422-1222
Fax. 1-212-422-0790

**EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**"), each member state of the European Union (a "**Member State**") is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) made by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or certain limited types of entity established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead apply (unless during such period they elect otherwise) 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 adopted 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 that other Member State or certain limited types of entity established 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 or certain limited types of entity established in one of those territories.

On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive.

On 13 November 2008, the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

**U.S. Federal Income Tax Considerations**

This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the Series 5 Preferred Securities. This tax disclosure was written in connection with the promotion or marketing of the Series 5 Preferred Securities by the Issuer and the Guarantor, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code of 1986, as amended (the "**Code**"). Holders should seek their own advice based on their particular circumstances from an independent tax advisor.

The following is a discussion of certain U.S. federal income tax consequences of purchasing, owning and disposing of Series 5 Preferred Securities to the U.S. Holders described below, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a particular person's decision to acquire such securities. This discussion does not address U.S. state, local and non-U.S. tax consequences. The discussion applies only to U.S. Holders who hold Series 5 Preferred Securities as capital assets for U.S. federal income tax purposes and it does not address special classes of holders, such as:

- certain financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- dealers and certain traders in securities or foreign currencies;
- persons holding Series 5 Preferred Securities as part of a hedge, straddle, conversion or other integrated transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the US dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- persons liable for the alternative minimum tax;
- tax-exempt organisations; or
- persons that own or are deemed to own 25% or more of the Issuer's capital.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. Prospective investors should consult their own tax advisors concerning the U.S. federal, state, local and non-U.S. tax consequences of purchasing, owning and disposing of Series 5 Preferred Securities in their particular circumstances.

As used herein, a "U.S. Holder" is a Beneficial Owner of Series 5 Preferred Securities that is, for U.S. federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the United States or any political subdivision thereof; or (iii) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

*Taxation of Distributions*

Subject to the discussion under "*Passive Foreign Investment Company Rules*" below, distributions received by a U.S. Holder on Series 5 Preferred Securities will constitute dividend income to the extent paid out of the Issuer's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Corporate U.S. Holders will not be entitled to claim the dividends-received deduction with respect to dividends paid by the

Issuer. Subject to applicable limitations, prior to the exchange offer and listing of the Exchange Series 5 Preferred Securities on the New York Stock Exchange, favourable rates of tax, up to a maximum of 15%, will apply to dividends paid on the Series 5 Preferred Securities received by certain non-corporate U.S. Holders only if 50% of each class of the Issuer's stock, including the Series 5 Preferred Stock, is directly or indirectly owned by certain residents of Spain and the United States that are eligible for the benefits of the U.S./Spain income tax treaty, and citizens of the United States. Subject to applicable limitations, dividends paid on the Exchange Series 5 Preferred Securities that are listed on the New York Stock Exchange received by certain non-corporate U.S. Holders in taxable years beginning before 1 January 2011 will be taxable at the favourable rates. Non-corporate U.S. Holders should consult their own tax advisors to determine whether they are subject to any special rules that limit their ability to be taxed at these favourable rates.

Distributions with respect to the Series 5 Preferred Securities will generally constitute foreign-source income, which may be relevant to a U.S. Holder in calculating the holder's foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income.

*Sale and Other Disposition of the Shares*

Subject to the discussion under "*Passive Foreign Investment Company Rules*" below, a U.S. Holder will generally recognise capital gain or loss on the sale or other disposition of Series 5 Preferred Securities, which will be long-term capital gain or loss if the holder has held such Series 5 Preferred Securities for more than one year. The amount of the U.S. Holder's gain or loss will be equal to the difference between the amount realised on the sale or other disposition and such holder's tax basis in such Series 5 Preferred Securities, and will generally be U.S. source income for purposes of computing the holder's foreign tax credit limitation.

*Passive Foreign Investment Company Rules*

Based upon certain look-through rules applicable to related parties and proposed Treasury regulations which are not yet in effect but are proposed to become effective for taxable years beginning after 31 December, 1994 (the "**Proposed Regulations**"), the Issuer believes that it was not a passive foreign investment company (a "**PFIC**") for U.S. federal income tax purposes for its most recent taxable year and does not expect to be considered a PFIC in the foreseeable future. However, since there can be no assurance that the Proposed Regulations will be finalized in their current form and since PFIC status depends upon the composition of a company's income and assets and the market value of its assets from time to time, there can be no assurance that the Issuer will not be considered a PFIC for any taxable year. If the Issuer were a PFIC for any year in which a U.S. Holder held Series 5 Preferred Securities, certain adverse U.S. federal income tax consequences could apply to the U.S. Holder, which may be mitigated if the holder makes certain U.S. federal income tax elections. The Issuer and the Bank will use reasonable efforts to operate the Issuer in such a manner that the Issuer does not become a PFIC. If the Issuer concludes that it is a PFIC for any taxable year, it will promptly inform U.S. Holders of such conclusion and provide such information as is reasonably required in order to enable the holders to satisfy relevant U.S. federal income tax reporting requirements arising as a result of the Issuer's PFIC status and to make available certain U.S. federal income tax elections.

