

**DSW/EUROFINUSE**  
**International Investors' Conference 2012**  
**Address by Mr. Manuel Soto**  
**Wiesbaden, 4<sup>th</sup> December 2012**

Good afternoon.

First of all, I would like to thank the German minority shareholders' association and EuroFinuse for inviting Banco Santander to participate in this round table.

At Santander, we value enormously the work being undertaken by both institutions in defending shareholders and investors, both in Germany and Europe in general.

Since it was founded in 1857, Banco Santander has always been committed to its shareholders.

Today, Santander has over 3.3 million shareholders. It is the international bank with the largest number of minority shareholders in the world.

Furthermore, the composition of our shareholding is highly diversified geographically speaking. In Spain, we have

1,300,000 shareholders, and in the U.K. alone, nearly 1,700,000.

Banco Santander's firm and clear commitment to protecting the rights of its shareholders is reflected in the significant action we have taken in recent years, in many cases ahead of regulatory changes, being convinced at all times that it was best for the Bank and also for our shareholders.

However, before describing this action in more detail, and with due regard for the main characteristics of the Bank, which I will refer to later, I would like to give you a brief outline of Banco Santander which will help put everything into context.

Santander is the world's third leading bank in terms of profit before provisions. With respect to stock market capitalization, it is also the leading bank in the eurozone and number fourteen in the world.

Recently, Santander was voted the best bank in the world by the publication Euromoney. This is a reward for our way of banking, which has proved successful even in the worst possible scenarios and may prove to be the most efficient and profitable model once the crisis is over.

In this context, I consider it important to highlight certain actions:

- In 2003 we were the first Spanish company to eliminate all restrictive clauses from our bylaws. We thus introduced the “**one share, one vote, one dividend**” principle: all Santander shares are equal and grant identical rights to their holders.

- We have always encouraged the **participation of shareholders at General Meetings**, with initiatives such as the possibility of remote attendance and electronic voting, or the delegation of votes to a non-shareholder.

- We have also been pioneers in transparency, a vital component in the generation of confidence and security in the markets. And this is especially the case with respect to **compensation**. In 2002 we were the first institution in Spain to provide a detailed individualized breakdown of Director remuneration, including that of our Executive Directors.

- We have a sound and transparent corporate governance, in line with the interests of our shareholders.

- And let us not forget our dividend policy. The complicated international scene has motivated a strong downturn in the earnings of world banks, resulting in a generalized lowering of shareholder remuneration in the form of dividends.

In 2011 Banco Santander paid its shareholders 0.60 euros per share, totalling 5,260 million euros - 5.2% more than in 2010.

For Santander, the dividend is a priority. Since 2008 we have paid our shareholders nearly 23,000 million euros. We have maintained our remuneration, even at time of crisis.

Banco Santander has proved its ability to become stronger during the crisis, increasing its capital and managing its liquidity well, and has not required public aid in any country where it is present. And this has been possible thanks to the confidence that our shareholders have placed in us – the best recognition of our efforts and our commitment.

#### **HISTORY OF THE BANK AND THE SANTANDER MODEL**

We have arrived where we are today after 155 years of history. The story of Banco Santander's international expansion is indisputably a success story. There is no doubt that our business model has contributed to this.

The main characteristics of this model are:

1. Focus on Commercial Banking.

First and foremost, Santander is a commercial bank. Our focus is on the customer and we aim to offer our customers the best financial products and services – those which are most suited to their risk profile.

As of today, we serve 102 million customers through 15,000 branches, which comprise the largest branch network in international banking.

Without doubt, being such a large retail bank makes Santander special and different.

2. Capital strength

Our second guiding principle is that of capital strength and financial discipline. These elements have proved vital

throughout our history and in our performance during the recent crisis.

### 3. Risk management

The third principle of our model is caution and very careful monitoring of risk.

The way in which Banco Santander is weathering the crisis is the best proof of how strict we are in controlling risk.

The entire organization is involved in risk control, from the day-to-day operations in branches to the bank's senior management, its Executive Committee and Board of Directors.

During 2011 the Delegated Risk Committee held 99 meetings, which is proof of the importance we give to appropriate risk management.

Furthermore – and this is very important – the risk function is separate from business.

### 4. Efficiency

Efficiency is the fourth component of our model.

Our IT platform is at the forefront of international banking. This technology, which is common to all our affiliates, helps segment our customers, identify their needs and serve them from multiple channels, as well as measuring the degree of acceptance or obtain information on the profitability of products.

## 5. Geographical diversity

The fifth principal element of our strategy is geographical diversification. This is perhaps the factor that has most distanced us from our main competitors. It is therefore an aspect which I would particularly like to stress.

### **GEOGRAPHICAL DIVERSIFICATION**

In our geographical diversification process, we have paid much attention to where and how we invest.

