
Press Release

Annual General Meeting of Banco Santander

Emilio Botín: “We aim to exceed 10 billion euros in total profit for the Group in 2008”

- The Chairman of Banco Santander confirmed the earnings per share growth goal of 15% announced last September.
- The AGM approved the dividend of 0.65 euros charged against 2007 results, an increase of 25% for the third consecutive year.
- In the last 10 years, attributable profit has grown an average 25.7% while earnings per share rose an average 15.5%.
- “We are worth more than the 2nd, 3rd, 4th and 5th Spanish banks together, and more than the 1st and 2nd German banks.”
- “The consensus of analysts says that the share should be at EUR 16.50. In my opinion, this price still does not recognize our bank’s huge potential to generate recurrent profit in the medium term.”

Madrid, June 21, 2008 - The Chairman of Banco Santander, Emilio Botín, chaired today the Annual General Meeting of the bank’s shareholders, where the 2007 results were approved. Botín showed confidence in the future results of Banco Santander and the expected increase in the share value and in dividends, and confirmed that “we maintain the earnings per share growth objectives that we announced to the market in September, 2007.”

“We aim to exceed 10 billion euros in total profit for the Group in 2008,” he said.

Botín began by pointing out the circumstances that have affected the international financial system in recent months, which have led to banking system losses on the order of US\$400 billion. These are “complex times, probably the most difficult seen by a whole generation of bankers, that put to the test strategies, business and risk management, as well as the Corporate Governance of major international financial institutions,” he said.



However, he recalled that while the 20 leading financial institutions have been strongly penalized with an average share price decline of 36% in the last 18 months, Banco Santander shares have fallen by just 15.4%. **“Today we are the seventh bank in the world by market value, ahead of other banks than until recently were leaders by capitalization. Today we are worth more than the 2nd, 3rd, 4th and 5th Spanish banks together, and more than the 1st and 2nd German banks.”** Botín said that “these figures show that Banco Santander has passed this difficult test with remarkable success thanks to our business model.”

In 2007, Banco Santander earned attributable net profit of EUR 9,060 million, 19.3% more than the previous year, with an increase in ordinary attributable net profit of 21.4% to 1.28 euros, he noted. **“Last year was part of a very consistent trend that allowed us to obtain, over the last decade, an accumulated annual increase in attributable net profit of 25.7% and in earnings per share of 15.5%.** In 2007, Banco Santander became one of the top five banks in the world by profits.”

He pointed out that “the positive performance of the results, together with our great confidence in the future,” allows the bank to pay 50% of ordinary net profit as dividends, translating into a total dividend charged against 2007 results of 0.65 euros per share. “This is a 25% increase in the dividend for the third year in a row, underlining the importance that the Group’s Board of Directors places on the dividend as the most effective and recurrent way to remunerate our shareholders.”

Moreover, he announced that the Board of Directors approved yesterday a first dividend of 0.135234 euros against 2008 results, an increase of 10% from the first interim dividend of last year. This dividend will be paid August 1.

Botín emphasized “the excellent results generated by our strategy, thanks mainly to the business model and focus on commercial banking, risk management, efficiency and good liquidity and capital management. In all these areas, we are outstanding among our international competitors.”

He mentioned that Banco Santander has more branches (13,200 including Banco Real) than any other international bank and that 84% of its results come from retail banking. “We base the growth of our results on recurrent business,” he said.

Furthermore, he pointed out that “the traditional caution of Banco Santander in risk management enabled us, in a very difficult period for the international financial sector, to avoid the losses that many big banks around the world have had. In Banco Santander, we have always maintained a low and predictable risk profile. We turn down many transactions that may be profitable but don’t fit with our risk policy.” He insisted that **“Banco Santander has not had to make any kind of special provisions related to securities linked with the subprime housing market or products affected by the international financial situation.”**



He also emphasized that “work on the Group’s technology and permanent cost control have enabled us to improve the efficiency levels of the Group significantly, with a cost-income ratio of 44.2% at the end of the year.” He also pointed out Banco Santander’s comfortable liquidity position, thanks to the **strong deposit base in the retail businesses, ample access to the wholesale markets** and to our high ratings, **diversification of markets and funding instruments as well as good market forecasting and activities in recent years, allowing the bank to** build up a very considerable position in long-term funding.