If a U.S. Holder owns Series 5 Preferred Securities during any year in which the Issuer is a PFIC, the holder must file an IRS Form 8621. In addition, if the Issuer were a PFIC for a taxable year in which it pays a dividend or for the prior taxable year, the favourable dividend rates discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply.

*Information Reporting and Backup Withholding*

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and to backup withholding unless the U.S. Holder is a corporation or other exempt recipient or, in the case of backup withholding, the holder provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is furnished to the Internal Revenue Service.

## PLAN OF DISTRIBUTION

Lehman Brothers Inc., referred to as the Initial Purchaser, agreed subject to the terms and conditions of the purchase agreement, dated as of 16 January 2007, among the Initial Purchaser, the Issuer and the Bank (the "**Purchase Agreement**"), to purchase from the Issuer, and the Issuer and the Bank agreed to cause the Issuer to sell to the Initial Purchaser, the Original Series 5 Preferred Securities. The Issuer then filed on December 13, 2007 the Exchange Offer Registration Statement pursuant to the Registration Rights Agreement. Under the terms of the Exchange Offer Registration Statement the Issuer offered to exchange the Original Series 5 Preferred Securities for the Exchange Series 5 Preferred Securities. The CUSIP and ISIN numbers of the Exchange Series 5 Preferred Securities are 80281R805 and US80281R8051, respectively.

The issue price of the Original Series 5 Preferred Securities was 100%.

The Initial Purchaser purchased the Original Series 5 Preferred Securities at a discount from the applicable offering price and resold those Original Series 5 Preferred Securities at the offering price to "qualified institutional buyers" (as defined in Rule 144A) ("**QIBs**") in reliance upon Rule 144A. After the initial offering of the Original Series 5 Preferred Securities, the Initial Purchaser could from time to time vary the offering price and other selling terms.

There is no established trading market for the Exchange Series 5 Preferred Securities. No person is obligated to make a market in the Exchange Series 5 Preferred Securities and any such market-making activities with respect to the Exchange Series 5 Preferred Securities may be discontinued at any time without notice in its sole discretion. In addition, any market-making activities will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, no assurance can be given as to the liquidity of the trading market for the Exchange Series 5 Preferred Securities.

## TRANSFER RESTRICTIONS

Because the following restrictions will apply with respect to the Exchange Series 5 Preferred Securities, purchasers of the Exchange Series 5 Preferred Securities are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Exchange Series 5 Preferred Securities.

The Bank and its affiliates provide a broad array of services to a variety of clients, including benefit plan clients. Investors that are clients of the Bank or its affiliates and are subject to regulations which affect the investments they may hold or the transactions in which they may engage with service providers, related parties and other parties in interest should ensure that their purchase and holding of the preferred securities is permitted under applicable regulations.

## ANNEX A

### Procedures for Spanish Withholding Tax Documentation For Preferred Securities Held Through an Account at The Depository Trust Company

*Capitalised terms used but not otherwise defined in this Annex A shall have the meaning ascribed to them elsewhere in this Listing Prospectus.*

### Article I

### Tax Relief at Source Procedure (procedure that complies with Spanish Law 13/1985 (as amended by Law 19/2003, Law 23/2005 and Law 4/2008) Royal Decree 1065/2007 and article 59.q or 59.s)) of the Corporate Income Tax Regulations approved by Royal Decree 1777/2004 for Cash Distributions on Preferred Securities and Exchange Preferred Securities

*References to "Preferred Securities" in this Article I of Annex A shall be deemed to refer to the Exchange Series 5 Preferred Securities (as defined in Article II of this Annex A).*

