

Banco Santander first half attributable profit rose to EUR 4.73 billion, up 22% from 2007, excluding capital gains

*The efficiency ratio stood at 40.4%,
an improvement of 4.2 percentage points from a year earlier*

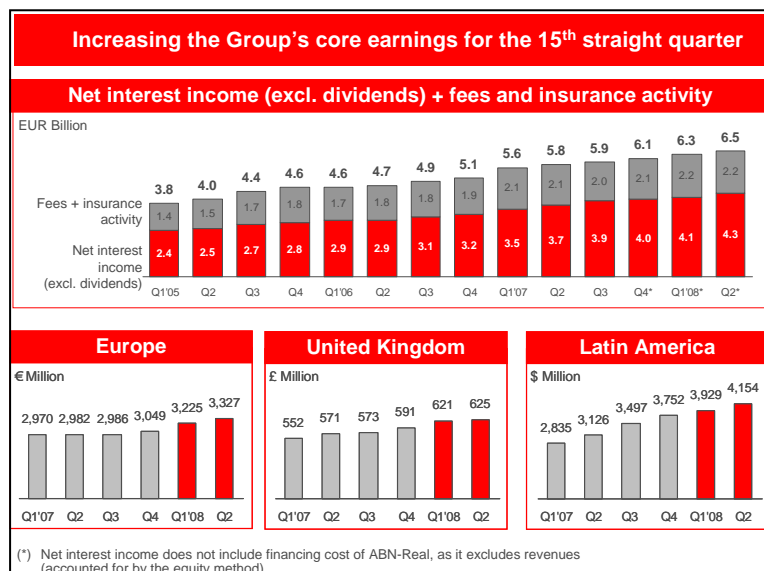
- Profit was driven by growth in revenues (16%) at a rate of growth 3.5 times higher than costs (5%), enabling net operating income to grow 26%.
- The increase in revenue was underpinned by spread management and strong sales, despite a more difficult environment. Loans grew by 8% and deposits by 10%, excluding exchange rate effects.
- Continental Europe registered attributable profit of EUR 2,388 million, with an increase of 13% in commercial units. Loans grew by 10% and deposits by 9%.
- In Latin America, attributable profit increased by 20% in dollars to \$2,171 million, with growth of 20% in loans and 11% in customer resources, measured in local currencies. In euros, attributable profit amounted to EUR 1,420 million (+4%).
- Abbey's attributable profit in pounds sterling amounted to £485 million (+20%), with growth of 12% in retail loans and 7% in deposits in pounds. In euros, attributable profit is to EUR 627 million (+4%).
- The stake in ABN Amro contributed EUR 477 million to the first half results, nearly all generated by Banco Real in Brazil.
- The non-performing loan rate was 1.34% and the coverage rate was 119%. NPLs in Spain stood slightly above one percentage point (1.08%). These rates compare very favorably with the average of the sector in the markets where the bank operates.
- The capital ratios underline Banco Santander's solvency, with a BIS ratio of 11.43% and core capital of 6.32%.
- Second quarter ordinary profit was EUR 2,524 million, a record for Banco Santander.



Madrid, July 29, 2008 - Banco Santander registered attributable profit of EUR 4,730 million in the first half of 2008, an increase of 22% from the year-earlier period, excluding capital gains. This year's second quarter profit amounted to EUR 2,524 million, the highest in the history of the Group for a single quarter, excluding capital gains. In the same period of last year, recurrent profit amounted to EUR 2,074 million, excluding the EUR 582 million in capital gains obtained from the sale of stakes in Intesa San Paolo of Italy and BPI of Portugal.

These results were obtained against a difficult economic and financial backdrop, during which a large number of global financial institutions, with which Banco Santander is compared, have registered losses and announced significant capital increases. In this environment, Banco Santander has increased its ordinary earning per share (EPS) by 14.3%, underlining Banco Santander's management skills.

The financial crisis and the slowdown of certain economies have resulted in slower growth in some markets and increased non-performing loans, which have required greater provisions. These effects have been offset by managing prices to adapt to the situation and stepped-up cost control, as revenues rose by 16%, 3.5 times higher the 5% rate of growth in costs.



