

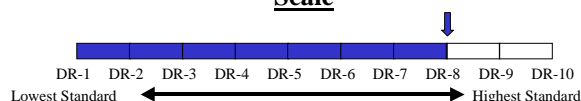
Banco Santander Central Hispano SA

Spain

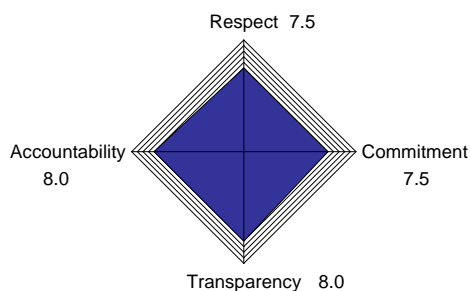
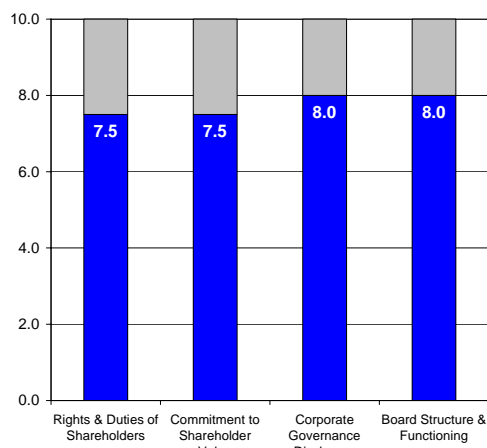
Rating



Scale



Scores for Categories



Summary

Deminor Rating assigns a DR 8.0 to Banco Santander Central Hispano SA (hereafter also the "Bank" or "SCH"). This Rating reflects the superior overall performance of the company regarding its current corporate governance structures and functioning.

Banco Santander Central Hispano SA is one of the leading corporate governance actors in Continental Europe and performs particularly well on its disclosure standards and in its board functioning.

Methodology

Deminor Rating was appointed by the board of the Bank to assess its current corporate governance structures and workings. Deminor Rating conducts its analysis from a standpoint of independence and objectivity. The rating is based on public and non-public information provided by the Bank, as well as on "one-on-one" interviews with senior management and members of the board of directors.

The Corporate Governance Rating is pursued with reference to Deminor Rating's standards (hereafter, "the Standard"). The Standard is established according to a methodology based on internationally recognised corporate governance standards, developed and continuously updated with major institutional investors who act as opinion leaders in the field of corporate governance. The Standard places Deminor Rating in a unique position to assess the corporate governance practices of companies and ensures that the services conducted by Deminor Rating are closely tied to market expectations.

The Rating & Investor Report is based on current information provided to Deminor Rating until 7 April 2005. The Rating & Investor Report may be changed, suspended or withdrawn as a result of changes in or unavailability of such information.

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Executive Summary

1. Rights & Duties of Shareholders

For this category, the Bank scores 7.5 out of 10.

Banco Santander Central Hispano fully complies with the one share – one vote – one dividend principle. The Bank has issued one type of ordinary share that grants equal rights to all shareholders. The same applies for the issued American Depository Receipts (ADRs). A former voting right ceiling of 10% has been eliminated in 2003.

Confined to the Spanish legal system the Bank submits all key shareholder issues to the annual general meeting (AGM). A report by the Appointments and Remuneration Committee (ARC) covering remuneration issues is published together with the 2004 annual report. However, a remuneration report or policy is not presented to shareholders in form of a separate voting item.

Confined to Spanish law that does not foresee the filing of items or counter-proposals to the agenda, the Bank does not fully meet investor expectations with respect to shareholder proposals. The Bank partly compensates the limits of law through a pro-active stance encouraging wide shareholder participation. It performs fairly towards investor expectations on voting procedures and methods. Proxy delegation is restricted to another shareholder including board members. Time for the completion of voting procedures is sufficient.

The Bank has an extensive possibility to increase the share capital whilst excluding pre-emption rights. Practice has shown that in the last years negligible amounts of shares have been issued for which pre-emptive rights were waived. An exception was the capital increase of 30% in connection with the acquisition of Abbey national.

2. Commitment to Shareholder Value

For this category, the Bank scores 7.5 out of 10.