“Banco Santander is not limiting and has no need to limit growth in loans because of liquidity. As always, the only factor determining our decisions is the credit quality of our customers,” he said. “We have, moreover, an excellent capital base. When many international banks needed to launch right issues totalling USD 250 billion, Banco Santander closed 2007 with a BIS ratio of 12.66% and core capital of 6.25%, among the highest of our group of peers.”

He added, “To sum up, **Banco Santander has shown its considerable strength in the face of the abrupt change in financial markets and our strategy and banking model have shown their clear advantages in these circumstances. In contrast to many of our competitors, we have not needed to change our model. We never deviated from the basics that have always characterized Banco Santander: solid banking business in terms of risk, capital and a close relationship with our customers.**”

Regarding the Santander share, Botín said, “As you know, the consensus or analysts’ average says that the share should be at 16.50 euros. In my opinion, this price still does not recognize our bank’s huge potential to generate recurrent profit in the medium term.”

He mentioned the purchase of ABN-AMRO, together with Royal Bank of Scotland and Fortis, which he described as “the most far-reaching transaction ever in the international financial system.” He repeated Santander’s criteria for successful cross-border transactions: “They must be acquisitions, not mergers, with a clear chain of command, and they must add value, contributing as soon as possible to the buyer’s earnings per share.”

Botín emphasized that the ABN transaction enabled Santander to acquire Banco Real in Brazil, “an extraordinarily valuable asset with 2,000 branches and with a business model very complementary to that of Santander Brasil.”

“With this acquisition, we become the third bank in Brazil by loans and the second by deposits in a market with 190 million inhabitants and huge potential, reinforced by the investment grade rating the country has received.” Moreover, he said that “the ABN-AMRO transaction has enabled us to take our model of consumer banking in Europe forward as we exchanged businesses obtained in the transaction for consumer banking assets belonging to General Electric, mainly in Germany and the UK, that fit in well strategically and operationally with our consumer finance unit, Santander Consumer.”

“The ABN-AMRO acquisition has been perfect for Banco Santander from the strategic and financial point of view,” he said.



The Chairman of Banco Santander also highlighted the importance of the Corporate Governance and said that “experience, decision-making procedures, internal control and independent risk management are all essential aspects of our Group’s Corporate Governance that, once again, has shown itself to be appropriate and effective.” He described Santander’s Board of Director’s as “excellent” and “unique,” and recalled the departure of Luis Rodríguez Durón (who represented Mutua Madrileña) and the entry of Juan Rodríguez Inciarte as Executive Director.

He also made a special mention to “two factors that constitute a solid guarantee for our future”: the Santander brand, which he described as the “banner and substance of global differentiation,” and the “quality and professionalism” of the management team.

The Bank’s first quarter profit of EUR 2,206 million, an increase of 22%, was “the highest registered during that period by any international bank,” Botín noted. “It represents high quality, as it is the result of the geographic diversification of our earnings, and in particular Abbey in the United Kingdom, where we are growing by more than our competitors, with lower costs, fewer non-performing loans and higher profitability and the excellent performance of our commercial banking businesses in Spain and Latin America.”

“The instability that has marked international markets during these months is starting to show signs of improvement. Although the financial tensions have had their effect on economic growth in most developed economies, the positive impact of globalization, with a growing and more stable contribution from emerging markets, will in the future provide clear support to global growth,” said Botín. He emphasized “the excellent quality of supervision and prudent regulation of the Bank of Spain.”

Botín declared that “during the last few years, we have also built an excellent business platform, well diversified, maintaining an appropriate balance among positions in more mature markets, like in Spain, Portugal and the UK, as well as the rest of Europe, and in markets with great growth potential, like Brazil, Chile and Mexico, with represent 80% of the GDP of the region.”

Regarding the Spanish economy, he said that “there’s no doubt that its performance is worse than expected.” However, he is confident about “this negative phase, which will not be long, because the Spanish economy has strengths that it did not have in previous cycles: the public accounts are healthy, the means of production are more flexible, and we have a very dynamic and diversified business sector.