**A. DTC Participant Submission and Maintenance of Beneficial Owner Information**

1. At least seventeen but no more than twenty New York Business Days prior to each record date (each, a "**Distribution Record Date**") preceding a cash distribution payment date on the Preferred Securities (each, a "**Distribution Payment Date**"), the Issuer shall instruct Acupay System LLC, the tax certification agent ("**Acupay**") to, and Acupay shall, (i) provide The Depository Trust Company ("**DTC**") an issuer notice that will form the basis for a DTC "Important Notice" (the "**Notice**") regarding the relevant cash distribution and tax relief entitlement information for the Preferred Securities, (ii) request DTC to post such notices on its website as a means of notifying direct participants of DTC ("**DTC Participants**") of the requirements described in this Annex A and Annex B, (iii) transmit the relevant contents of such notices to the London Stock Exchange and, if required, any applicable self-regulatory organisation in the United States, (iv) distribute the relevant contents of such notices via one or more recognised financial information services and (v) provide a copy of such notices to the Paying Agent. A "New York Business Day" means any day other than a Saturday or Sunday or a day on which banking institutions or trust companies in The City of New York are required or authorised by law, regulation or executive order to close.

2. Beginning at 8:00 a.m. New York time on the tenth New York Business Day prior to each Distribution Record Date and continuing until 8:00 p.m. New York time on the fourth New York Business Day prior to each Distribution Record Date (the "**Standard Deadline**"), each DTC Participant must, to the extent it has not previously done so, enter directly into the designated system established and maintained by Acupay (the "**Acupay System**") the Beneficial Owner identity and residence information required by Spanish tax law (as set forth in Article I of Annex B) in respect of the portion of such DTC Participant's position in the Preferred Securities that at such time is exempt from Spanish withholding tax (the "**Beneficial Owner Information**") and must update such Beneficial Owner Information as described in paragraph A.3 of this Article I of Annex A below.

3. Each DTC Participant must ensure the accuracy of the previously-submitted Beneficial Owner Information, irrespective of any changes in, or in Beneficial Ownership of, such DTC Participant's position in the Preferred Securities as of 8:00 p.m. New York time on each Distribution Record Date. The Acupay System will remain available for making such adjustments until 8:00 p.m. New York time on the third New York Business Day after such Distribution Record Date. All changes in Beneficial Ownership must be reflected, including those changes (via Acupay), which do not impact the DTC Participant's overall position at DTC or the portion of that position at DTC as to which no Spanish withholding tax is required.

4. Beginning at 9:00 a.m. on the first New York Business Day after the related Distribution Record Date and continuing until 8:00 p.m. on the third New York Business Day immediately following each Distribution Record Date (the "**EDS Cut-off**"), each DTC Participant that has submitted Beneficial Owner Information in accordance with paragraphs A.2 and A.3 of this Article I of Annex A must make an election via the DTC Elective Dividend Service ("**EDS**") certifying that such portion of Preferred Securities for which it submitted such Beneficial Owner Information is exempt from Spanish withholding tax (the "**EDS Election**").

5. Beginning at 7:45 a.m. New York time on the fourth New York Business Day following the Distribution Record Date (the "**Final Verification Date**"), Acupay will perform the final review of each DTC Participant's Beneficial Owner Information, EDS Elections and changes in DTC position between the Standard Deadline and the Distribution Record Date through the Acupay Verification Procedures (as defined below). Based on these Acupay Verification Procedures, Acupay will (i) seek to notify any affected DTC Participant until 9:45 a.m. New York time on the Final Verification Date of any inconsistencies among these data, or erroneous or incomplete information provided by such DTC Participant and (ii) use its best efforts to obtain revised Beneficial Owner Information and/or EDS Elections from any such DTC Participant as necessary to correct any inconsistencies, erroneous or incomplete information. For this purpose, Acupay will accept revisions to Beneficial Owner Information until 9:45 a.m. New York time and DTC will accept requests for changes to EDS elections at the request of DTC Participants until 9:45 a.m. New York time on the Final Verification Date. The failure to correct any such inconsistencies, erroneous or incomplete information (including the failure to fax or send PDF copies of new or amended Tax Certificates (as defined below)) by 9:45 a.m. New York time on the Final Verification Date (or if Acupay, despite its best efforts to do so, does not confirm receipt of such correction by 9:45 a.m. New York time on the Final Verification Date) will result in the payments in respect of the entirety of such DTC Participant's position being made net of Spanish withholding tax.