There are a number of financial stakeholders with different interests and links with the Bank. The Botín family is represented with around 2.04% of the share capital as one of the largest shareholders and holds 4 out of the 19 board seats. The family could potentially exercise a strong influence on the Bank's operations via tacit agreements between itself and other shareholders and board members due to the respect and connections it wields as a successful banking dynasty. There is no indication that long-term interests of stakeholders should deviate from that of shareholders.

Non-executive director (NED) compensation is restricted to a clear fee structure that incentivises attendance and remunerates additional commitment fairly. Executive and top management have a well-benchmarked fixed and variable pay policy, featuring among others an abandonment of stock options; some pension obligations of top executives that may be considered by some market observers as rather high; and a number of indemnity and change of post/control provisions granting increased protection to some executives that are not in line with investor demand.

3. Disclosure on Corporate Governance

For this category, the Bank scores 8.0 out of 10.

The Bank achieves a very high standard of corporate governance reporting and disclosure. Documents considered crucial for the understanding of the Bank's business, structures and performance are promptly available on the corporate website in English.

The Bank aims to convey to its stakeholders that proper corporate governance is followed in its operations. This is demonstrated in its communications efforts and in its comparatively high transparency standards when compared to European market practice.

The detailed shareholder structure reflects the Bank's awareness of its shareholders. Information regarding the nature of the Bank's ties with its strategic shareholders is only disclosed for one (RBS) out of five strategic shareholders.

According to the published documents, the Bank is an active corporate citizen in the field of cultural and community activities with a particular focus on the academic world and the integration of environmental practices at all levels of the organisation. Information on the external auditors is strong.

The disclosure on board remuneration, with the exception of the current stock option plans, is clearly above European average. Executive pay is very well disclosed for board members per member, which also includes pension obligations. The existence of severance payments is disclosed. The executives subject to this right and the detailed policy behind the payments are not disclosed.

The Bank's disclosure on its Board and committees gives insight into their composition, functioning, powers and duties as well as the workload in terms of number of meetings held and time spent.

4. Board Structure and Functioning

For this category, the Bank scores 8.0 out of 10.

All members of the board of directors are elected by shareholders at the general meeting. There is currently no age limit imposed on board members. With 19 members the board would be regarded as too large according to market standards. The board delegates its functions on a more detailed level to the 10 member executive committee which is composed of 5 NEDs and 5 executive directors from the board of directors and meets weekly.

The board of directors reflects a sound composition of members from a diverse and high calibre professional background. The Board is characterised by an adequate balance of 5 executives and 14 non-executive directors. A minority of 5 independent directors (according to Deminor Rating's standards) among the 14 NEDs counterbalances the powerful role of the executive chairman, the CEO and the remaining non-executive directors.

The board of directors of the Bank has given credible examination powers to the Audit and Compliance Committee, which is chaired by an independent chairman, composed of NEDs only with a majority of independent members. The committee is active in pursuing its work responsibly.

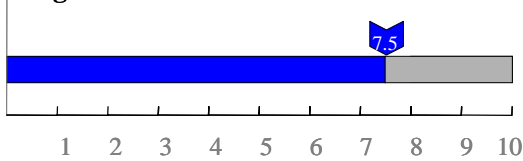
Deminor Rating's analysis revealed a clear involvement of the board of directors in the strategy-making process.

All board nominations go de facto through the Appointments and Remuneration Committee (ARC) before being submitted to the general meeting. No systematic profiling of the board as a whole or regular formal evaluation of directors exists. The ARC also takes care of the Bank's overall pay policy for board members and top management. It is composed of 100% non-executive directors of whom 40% independent.

According to Deminor Rating's analysis, the Bank operates via a clear and transparent governance structure with the chairman playing a key role in the board's responsibilities. An active, open, determined and yet fair decision-making process seems to take place on board level. Conflicts of interests are well handled.

1 Rights & Duties of Shareholders

Rights & Duties of Shareholders



1.1 One Share – One Vote – One Dividend Principle

Banco Santander Central Hispano fully complies with the one share – one vote – one dividend principle. The Bank has issued one type of ordinary share that grants equal rights to all shareholders. The same applies for the issued American Depository Receipts (ADRs). The former voting right ceiling of 10% has been eliminated in 2003.