Results

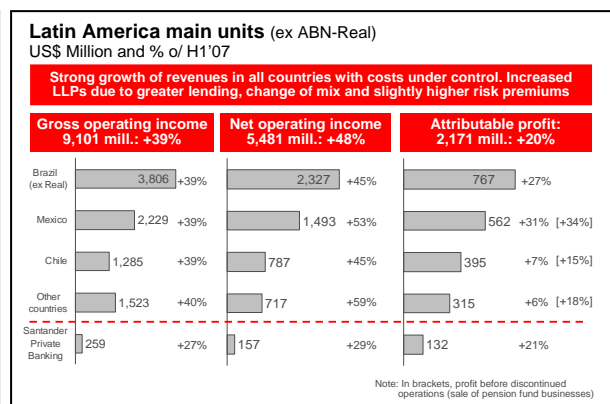
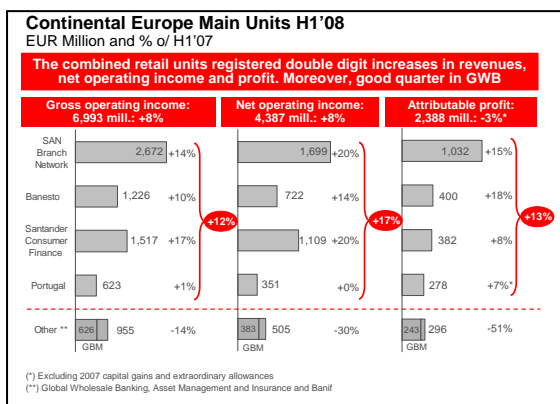
The first half performance confirms the trend in growth in recurrent earnings, typical of commercial and retail banking, in which net interest revenue (excluding dividends), fees and commissions and insurance premiums have increased on a quarter-by-quarter basis for 15 consecutive quarters, in spite of changes in the business environment. Recurrent commercial revenue was EUR 6,500 million in the second quarter, the third consecutive quarter in which it exceeded EUR 6,000 million.

The Bank registered increases in deposits, which grew 10%, and in loans, which rose 8%. A year ago, loans grew 15% and deposits by 8%. At the same time, businesses have focused on spread management, widening spreads on business to 4.15 points in the last quarter compared to 3.75 points a year ago.



This combination of growth in business and active management of asset and liabilities prices enabled Banco Santander to increase first half income to EUR 15,080 million, up 16% from the same period of 2007. At the same time, strict cost control kept growth in costs under 5%, lower than the average inflation in the markets where the Group operates. Costs came to EUR 6,174 million in the half.

The differential between growth of income and costs enabled net operating income to grow 26% to EUR 8,853 million. The increased costs include the expansion of Group's branch network, during the year to June 30th, when it added 124 branches. With the additions, Grupo Santander's network totals 11,216 branches – which will increase to more than 13,000 with the integration of Banco Real in the second half of this year – consolidating Santander's position as the bank with the largest retail bank distribution franchise in the western world.



The revenue and cost performance drove a significant improvement in efficiency. At the close of the first half, costs amounted to 40.4% of total revenues, an improvement of 4.2 percentage points from a year earlier and almost nine points since June of 2006, when the efficiency ratio was 50%. In Spain, the Santander branch network and Banesto combined efficiency ratio improved to 37%; Latin America, 37.7%, and United Kingdom (Abbey) continued its improvement to 46.7%. Abbey's costs came to 70% of revenues in 2004, the year Santander acquired the bank.

Strong growth in net operating income was accompanied by an increase of 65% in loan-loss provisions, which amounted to EUR 2,475 million. This increase is linked to the worsening of the environment, growth in business, and a change in the business mix to more profitable sectors. Even with these provisions, attributable profit grew 22%, to EUR 4,730 million. The profit for the half-year was entirely recurrent, as no extraordinary capital gains were registered in the period.

By geographical areas, Continental Europe recorded net income of EUR 2,388 million, a decline of 3% from the same period last year due mainly to the smaller contribution of wholesale banking as a result of the reduction in corporate transactions in Spain. Retail units grew 13%, to EUR 2,092 million.

Abbey's profit increased 20% in pounds, to £485 million (EUR 627 million, up 4%) thanks to an 11% rise in revenues whilst costs remained stable (up 2%). Thus, Banco Santander's profit in Europe amounted to EUR 3,015 million, 64% of total Group profit.