   DTC will transmit a "Final Report to Paying Agent" to Acupay by 10:30 a.m. New York time on the Final Verification Date setting forth each DTC Participant's position in the Preferred Securities as of 8:00 p.m. New York time on the Distribution Record Date and the portion of each such DTC Participant's position in the Preferred Securities on which cash distributions should be made net of Spanish withholding tax and the portion that should be made without Spanish withholding tax being assessed, as applicable, based on the status of the EDS Elections for each DTC Participant as of 9:45 a.m. New York time on the Final Verification Date.

   Acupay shall immediately, but no later than 11:00 a.m. New York time on the Final Verification Date, release (through a secure data upload/download facility) PDF copies of the Final Report to Paying Agent to the Paying Agent and the Issuer, along with PDF copies of the related signed Tax Certificates (as defined below) to the Issuer.

**B. Tax Certificate Production and Execution**

After entry of new or amended Beneficial Owner Information into the Acupay System by a DTC Participant at any time on or before the relevant Distribution Record Date or, under certain circumstances, before 9:45 a.m. of the Final Verification Date, the Acupay System will produce completed forms of Exhibit I, Exhibit II or Exhibit III to Annex B (as required by Spanish law) (the "**Distribution Tax Certificates**"), which shall summarize the Beneficial Owner Information introduced and maintained by such DTC Participant into the Acupay System. When any Distribution Payment Date is also the redemption date for the Preferred Securities, and if the Preferred Securities were initially issued below par with an original issue discount ("**OID**"), a separate set of Tax Certificates (the "**OID Tax Certificates**," and together with the Distribution Tax Certificates, the "**Tax Certificates**") will be generated by the Acupay System reporting income resulting from the payment of OID at redemption. Such DTC Participant will then be required to (i) print out, (ii) review, (iii) sign and (iv) fax or send by email a PDF copy of the duly signed Tax Certificates directly to Acupay. The original of each Tax Certificate must be sent to Acupay for receipt no later than the 15th calendar day of the month immediately following the Distribution Payment Date. All Tax Certificates will be dated as of the relevant Distribution Record Date and must refer to Beneficial Ownership positions existent at 8:00 p.m. New York time on the Distribution Record Date.

**NOTE: A DTC Participant that obtains favourable tax treatment through the relief at source procedure and fails to submit to Acupay the original physical Tax Certificates as described above may be prohibited by the Issuer from using this procedure to obtain favourable tax treatment for future payments. In such event, the DTC Participant will receive any future cash distribution on their <u>entire position</u> net of the applicable Spanish withholding tax (currently at the rate of 18%) and relief will need to be obtained directly from the Spanish tax authorities by following the standard refund procedure established by Spanish tax law.**

## C. Additional Acupay and DTC Procedures

1. In addition to its other duties and obligations set forth herein, Acupay will be responsible for the following tasks (collectively, the "**Acupay Verification Procedures**"):

   a. comparing the Beneficial Owner Information and Tax Certificates provided in respect of each DTC Participant's position with the EDS Elections provided by that DTC Participant in order to determine whether any discrepancies exist between such information, the corresponding EDS Elections and such DTC Participant's position in the Preferred Securities at DTC;

   b. collecting and collating all original Tax Certificates received from DTC Participants;

   c. reviewing the Beneficial Owner Information and the Tax Certificates using appropriate methodology in order to determine whether the requisite fields of Beneficial Owner Information have been supplied and that such fields of information are responsive to the requirements of the Tax Certificates in order to receive payments without Spanish withholding tax being assessed; and

   d. liaising with the relevant DTC Participants in order to request that such DTC Participants revise any Tax Certificates identified pursuant to the procedures set forth above as containing incomplete or inaccurate information.

2. By 9:30 a.m. New York time on the New York Business Day following the Standard Deadline, DTC will transmit to Acupay a report (the "**Standard Deadline Cut-off Report**") confirming DTC Participant positions as of Standard Deadline. By 12:00 p.m. New York time on the New York Business Day following the Standard Deadline, Acupay will transmit to DTC a provisional summary report of all Beneficial Owner Information which has been submitted through the Acupay System as of the Standard Deadline, provisionally confirmed, to the extent possible, against the information set forth in the Standard Deadline Cut-off report. The provisional summary report shall set forth (i) the position in the Preferred Securities held by each DTC Participant as of the Standard Deadline and (ii) the portion of each DTC Participant's position in the Preferred Securities in respect of which Tax Certificates have been provided to support the payment of cash distribution without Spanish withholding tax being assessed.