The Bank has installed one type of share with equal voting and dividend rights. No multiple voting rights or non-voting shares have been created or sold on the market.

There are no other systems set up that could further distort the 'one share – one vote' principle: no ownership ceilings, no golden shares or priority shares granting specific rights to the holders thereof. The rather common 10% voting right ceiling in Spain has been eliminated in the Bank at the annual general meeting (AGM) of 2003. The American Depository Receipts (ADRs) hold the same rights as the underlying ordinary share. One ADR represents one ordinary share.

The Bank's Share Capital*

Type	Par value (€)	Votes per share	Issued
Ordinary share	0.50	1	6,254,296,579

*Figures are based on data as of 12 November 2004, following a 31% capital increase in relation with the acquisition of Abbey National Plc..

Governance features

- Full adherence to the 'one share – one vote – one dividend' principle
- No non-voting shares
- No multiple voting rights
- No golden or priority shares
- No voting right or ownership ceiling
- No dividend distortions among shareholders
- ADR holds the same right as the underlying ordinary share

1.2 Voting issues

Confined to the Spanish legal system the Bank submits all key shareholder issues to the AGM. However, a remuneration report or a remuneration policy is not presented to shareholders in form of a separate voting item.

The powers of a general meeting are derived from the Spanish Corporation Act (*Ley de Sociedades Anónimas*) and the Bank's articles of association. The latter attributes no issues to the AGM beyond those determined by law. Shareholders' approval is required for the annual and consolidated accounts, dividend allocation, board election, stock option plans, appointment of the auditors, capital decisions such as share repurchase, authorised capital, bond issues and amendments of the articles of association.

The remuneration of the board of directors and the policy of the remuneration components is not an agenda item, neither is it submitted to the general meeting for approval or notice. These matters are attributed by law to the board of directors. However, during the 24 June 2002 AGM, the chairman of the Bank informed shareholders orally about his own compensation. During the AGM of 21 June 2003 reference was made by the chairman to the 2002 annual report where directors' remuneration was disclosed individually. Since the same date, any share-based remuneration will have to be approved by the general meeting, regardless of the beneficiaries, i.e. board members or other Bank employees. At the AGM of 19 June 2004, the Chairman of the Appointments and Remuneration Committee presented the Board's remuneration policy and structure in summary while referring shareholders to the remuneration section of the company's mandatory corporate governance report.

The approval of the fees paid to the auditors for audit and non-audit services, albeit disclosed, is not a separate agenda item. Neither is the new appointment or re-election of board members not presented separately and individually, but in a bundled resolution.

For most of the proposed resolutions, the information at hand (such as the annual report, the agenda and the articles of association) is in English and sufficient to understand the general issues that will be discussed at the general meeting. A much more detailed version of the general meeting agenda however was only available in Spanish for the 2004 AGM. Biographical information on appointed candidates for board elections and a detailed rationale for the authorised capital are limited.

Governance features

- The Bank provides no further issues to the AGM beyond those determined by the law
- Abridged agenda is available in English and on the Bank's website
- Complete version of the agenda only available in Spanish for the 2004 AGM
- For capital increases the Bank makes a special auditors' report available
- Directors are elected in a combined resolution
- No information on the nominated directors before the general meeting itself
- The last year's board remuneration report is mentioned but not submitted for notification to the annual general meeting.

1.3 Shareholder Proposal

Restricted by Spanish law that does not foresee the filing of items or counter-proposals to the agenda, the Bank does not fully meet most investor expectations as far as shareholder proposals are concerned. The Bank partly compensates the limits inherent in the law through a pro-active stance encouraging wide shareholder participation.

Santander Central Hispano follows the Spanish legal framework, which allows shareholders holding 5% of the share capital to call a special general meeting. This holding requirement is below the European median of 10% and thus more favourable to investors.

Except in the case contemplated in the preceding paragraph, filing items on the agenda or counterproposals before the general meeting is not possible according to Spanish law. Shareholders may however send written questions to the board before the AGM, pose questions orally or submit proposals to be voted upon during the meeting. The replies ought to be given during the AGM or within 7 days following the meeting if an immediate answer is not possible. Questions received until seven days before the date of the meeting must be answered in writing before the AGM and made available to all shareholders at the beginning of the meeting. The Bank's chairman himself, the chairmen of the board committees, the corporate secretary or any other expert answer correspondingly with their statutory accordance.