- Countries with a certain dimension and capacity for growth.

- With transparent financial systems, potential for expansion and which we know well.
- Through institutions where we can add value and generate synergies.
- In retail banking business and
- With the objective of achieving a market share of around 10%.

Today, Banco Santander is the most diversified bank in the world and maintains a perfect balance between mature and emerging markets. It is the only bank with a major presence in three of the G-10 economies (UK, USA, and Germany) and a significant critical mass in ten leading markets.

We are the leading financial franchise in Latin America and hold positions of leadership in the main countries in the region - Chile, Mexico and Brazil.

In 2011 we took a further step in this diversification strategy into markets with strong growth potential and increased our presence in **Poland**, the key country of the so-called “New Europe”, of the Eastern European countries joining the Euro.



As to our position in **developed markets**, three of these are worthy of note:

-. **Spain**, which today accounts for 14% of the Group's profit and is our original market.

-. **The U.K.**, where Banco Santander is one of the country's leading banks. In this market we have seized the opportunities arising from the crisis in order to grow and make headway versus our competitors. The best example of this is that today, seven years after acquiring Abbey, we are a benchmark player in the City of London.

-. And of course, **Germany**.

A Bank such as Santander could not possibly be without a presence in a country such as this. Germany is the largest economy in the eurozone and the European country with the largest number of deposits

Germany is a sound and sure commitment to the future. This has been proved by its robust economic performance in such complex times marked by the global and eurozone sovereign financial crisis.

Germany successfully carried out significant restructuring during the years prior to the crisis, which is now bearing fruit.

Furthermore, the country remains in a strong structural position to face the next cycle with good prospects: the healthy financial situation of its households, companies and public sector, reflected in low levels of indebtedness in these sectors.

Santander has been present in Germany for over 20 years through its consumer finance business, a market sector in which our Bank is a leader.

Precisely, the acquisition of CCBank, 22 years ago, was our first major operation in Europe.

Two years ago we took an important step forward in this country on acquiring the retail banking business in Germany of the Swedish financial institution SEB in order to accumulate experience in this market.

This acquisition added 173 branches to the business, offering service to over 1 million customers, including 10,000 small and medium companies. As a result of this

transaction, Santander doubled its number of branches in Germany and now serves more than 7 million customers in the country.

Acquiring SEB was a strategic operation, as it meant taking a natural step towards the development of commercial banking business.

Today, Germany has become one of our core markets. Santander is a leader in the consumer finance market and Germany's second leading vehicle financing institution.

There can be no doubt that geographical diversification is one of Banco Santander's strengths, as is also our affiliate model.

Each affiliate has its own funding sources and borrows from the market when necessary. All the international affiliates of Santander are independent in terms of capital and liquidity and some of them are public listed companies. Specifically, those of Poland, Chile, Brazil and since September, México. The success of the IPO in the latter country confirms the success of our model: we placed 24.9% of the capital among local and international investors. It was the year's most important transaction in Latin America.

Our three main affiliates in Latin America – Brazil, Mexico and Chile – are among the 100 leading banks in the world by stock market capitalisation.

And last, but by no means least, the final aspect which I consider fundamental: the social responsibility of companies. When a company establishes itself in another country, it should become involved in its growth and development and the social wellbeing of its population. This is Banco Santander's understanding.

Higher education is the pillar on which our CSR policy is based.

For over 15 years, Santander has been developing a programme that is unique in the world in support for higher education. We have cooperation agreements with over 1,000 universities world-wide. We are convinced that this is the best investment for the future that we can make.

In Germany we have agreements with three of the country's most prestigious universities: Heidelberg, Cologne and Frankfurt – Goethe.

In this latter university we signed an agreement just a few months ago, in July. Through this cooperation, the Bank will support the construction of a new space, Welcome Center, which will be offering high-quality services to researchers.

Furthermore, Santander Universidades will contribute funds to support Spanish languages studies at the Institute of Romance Languages and Literature, at Frankfurt. And it will finance 20 international mobility scholarships for study at the University of Frankfurt, sharing this initiative with the German Federal Government.

And finally, I would like to stress the importance of having sound corporate governance, such as Banco Santander's model of good governance, which ensures compliance with best international practices and, as I have already stated, is deeply involved in controlling the Group's risks.

I have been a member of the Board of Banco Santander since 1999. I have also held seats on the Boards of Directors of other companies for many years. I can assure you that much progress has recently been made in this field, and without doubt the major leading companies – such as Banco Santander - have contributed to this by believing in ethics and transparent reporting and ensuring that

corporate principles and values form part of correct conduct.

I would like to conclude my address by thanking you once again for this invitation and wishing you every success in your work in defending the interests of investors and shareholders. Thank you very much.