3. Acupay will forward original paper Tax Certificates it receives for receipt by the Issuer no later than the 18th calendar day of the month immediately following each Distribution Payment Date. Acupay shall maintain records of all Tax Certificates (and other information received through the Acupay System) for five years from each related Distribution Payment Date to which such information applies, and shall, during such period, make copies of such records available to the Issuer at all reasonable times upon request. In the event that the Issuer notifies Acupay in writing that it is the subject of a tax audit, Acupay shall maintain such duplicate back-up copies until the relevant statute of limitations applicable to any tax year subject to audit expires.

## D. Distribution Payments

1. On or prior to each Distribution Payment Date, the Issuer will transmit to the Paying Agent an amount of funds sufficient to make cash distributions on the outstanding number of Preferred Securities without Spanish withholding tax being assessed.

2. By 1:00 p.m. New York time on each Distribution Payment Date, the Paying Agent will (i) pay the relevant DTC Participants (through DTC) for the benefit of the relevant Beneficial Owners the cash distribution gross or net of Spanish withholding tax, as set forth in the Final Report to Paying Agent and (ii) promptly return the remainder to the Issuer. The transmission of such amounts shall be contemporaneously confirmed by the Paying Agent to Acupay. The Issuer has authorised the Paying Agent to rely on the Final Report to Paying Agent in order to make the specified payments on each Distribution Payment Date. Notwithstanding anything herein to the contrary, the Issuer may direct the Paying Agent to make cash distributions on the Preferred Securities, as the case may be, in a manner different from that set forth in the Final Report to Paying Agent if the Issuer (i) determines that there are any inconsistencies with or errors in the Tax Certificates provided or any information set forth therein is, to the Issuer's knowledge, inaccurate, and (ii) provides notice of such determination in writing to DTC, Acupay and the Paying Agent prior to 11:30 a.m. New York time on the relevant

Distribution Payment Date along with a list of the affected DTC Participants showing the amounts to be paid to each such DTC Participant.

## Article II

## Quick Refund Procedures

*References to "Preferred Securities" in this Article II of Annex A shall be deemed to refer to the Exchange Series 5 Preferred Securities (as defined in Article II of this Annex A).*

### A. Documentation Procedures

#### 1. Beneficial Owners holding through a Qualified Institution that is a DTC Participant

a. Beginning at 9:00 a.m. New York time on the New York Business Day following each Distribution Payment Date or the Exchange Settlement Date until 5:00 p.m. New York time on the tenth calendar day of the month following the relevant Distribution Payment Date or the Exchange Settlement Date (or if either such day is not a New York Business Day, the first New York Business Day immediately preceding such day) (the "**Quick Refund Deadline**"), a DTC Participant (i) which is a Qualified Institution (as defined in Article I of Annex B), (ii) holds Preferred Securities on behalf of Beneficial Owners entitled to exemption from Spanish withholding tax, and (iii) which was paid net of Spanish withholding taxes due to a failure to comply with the "Relief at Source Procedures" set forth in Article I of this Annex A, may submit through the Acupay System new or amended Beneficial Owner Information with respect to such Beneficial Owner's holdings.

b. After entry of Beneficial Owner Information into the Acupay System by such DTC Participant, the Acupay System will produce completed Tax Certificates. Such DTC Participant will then be required to (i) print out, (ii) review, (iii) sign and (iv) fax or send by email a PDF copy of the duly signed Tax Certificate directly to Acupay for receipt by Acupay no later than the Quick Refund Deadline. Any such Tax Certificates will be dated as of the Distribution Record Date.

c. Acupay will then conduct the Acupay Verification Procedures with respect to the Beneficial Owner Information submitted by the DTC Participants pursuant to Articles I and II of this Annex A by comparing such Beneficial Owner Information with the amount of Preferred Securities entitled to the receipt of income on the Distribution Payment Date as reported to Acupay by (i) the Paying Agent, (ii) DTC, as having been held in such DTC Participant's account as evidenced by its position in the Preferred Securities as of the Distribution Record Date, and (iii) as established by DTC EDS Elections. Until the Quick Refund Deadline, DTC Participants may revise or resubmit Beneficial Owner Information in order to cure any inconsistency identified.

d. Acupay will collect payment instructions from DTC Participants or their designees and, no later than 12:00 p.m. New York time on the third calendar day following the Quick Refund Deadline (or if such day is not a New York Business Day, the first New York Business Day immediately preceding such day), will forward PDF copies of the verified Tax Certificates to the Issuer and the Guarantor and the payment instructions to the Issuer, the Guarantor and the Paying Agent.