Governance features
<ul style="list-style-type: none"> ▪ Shareholders cannot file items or counterproposals to the agenda of a general meeting ▪ Threshold of 5% of the share capital to call an extraordinary meeting ▪ Strong shareholder input prior and at the general meeting itself, actively encouraged by the chairman ▪ The Bank provides shareholders with all relevant information by mail and via the website

1.4 Voting Procedures & Methods

The Bank performs fair in terms of investor expectations on voting procedures and methods. Proxy delegation is restricted to another shareholder including board members. Shareholders have limited time for the completion of all voting procedures.

The requirement of shareholders holding a minimum of 100 shares alone or in a group to be eligible to vote at the general meeting, either by attending or by appointing a proxy, and to participate in the discussions has been eliminated at the 2004 AGM. Now, shareholders with any number of shares may attend

Technical requirements for voting per proxy or attending the general meeting need to be fulfilled 5 working days prior to

the meeting. Any shareholder that has registered his shares in the central share registry and proves ownership thereof 5 days before the AGM may attend the meeting. Shares do not need to be blocked. Spanish companies must provide their shareholders with a full agenda between 15 and 30 days prior to the general meeting. The Bank adhered to the better practice of 30 days for its 2004 AGM. With the exception of the fact that some individual agenda items might still be filed by the Bank 2 to 3 weeks before the AGM, shareholders have sufficient time to perform an analysis on the proposed resolutions and to fulfill the registration requirements.

The abridged English version of the agenda is available in due time on the Bank's website. As the company released its 2003 annual report in April 2004, and the annual general meeting only takes place in June, shareholders have sufficient time to take notice of the relevant information provided therein.

Explicitly stated in the Bank's articles of association, voting by postal or electronic correspondence is possible. Proxy delegation is limited to another shareholder¹ including board members, or a legal representative. The long distance communication (post, internet, etc.) of representation by a proxy must be communicated to the company 24 hours prior to the day of the AGM. The Bank is currently preparing the possibility to vote via e-mail. Confidential voting towards other shareholders is possible, but not towards the Bank.

Following a negative deduction system, shareholders vote in favour of management if not explicitly stated otherwise. In other words, a blank proxy of a resolution is considered as being voted in favour of management. Dissident votes have to be filed with the notary present at the AGM. All votes cast by shareholders or proxies are counted.

Governance features
<ul style="list-style-type: none"> ▪ Proxy voting is possible but is limited to another shareholder including board members ▪ Votes are cast confidentially towards other shareholders but not towards the Bank ▪ ADR holders can vote shares conveniently through the US custodian bank JPMorgan ▪ Voting by mail or by oriented proxy form that functions as a template to vote via a company representative is possible ▪ Shareholder identification is through a record date ▪ Any shareholder that proves ownership 5 days before the AGM may vote ▪ The annual report is available several months before the AGM

1.5 Equitable Treatment of Shareholders

The Bank has an extensive possibility to increase the share capital whilst excluding pre-emption

¹ As it is now possible to attend the AGM holding one share only, the financial hurdle to attend as a proxy is negligible, although the administrative effort connected to the purchase and registration of one share may still be considered a minor impediment to proxy voting.

rights. Practice has shown in the last years negligible amounts of shares have been issued for which pre-emptive rights were waived. The exception was the capital increase of 32% in 2004 in connection with the occasion of the acquisition of Abbey National.

At the 2003 annual general meeting, the Bank's shareholders authorised the board of directors to increase the company's share capital by up to 50% of the issued share capital, whereby subscription rights can be waived. This authorisation was in force for another 4 years and cannot be used in the event of a hostile takeover. If the authorisation were to be fully executed and pre-emptive rights of existing shareholders waived for the full amount, the voting rights would be diluted by 33.3%. However, the company has been very reasonable in the past four years, with negligible amounts of share issues for which pre-emptive rights have been waived. In addition, at the AGM of 19 June 2004 another authorization was passed that grants the board the authority to increase the share capital within 18 months by EUR 300 million, i.e. approximately 12% of the total current outstanding share capital. This authorization may - unlike the foregoing one - theoretically be used during a takeover period. In relation with the acquisition of Abbey National Plc, the EGM of 21 October 2004 asked shareholders' permission for the exclusion of subscription rights for a capital increase corresponding to 32% of outstanding share capital. A detailed report was presented to shareholders. The capital increase came into effect on 12 November 2004 through the purchase of one Abbey National share for one SAN share. To date, the Bank benefits from a remaining authorisation of 18%.