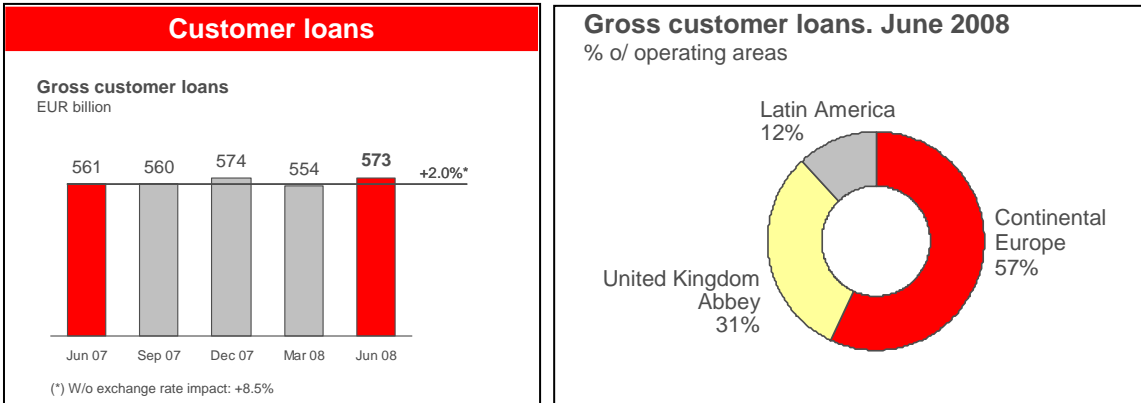
In Latin America, attributable profit grew 20% in dollars, its operating currency, to US\$2,171 million, exceeding for the first time US\$2 billion profit in a single half year. In euros, attributable profit rose 4% to EUR 1,420 million. The greatest contribution was made by Brazil, where profit rose by 27%, to US\$767 million (EUR 501 million), followed by Mexico, with an increase of 34% to US\$562 million (EUR 367 million) and Chile, where attributable profit increased by 15% to US\$395 million (EUR 259 million).

By businesses, retail banking registered ordinary pretax profit of EUR 4,858 million, up 9%. Growth was affected by the depreciation of the pound and the dollar against the euro, as Latin America's retail banking profit grew by 24% in dollars and the UK's retail banking activity increased 21% in pounds, and stands at 8% and 6%, respectively, in euros. However, a large part of this negative exchange rate effect is offset by the Group's financial transactions, including centrally-managed coverage of interest rate fluctuations.

Global Wholesale Banking registered a pretax profit of EUR 1,135 million, down 22%, reflecting exceptional revenues generated by large corporate transactions during last year's first quarter. Second quarter pretax profit this year, at EUR 543 million, is little changed from the EUR 576 million registered in the second quarter of 2007. Asset management and Insurance pretax profit amounted to EUR 295 million, practically the same as last year, with mutual funds affected by flows into deposits as well as the market situation.

Business

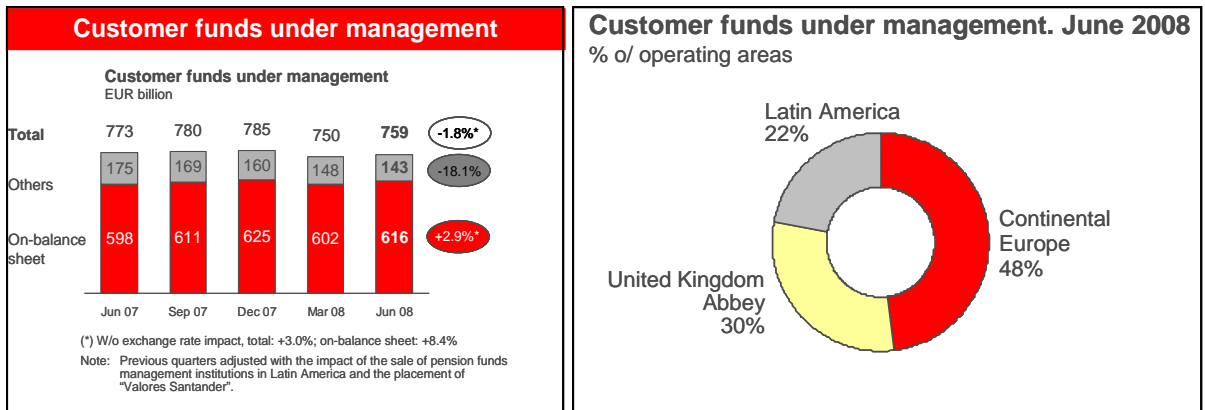
Santander concluded the first half of 2008 with EUR 1,050,928 million in funds under management. Of these, EUR 918,332 million are on the balance sheet, up 4%. Excluding the effect of the depreciation of certain currencies, Santander grew 8% in lending and 10% in deposits.