#### 2. Beneficial Owners holding through a DTC Participant that is a Qualified Institution

a. Beneficial Owners entitled to receive cash distribution payments, OID income or exchange income in respect of any Preferred Securities gross of any Spanish withholding taxes but who have been paid net of Spanish withholding taxes as a result of holding interests in such Preferred Securities through DTC Participants who are not Qualified Institutions will be entitled to utilize the Quick Refund Procedures set forth below.

b. Such Beneficial Owners may request from the Issuer the reimbursement of the amount withheld by providing Acupay, as an agent of the Issuer, with (i) documentation to confirm their securities entitlement in respect of the Preferred Securities on the relevant Distribution Record Date (which documentation must include statements from (A) DTC and (B) the relevant DTC Participant setting forth such DTC Participant's aggregate DTC position on the relevant Distribution Record Date) as well as the portion of such position that was paid net and gross of Spanish withholding taxes, together with an accounting record of the amounts of such position and payments which were attributable to the Beneficial Owner, and (ii) a Government Tax Residency Certificate. Such Government Tax Residency Certificate (which will be valid for a period of one year after its date of issuance) together with the information regarding the securities entitlement in respect of the Preferred Securities must be submitted to Acupay on the behalf of the Issuer no later than the Quick Refund Deadline. Acupay will collect payment instructions from DTC Participants or their designees, as the case may be, and, no later than 12:00 p.m. New York time on the third calendar day following the Quick Refund Deadline (or if such day is not a New York Business Day, the first New York Business Day immediately preceding such day), will forward to the Issuer and the Guarantor PDF copies of the Government Tax Residency Certificates, and to the Issuer, the Guarantor and the Paying agent (x) the related payment instructions and (y) a reconciliation of such payment instructions to (1) the outstanding number of Preferred Securities owned through each DTC Participant as of the relevant Record Date, and (2) the outstanding number of such securities on which cash distributions or OID income was paid net of Spanish withholding tax on the relevant Payment Date.

**3. Early Redemption of the Preferred Securities**

In the case of early redemption, Quick Refund Procedures substantially similar to those procedures set forth in this Article II of Annex A will be made available to investors. Detailed descriptions of such Quick Refund Procedures will be available upon request from Acupay in the event of such early redemption.

**B. Payment Procedures**

1. Upon receipt of the relevant Tax Certificates, Exchange Income Tax Certificates and Government Tax Residency Certificates together with related documentation (if any) from Acupay pursuant to the procedures in part A. of this Article II, the Issuer will review Government Tax Residency Certificates together with related documentation (if any) and confirm the related payments no later than the 18th calendar day of the month following the relevant Distribution Payment Date or Exchange Settlement Date (or if such day is not a New York Business Day, the first New York Business Day immediately preceding such day).

2. On the 19th calendar day of the month following the relevant Distribution Payment Date (or if such day is not a New York Business Day, the first New York Business Day immediately preceding such day), the Issuer will make payments equal to the amounts initially withheld from DTC Participants complying with the Quick Refund Procedure to the Paying Agent, and the Paying Agent shall, within one New York Business Day of such date, transfer such payments to DTC Participants directly for the benefit of Beneficial Owners.

**NOTE: For the avoidance of doubt, Beneficial Owners shall only be entitled to receive cash refunds in connection with these Quick Refund Procedures, and nothing contained in this Article II of Annex A shall be interpreted as entitling Beneficial Owners to receive Exchange Series 5 Preferred Securities in connection therewith.**

## ANNEX B

## FORMS OF REQUIRED SPANISH WITHHOLDING TAX DOCUMENTATION AND PROCEDURES FOR DIRECT REFUND FROM SPANISH TAX AUTHORITIES

### Article I

*Documentation Required by Spanish Tax Law pursuant to the Relief at Source Procedure*

1. If the holder of a certificated Series 5 Preferred Security is not resident in Spain for tax purposes and acts for 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 (including the United States) or in a country with which Spain has entered into a double tax treaty subject to a specific administrative registration or supervision scheme (each, a "**Qualified Institution**"), the entity in question must certify its name and tax residency substantially in the manner provided in **Exhibit I** to this Annex.

2. In the case of transactions in which a Qualified Institution which is a holder of Exchange Series 5 Preferred Securities acts as intermediary, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residency of each Beneficial Owner not resident in Spain for tax purposes as of the Distribution Record Date substantially in the manner provided in **Exhibit II** to this Annex.