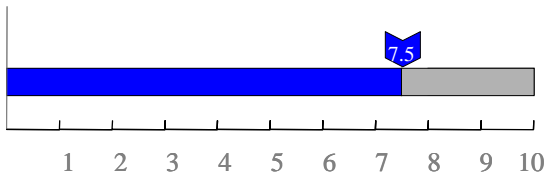
A share repurchase authorisation has been given at the 2004 AGM. It lasts for 18 months for up to 5% of the share capital with a repurchase price range that according to Deminor Rating's standards is a bit too broad (10% tolerance toward the minimum or maximum trading price on the acquisition date).

Governance features
<ul style="list-style-type: none"> ▪ Authorisation to increase capital by 18%, valid for 3 years. (The standard authorisation foresees 50% of which the Bank used 32% for the acquisition of Abbey National Plc. ▪ Exclusion of pre-emptive rights possible for the full amount ▪ Rather general and broad justification for authorised capital use in line with Spanish law ▪ Spanish law excludes use of authorised capital as an anti-takeover device ▪ No unnecessary dilution of existing shareholders in the recent past ▪ Share repurchase authorisation for 18 months for up to 5% of share capital and a deviation from the market price by 10% ▪ No targeted stock placement

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2 Commitment to Shareholder Value

Commitment to Shareholder Value



2.1 Influence of Stakeholders

There are a number of financial stakeholders with a diverse range of interests and links with the Bank. The Botín family is represented with 2.04% of the share capital as one of the largest shareholders and holds 4 out of the 19 board seats. The Botín family could potentially exercise a strong influence on the Bank's operations via tacit agreements between itself and other shareholders and board members due to the respect and connections it wields as a successful banking dynasty. There has been no indication that the long term interests of stakeholders should not be in line with those of all shareholders.

The Bank outlines its shareholder structure in the annual report and regularly discloses updates in investor presentations, which are also available online. Taking the known shareholders and the treasury shares into account (for the current shareholder structure see appendix 3), the Bank has a free float of about 84.3%.

The Bank has a few significant shareholders with whom ties are sealed in form of a board representation, a cross-shareholding or an agreement of co-operation (see table).

Significant shareholders in the Bank

Shareholder	Holding in SCH	Held by SCH	Representatives on SCH's Board	Strategic Alliance & Shareholder Agreements
San Paolo IMI	2.3%	8.7%		--
Royal Bank of Scotland	2.2%	0.0%	0	X ¹
Botín Family	2.0%	0.0%	4	--
Société Générale	2.1%	0.0% ²		X
Sommer Champalimaud ³	0.0%	0.0%		--
Mutua Madrileña Automovilista ⁴	1.2%	0.0%	1	--
Assicurazioni Generali	1.1%	0.0%	1	--
Commerzbank	0% ⁵	3.40%		--
Total	10.9%		6	2

1) Mutual board seats until 2004. The shareholder agreement binding RBS' shares to vote in accordance with the recommendations of the board of SCH is technically still in force

2) Cross shareholding until 2001. The alliance remains without cross-shareholding

3) Held board seat until his passing on 8 May 2004. Stake now scattered and counted to free float.