Group gross lending was EUR 572,624 million at the end of June 2008, up 2% in euros and 8% excluding the effect of the dollar's and the pound's depreciation. Continental Europe accounted for 57% of this lending, the United Kingdom (Abbey) 31% and Latin America the remaining 12%.

In Continental Europe, lending grew by 10%, to EUR 319,677 million, with increases in all countries and units. In Spain, the Santander branch network grew 6% and Banesto 11%.

Loans to the residential sector, which basically reflect the lending business in Spain, rose by 9%. Lending with real collateral, mainly mortgages, grew 6%. In Portugal, Santander Totta grew 10%.



Santander Consumer, which grew lending by 13%, continued its expansion, both organic (branch openings in Germany and Italy) and through selective acquisitions. Santander agreed during this year to acquire General Electric Money's consumer finance and cards businesses in UK, Germany, Austria and Finland, with a portfolio of EUR 9,100 million. Moreover, Santander Consumer agreed to acquire Royal Bank of Scotland's EUR 2,200 million consumer finance loan portfolio in Germany, Netherlands, Belgium and Austria. These businesses will be integrated in the Group's accounts during the second half of the year, following completion of the acquisition.

Loan volume in Latin America came to EUR 69,375 million, an increase of 9% in euros and around 20% in local currencies. Brazil and Chile grew by 21%, while Mexico rose 16%.

Abbey continued its restructuring, closing the first half of the year with loan volume of EUR 170,945 million. Mortgage lending grew 13%, to a balance of £118,700 million. Net mortgage production amounted to £8,300 million, compared to £3,600 million registered in the same period of last year.

At the close of the first half of the year, the non-performing loan rate was 1.34% compared to 0.83% a year earlier. The coverage ratio stood at 119%, down 50 points. The Group's loan-loss provisions amount to EUR 10,212 million, of which EUR 6,292 million were generic, which has continue to grow as a consequence of the growth of the business.

The non-performing loan rate continued below 1% in the UK (0.70%) and in Spain, where the Group's businesses (the Santander branch network, Banesto, Santander Consumer Finance, OpenBank y Banif) have a non-performing loan rate of just over one percent point (1.08%). The businesses in Latin America have an NPL rate of 2.16%. The non-performing loan rates of the Group are well below the average of the financial sector in all markets where it operates.

The Group's total customer funds under management came to EUR 758,562 million at the end of June 2008. This figure was affected by the sale of the Latin American pension fund management companies, the effect of the dollar and the pound's depreciation, and the



placement of EUR 7,000 million of Valores Santander in October 2007. Excluding these effects, funds under management rose 3%.

Continental Europe accounted for 48% of the Group's total customer funds under management with EUR 302,764 million. On-balance managed resources rose by 8%, with an increase of 9% in deposits, while off-balance resources drop 24%, overall due to the fall of mutual funds. In Spain, the Santander branch network grew 20% in deposits, including Valores Santander, and Banesto, 19%. In Portugal, Santander Totta grew 16%, with a focus on medium-term deposits.

Customer funds in Latin America amounted to EUR 138,357 million, growth of 11% excluding exchange rate effects and the sale of the pension fund business in the region, which had assets of EUR 18,564 million. In deposits, Brazil grew 36%, Chile 20% and Mexico 9%.

Abbey ended the quarter with EUR 184,382 million in customer funds. Deposits grew 7%, whilst mutual funds were down 21% due to the finalisation of an institutional customers' temporary management agreement.

The ABN AMRO acquisition

On May 29th, 2007, Banco Santander, together with the Royal Bank of Scotland (RBS) and Fortis, announced its intention to put forward an offer to acquire ABN AMRO. The offer was made on July 20th last year. The three banks offered EUR 35.6 in cash for each ABN Amro share, as well as 0.296 new shares of RBS.

Santander's investment in its share of the ABN Amro assets came to near EUR 21,000 million. This investment was reduced by EUR 10,100 million as a result of the sale of Antonveneta, Interbanca and of a small consumer finance company in the Netherlands. Santander has also acquired from RBS the global clients portfolio in Brazil, and from Fortis asset management activities in Brazil.