3. In the case of transactions which are channelled through a securities clearing and deposit entity recognised for these purposes by Spanish law or by the law of another OECD member country, the entity in question (i.e., the clearing system participant) must, in accordance with the information contained in its own records, certify the name and tax residency of each Beneficial Owner not resident in Spain as of the Distribution Record Date substantially in the manner provided in **Exhibit II** to this Annex.

4. If the Beneficial Owner is resident in Spain for tax purposes and is subject to Spanish Corporation Tax, the entities listed in paragraphs (2) or (3) above (such as DTC Participants which are Qualified Institutions) must submit a certification specifying the name, address, Tax Identification Number, the CUSIP or ISIN code of the Preferred Securities, the beneficial interest in the Exchange Series 5 Preferred Securities held at each Distribution Record Date and gross income and amount withheld, substantially in the form set out in **Exhibit III** to this Annex.

5. In the case of Beneficial Owners who do not hold their interests in the Exchange Series 5 Preferred Securities through Qualified Institutions or whose holdings are not channelled through a securities clearing and deposit entity recognised for these purposes by Spanish law or by the law of another OECD member country, the Beneficial Owner must submit (i) proof of Beneficial Ownership and (ii) a certificate of residency issued by the tax authorities of the country of residency of such Beneficial Owner (a "**Government Tax Residency Certificate**").

## Article II

### Direct Refund from Spanish Tax Authorities Procedure

1. Beneficial Owners entitled to exemption from Spanish withholding tax who have not timely followed either the "**Relief at Source Procedure**" procedure set forth in Article I or II of Annex A or the "**Quick Refund Procedure**" set forth in Article III of Annex A, and therefore have been subject to Spanish withholding tax, may request a full refund of the amount that has been withheld directly from the Spanish tax authorities.

2. Beneficial Owners have up to the time period allowed pursuant to Spanish law (currently, a maximum of four years as of the relevant Distribution Record Date) to claim the amount withheld from the Spanish Treasury by filing with the Spanish tax authorities (i) the relevant Spanish tax form, (ii) proof of Beneficial Ownership and (iii) a certificate of residence issued by the tax authorities of its country of residence (from the IRS in the case of U.S. resident Beneficial Owners).

## EXHIBIT I

[English translation provided for informational purposes only, such translation is a direct and accurate translation from the Spanish text.]

**Modelo de certificación en inversiones por cuenta propia**
***Form of Certificate for Own Account Investments***

(**nombre**) (name)
(**domicilio**) (address)
(**NIF**) (tax identification number)
**(en calidad de), en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 44.2.a) del Real Decreto 1065/2007,**
(function), in the name and on behalf of the Entity indicated below, for the purposes of article 44.2.a) of Royal Decree 1065/2007,

**CERTIFICO:**

I CERTIFY:

**1. Que el nombre o razón social de la Entidad que represento es:**
that the name of the Entity I represent is:

**2. Que su residencia fiscal es la siguiente:**
that its residence for tax purposes is:

**3. Que la Entidad que represento está inscrita en el Registro de**
that the institution I represent is recorded in the Register of
**(*país, estado, ciudad*), con el número**
(country, state, city), under number

**4. Que la Entidad que represento está sometida a la supervisión de (Órgano supervisor)**
that the institution I represent is supervised by (Supervision body)

**en virtud de (normativa que lo regula)**
under (governing rules).

**Todo ello en relación con:**
All the above in relation to:

**Identificación de los valores poseídos por cuenta propia**
Identification of securities held on own account:

**Importe de los rendimientos**
Amount of income

**Lo que certifico en a de de 20**
I certify the above in [location] on the [day] of [month] of [year]

## EXHIBIT II

[English translation provided for informational purposes only, such translation is a direct and accurate translation from the Spanish text.]

**Modelo de certificación en inversiones por cuenta ajena**
***Form of Certificate for Third Party Investments***

(**nombre**) (name)
(**domicilio**) (address)
(**NIF**) (tax identification number)
**(en calidad de), en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 44.2.b) y c) del Real Decreto 1065/2007,**
(function), in the name and on behalf of the Entity indicated below, for the purposes of article 44.2.b) and c) of Royal Decree 1065/2007,

**CERTIFICO:**

I CERTIFY:

**1. Que el nombre o razón social de la Entidad que represento es:**
that the name of the Entity I represent is:

**2. Que su residencia fiscal es la siguiente:**
that its residence for tax purposes is:

**3. Que la Entidad que represento está inscrita en el Registro de**
that the institution I represent is recorded in the Register of