Botín recognized that “the economic situation is affecting the level of non-performing loans in the financial sector. This will undoubtedly increase in the next months.” However, he stressed that **in Spain “we are starting from a bad loan rate that is less than half than the European average and our loans have very solid guarantees.** Moreover, the significant generic provisions in the financial system more than cover any foreseeable loss.”



“To maintain earnings growth Banco Santander doesn’t need to assume complex and difficult-to-monitor risks like those that generated the recent problems in the international banking system.” And he emphasized four priority fronts for management:

- To use technology to continue improving the efficiency of the businesses.
- To seize the opportunities to optimize Santander’s position as a global bank and extend best practices throughout the Group, so that the whole is worth more than its parts.
- To maintain strict control over risks.
- And to continue to improve customer service.

“I have full confidence in our performance in these four fronts, which is why I am optimistic about the performance of Banco Santander,” he said. “Our Group is the right size to be able to continue to be profitable for our shareholders in the medium and long term. Of course, it is our duty to be alert to opportunities for non-organic growth, but we will never enter into acquisitions just to increase our size.”

Botín, who thanked the shareholders their support and confidence in the bank, insisted at the end of his speech that **“there are many reasons we see the future results of Banco Santander with confidence, with a predictable increase in the value of its shares and dividends.”**

Alfredo Sáenz: “These results prove that our business model works.”

Banco Santander Chief Executive Officer Alfredo Sáenz told the shareholders that he considers the bank’s performance in 2007 to have been “very good,” both in terms of geographical areas and business lines, pointing out that, between the increase in the share price and the dividend, shareholder return came to 8.5%. “This rate of return is much better than that of other international banks. Of the 20 European and North American banks which we use as our benchmark, Santander is one of the only one to have generated a positive return in 2007”.

He also highlighted the first quarter results, which “showed that we continue at full speed, despite a clearly more difficult environment.”

“We achieved good results in 2007 and we will do so again in 2008. These results prove that our business model works,” he said.

Sáenz reviewed the causes of the financial crisis and said that “many banks that we growing as we were did it by taking on more risks and weakening their balance sheets.”

Meanwhile, he said, **“we generated growth by bringing in new customers, improving efficiency and maintaining risk and balance sheet discipline.”**



Sáenz said that “in the last year we hit a turning point” and that “volume, above all in loans, will grow by less than in recent years.” Moreover, he said, “We got used to an environment in which rates fell and then fell some more, so that families and business could take on more and more debt. But that trend won’t be repeated. This is the consensus outlook, but also what common sense tells us: in the coming years, we will live with higher rates of default in most markets.”

“We will thus see lower rates of growth in mature markets and we can not turn to higher risk business to generate growth,” Sáenz said.

Against a backdrop like this, “Only those banks that have a business model that allows them to continue bringing in new customers and gaining market share, that are able to increase their productivity year after year, with discipline in risks, will be able to grow.” He also highlighted the importance of having a presence in emerging markets, and stable sources of funding – Santander’s situation thanks to its retail deposit base – and a solid and well capitalized balance sheet.

Regarding Santander’s Outlook, Sáenz said: “We clearly see in the banking sector lower growth in volumes, more non-performing loans and less business in segments such as global wholesale banking. However, we have other factors we can leverage in our favour: active management of margins, even more focus on costs and growing our market share at the expense of weaker competitors. We continue to maintain our discipline in risk and non-performing loans. Moreover, we have a position in emerging markets that gives us an advantage compared to our international competitors. This is why **we will continue to generate good results in the coming years, well above those of our international competitors.**”

“We have already adjusted our management priorities to take account of the new environment. The speed and flexibility with which we have done are two of the great strengths of our Group, and is one of our great strengths. We can take decisions more quickly than our competitors. So, again: despite the more difficult environment, in which it will be difficult to replicate the growth of recent years, I am confident that we will continue to generate better results than our competitors both in terms of quality and quantity. **We see the most difficult moments of the cycle as an opportunity to continue to grow and to take advantage of the many opportunities we face,**” he concluded.