The Netherlands Bank issued a Declaration of No Objection for the global separation of ABN AMRO businesses last March 4th and an individual one for Banco Real on July 22nd. The Central Bank of Brazil in turn authorised on July 23rd the purchase and subsequent integration of Banco Real in Grupo Santander. This acquisition took effect on July 24th. The investment in the acquisition of Banco Real comes to about EUR 11,000 million.

Recommended acquisition of Alliance & Leicester

On July 14th, Banco Santander and Alliance & Leicester agreed the terms of a recommended offer by Santander for all the capital of the British bank. Under this offer, Alliance & Leicester's shareholders would receive one Santander share for every three of their bank. As at announcement, this exchange valued Alliance & Leicester at £1,259 million, a premium of 36.4% to the A&L share price on the last business day before the offer was announced.

In addition, A&L plans to declare an interim dividend of 18 pence in cash per A&L share prior to completion of the transaction.

The acquisition is conditional on, among other things, the approval by general meetings of shareholders of both banks, planned for September, as well as the UK High Court, British and Spanish regulators and the relevant antitrust authorities.



The share and the dividend

Banco Santander's eligible capital came to EUR 53,243 million at the close of June, with a surplus of EUR 15,975 million above the required minimum. With this capital base, the BIS ratio, measured with criteria of Basel II, stands at 11.43%, Tier I at 7.88% and core capital at 6.32%. These ratios underline Santander's capital strength.

The Santander share ended the first half of 2008 at EUR 11.67, a decline of 14.8% from the price at the end of June 2007, a better performance than the average of the market and the bank indexes. At June 30, 2008, Santander's market capitalization came to EUR 72,988 million, which made Santander the leading bank in the eurozone by market capitalization and the sixth in the world.

The Board of Directors has approved a total dividend against 2008 results which will be paid next August 1st. The amount of this dividend is EUR 0.135234 per share, 10% higher than the one distributed last year against 2007 results.

Grupo Santander's shareholder base comes to 2,255,266 shareholders. Some 131,153 persons work in the Group, serving 65 million customers in 11,216 branches.

For more information: www.santander.com

Income statement					
Million euros					
	H1 '08	H1 '07	Variation		
			Amount	%	
Net interest income (w/o dividends)	8,175	7,130	1,045	14.7	
Dividends	315	284	31	10.9	
Net interest income	8,490	7,414	1,076	14.5	
Income from companies accounted for by the equity method	614	160	454	284.2	
Net fees	4,128	4,049	79	1.9	
Insurance activity	180	167	14	8.2	
Commercial revenue	13,412	11,789	1,623	13.8	
Gains (losses) on financial transactions	1,668	1,197	471	39.4	
Gross operating income	15,080	12,986	2,094	16.1	
Income from non-financial services	59	77	(18)	(23.5)	
Non-financial expenses	(36)	(41)	5	(12.7)	
Other operating income	(76)	(69)	(7)	—	
Operating expenses	(6,174)	(5,906)	(269)	4.5	
General administrative expenses	(5,559)	(5,284)	(275)	5.2	
<i>Personnel</i>	(3,325)	(3,122)	(203)	6.5	
<i>Other administrative expenses</i>	(2,234)	(2,162)	(72)	3.3	
Depreciation and amortisation	(615)	(622)	7	(1.1)	
Net operating income	8,853	7,048	1,805	25.6	
Impairment loss on assets	(2,544)	(1,521)	(1,023)	67.3	
Loans	(2,475)	(1,497)	(977)	65.3	
Goodwill	—	—	—	—	
Other assets	(69)	(24)	(46)	192.4	
Other income	(211)	(222)	12	—	
Profit before taxes (w/o capital gains)	6,099	5,305	794	15.0	
Tax on profit	(1,109)	(1,223)	113	(9.3)	
Net profit from ordinary activity	4,990	4,082	908	22.2	
Net profit from discontinued operations	3	63	(60)	(95.9)	
Net consolidated profit (w/o capital gains)	4,992	4,145	848	20.4	
Minority interests	262	268	(7)	(2.4)	
Attributable profit to the Group (w/o capital gains)	4,730	3,876	854	22.0	
Net extraordinary capital gains and allowances	—	582	(582)	(100.0)	
Attributable profit to the Group	4,730	4,458	272	6.1	