**(*país, estado, ciudad*), con el número**
(country, state, city), under number

**4. Que la Entidad que represento está sometida a la supervisión de (Órgano supervisor)**
that the institution I represent is supervised by (Supervision body)

**en virtud de (*normativa que lo regula*)**
under (governing rules).

**5. Que, de acuerdo con los Registros de la Entidad que represento, la relación de titulares adjunta a la presente certificación, comprensiva del nombre de cada uno de los titulares no residentes, su país de residencia y el importe de los correspondientes rendimientos, es exacta, y no incluye personas o Entidades residentes en España ~~o en los países o territorios que tienen en España la consideración de paraísos fiscal de acuerdo con las normas reglamentarias en vigor.~~** [1]

That, according to the records of the Entity I represent, the list of beneficial owners attached hereto, including the names of all the non-resident holders, their country of residence and the relevant income is accurate, and does not include person(s) or institution(s) resident in Spain ~~or, in tax haven countries or territories as defined under Spanish applicable regulations~~[2].

**Lo que certifico en a de de 20**
I certify the above in [location] on the [day] of [month] of [year]

**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

[1] Derogado en virtud de lo previsto en el artículo 4 y la Disposición Derogatoria Única del Real Decreto-Ley 2/2008, de 21 de abril, de medidas de impulso a la actividad económica.
[2] Requirement abolished by article 4 and Repealing Disposition of Royal Decree Law 2/2008, of 21 April, on measures to promote economic activity.

## EXHIBIT III

[English translation provided for informational purposes only, such translation is a direct and accurate translation from the Spanish text.]

**Modelo de certificación para hacer efectiva la exclusión de retención a los sujetos pasivos del Impuesto sobre Sociedades y a los establecimientos permanentes sujetos pasivos del Impuesto sobre la Renta de no Residentes**
***Form of Certificate for application of the exemption from withholding to Spanish corporate income taxpayers and to permanent establishments of non-resident income taxpayers***

(**nombre**) (name)

(**domicilio**) (address)

(**NIF**) (tax identification number)

**(en calidad de), en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 59.s) del Real Decreto 1777/2004,**
(function), in the name and on behalf of the Entity indicated below, for the purposes of article 59.s) of Royal Decree 1777/2004,

**CERTIFICO:**

I CERTIFY:

**1. Que el nombre o razón social de la Entidad que represento es:**
that the name of the Entity I represent is:

**2. Que su residencia fiscal es la siguiente:**
that its residence for tax purposes is:

**3. Que la Entidad que represento está inscrita en el Registro de**
that the institution I represent is recorded in the Register of

**(*país, estado, ciudad*), con el número**
(country, state, city), under number

**4. Que la Entidad que represento está sometida a la supervisión de (Órgano supervisor)**
that the institution I represent is supervised by (Supervision body)

**en virtud de (normativa que lo regula)**
under (governing rules).

**5. Que, a través de la Entidad que represento, los titulares incluidos en la relación adjunta, sujetos pasivos del Impuesto sobre Sociedades y establecimientos permanentes en España sujetos pasivos del Impuesto sobre la Renta de no Residentes, son perceptores de los rendimientos indicados.**
That, through the Entity I represent, the list of holders hereby attached, are Spanish Corporate Income Tax taxpayers and permanent establishments in Spain of Non-Resident Income Tax taxpayers, and are recipients of the referred income.

**6. Que la Entidad que represento conserva, a disposición del emisor, fotocopia de la tarjeta acreditativa del número de identificación fiscal de los titulares incluidos en la relación.**
That the Entity I represent keeps, at the disposal of the Issuer, a photocopy of the card evidencing the Fiscal Identification Number of the holders included in the attached list.

**Lo que certifico en a de de 20**
I certify the above in [location] on the [day] of [month] of [year]

**RELACIÓN ADJUNTA A CUMPLIMENTAR:**
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%**
Name/Domicile/Fiscal Identification Number/Number of securities/Gross income/Amount withheld at 18%.

**US$600,000,000**

**24,000,000 Series 5 Preferred Securities**

**Santander Finance Preferred, S.A. Unipersonal**
(incorporated with limited liability under the laws of Spain)

**6.50% Non-Cumulative Guaranteed Series 5 Preferred Securities**
**(par value $25.00 per security)**
**fully and unconditionally guaranteed as described herein by**

**Banco Santander, S.A.**
(formerly known as Banco Santander Central Hispano, S.A.,
incorporated with limited liability under the laws of Spain)

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**Listing Prospectus** 4 December, 2009

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