Customer loans					
Million euros					
	30.06.08	30.06.07	Variation		31.12.07
			Amount	%	
Public sector	6,574	5,640	933	16.5	5,633
Other residents	233,521	213,526	19,995	9.4	227,512
Commercial bills	15,954	17,423	(1,469)	(8.4)	18,248
Secured loans	125,889	118,639	7,250	6.1	123,371
Other loans	91,678	77,464	14,214	18.3	85,893
Non-resident sector	332,529	342,129	(9,600)	(2.8)	341,027
Secured loans	199,623	198,927	696	0.3	199,316
Other loans	132,906	143,201	(10,296)	(7.2)	141,711
Gross customer loans	572,624	561,295	11,328	2.0	574,172
Loan-loss allowances	9,522	8,610	912	10.6	8,695
Net customer loans	563,101	552,686	10,416	1.9	565,477
Pro memoria: Doubtful loans	8,455	5,320	3,135	58.9	6,070
Public sector	1	1	(0)	(2.4)	1
Other residents	3,439	1,374	2,065	150.3	1,812
Non-resident sector	5,015	3,945	1,070	27.1	4,257

Customer funds under management					
Million euros					
	30.06.08	30.06.07	Variation		31.12.07
			Amount	%	
Public sector	11,742	12,509	(767)	(6.1)	15,239
Other residents	109,450	96,497	12,953	13.4	103,772
Demand deposits	51,123	53,284	(2,160)	(4.1)	53,779
Time deposits	40,414	26,973	13,442	49.8	31,007
REPOs	17,913	16,241	1,672	10.3	18,986
Non-resident sector	221,067	224,971	(3,904)	(1.7)	236,693
Demand deposits	111,439	121,699	(10,260)	(8.4)	117,699
Time deposits	83,623	73,479	10,144	13.8	78,287
REPOs	22,788	27,675	(4,887)	(17.7)	37,538
Public Sector	3,217	2,117	1,099	51.9	3,168
Customer deposits	342,259	333,977	8,282	2.5	355,704
Debt securities	239,257	239,149	108	0.0	233,634
Subordinated debt	33,965	31,828	2,137	6.7	35,670
On-balance-sheet customer funds	615,481	604,954	10,527	1.7	625,009
Mutual funds	104,210	133,774	(29,564)	(22.1)	119,211
Pension funds	11,324	31,629	(20,305)	(64.2)*	11,952
Managed portfolios	17,062	20,809	(3,747)	(18.0)	19,814
Savings-insurance policies	10,484	8,520	1,965	23.1	9,009
Other customer funds under management	143,080	194,731	(51,651)	(26.5)	159,986
Customer funds under management	758,562	799,685	(41,123)	(5.1)*	784,995
(*).- Without impact of the sale of pension funds management institutions in Latin America, pension funds: -2.3%; customer funds under management: -2.7%					
Shareholders' equity and minority interests					
Million euros					
	30.06.08	30.06.07	Variation		31.12.07
			Amount	%	
Capital stock	3,127	3,127	—	—	3,127
Additional paid-in surplus	20,370	20,370	—	—	20,370
Reserves	28,212	16,879	11,334	67.1	23,458
Treasury stock	(50)	(109)	59	(54.1)	(0)
On-balance-sheet shareholders' equity	51,660	40,267	11,393	28.3	46,955
Attributable profit	4,730	4,458	272	6.1	9,060
Interim dividend distributed	—	—	—	—	(1,538)
Shareholders' equity at period-end	56,390	44,725	11,665	26.1	54,478
Interim dividend not distributed	(846)	(769)	(77)	10.0	(2,532)
Shareholders' equity	55,544	43,956	11,588	26.4	51,945
Valuation adjustments	(2,126)	1,886	(4,013)	—	722
Minority interests	2,335	2,304	31	1.3	2,358
Preferred securities	483	664	(181)	(27.3)	523
Preferred securities in subordinated debt	6,901	7,365	(464)	(6.3)	7,261
Shareholders' equity and minority interests	63,137	56,175	6,961	12.4	62,810
Computable capital and BIS II ratio					
Million euros					
	30.06.08				
Core capital	29,428				
Basic capital	36,713				
Supplementary capital	23,030				
Deductions*	(6,499)				
Computable capital	53,243				
Risk-weighted assets	465,859				
BIS II ratio	11.43				
Tier I (before deductions)	7.88				
Core capital	6.32				
Shareholders' equity surplus (BIS II ratio)	15,975				
(*).- Mainly corresponding to the stake in RFS Holdings, recorded by the equity method. This company holds the businesses acquired from ABN AMRO until their definitive separation and subsequent incorporation into the Group by global integration.					