4) Mr Luis Rodríguez Durón joined the board of the Bank as its representative on 26 April 2004

5) Commerzbank sold its 1.9% non-strategic stake in the Bank on 28 April 2004

X = Yes; -- = No

Average Attendance at GM	45.60%
Core shareholders with either strategic alliance, board representative or c	10.86%
Meaning that they could vote at a general meeting:	23.82%

Royal Bank of Scotland

The strong and active ties between the Bank and the Royal Bank of Scotland (RBS), United Kingdom have been

reduced to a minimum as a consequence of the acquisition of Abbey National Plc by the Bank. RBS' CEO Sir George Mathewson stepped down from the Bank's board. Idem for Mr Emilio Botín, chairman of the Bank as well as Mr Juan Rodríguez Inciarte, executive vice-president of the Bank on RBS' board. The Bank reduced its stake in RBS in consecutive steps from 5.1% to 0%. RBS stake in the Bank of 2.8% has been diluted to 2.16% following the takeover related capital increase. Both entities agreed that any special arrangements with regard to joint ventures and commercial co-operation would cease. The agreement reached back to 1988 and committed both of them to a wide-ranging commercial co-operation. A shareholders' agreement between the two organisations stipulated that voting rights attached to the shares they hold in each other shall at all times be exercised following the recommendations of the respective board of directors in whose company the shares are held. Technically, the agreement is still in place and RBS' stake in the Bank has to be voted in accordance with its provisions. However, conflict of interest situations were not an issue so far, and the areas of co-operation in the past do not seem to have influenced the Bank in a detrimental manner. A similar argument could be brought forward by the market in relation to Banco Español de Crédito, SA, (Banesto) of which 88.6% is owned by Banco Santander Central Hispano SA. Both banks set up strict compliance mechanisms in their Board Regulations, however, to stay out of a conflict of interest situation. Information available to Deminor Rating did not reveal any conflict of interest entanglement between the two banks in the recent past.

San Paolo IMI

San Paolo IMI, Italy, and the Bank are entangled into a cross-shareholding, which, unlike in the agreement with RBS has not been contractually cemented. Thus any company may sell its stake in the other one at any time without prior formal notification of the other party. There are some business agreements in the fields of consumer finance in Italy (joint undertaking Finconsumo SpA²) and the distribution and selling of mutual funds in Spain (joint control of the Spanish undertaking Allfunds Bank). The Bank's stake in San Paolo IMI has recently increased from 7.7% to 8.7%. Even though there might be an informal channel and potential lever to use each other's holdings at each other's general meetings in a manner that is conducive to the ideas of the respective boards, no proof of undue influence can be perceived from San Paolo IMI. On this note it should be mentioned that the Bank teamed up with shareholders of Banco San Paolo IMI to vote as one on the composition of the board of directors of the latter at its April 2004 AGM. Two senior executives and the CEO of

² On 3 March 2003, the Bank reached an agreement with San Paolo IMI to acquire the remaining 50% held by the latter in the joint undertaking Finconsumo SpA. The Bank to date holds 70% of Finconsumo. Pursuant to the terms of the agreement the Bank will acquire the remaining 30% during the year 2004.

the Bank were among the nominees who were subsequently elected into the board of San Paolo IMI. Thus today 3 out of the 17 board members of San Paolo IMI (17.6%) are representatives of Banco Santander Central Hispano.

Botín family

The Botín family holding includes the holdings of all four family members who are part of the board of directors (see appendix 4 for details) and those of the Marcelino Botín foundation. The shares of the Santander Central Hispano foundation are no longer assigned to the chairman, but to the secretary of the board, Mr Benjumea. The foundations purpose is geared towards supporting social, environmental, cultural, artistic and educational projects. Traditionally the foundations have been voting in favour of the board's proposals to the general meeting. The holdings of the Botín family - assumed to be voted in unison - together with the four board seats give the family a good grip over the direction of the board. This influence coupled with a strong personality of the banking dynasty has thus far been favourable to the long-term interests of the Bank's stakeholders. It may however be argued that the board mandates are disproportionate to the holdings of the family. On the other hand, board nominations go through an independent Appointments and Remuneration Committee. Moreover, the board as a whole approved all nominations; and all family members have a sound knowledge in banking and management affairs.

Société Générale

The alliance with Société Générale, France, is intended to create value for shareholders and to improve services to clients by combining certain business areas, launching new products and activities, extending areas of expertise, and where appropriate by developing joint product capabilities. The relationship is currently mostly focused on some asset management activities and in the derivatives and brokerage business. The agreement came into effect in January 2000, was valid for 3 years and has been tacitly renewed for another 2 years. Several termination clauses have been incorporated into the agreement in order to evade conflicts of interest through an alliance. The parties also agreed not to seek to gain control over the other party. The strengths of the alliance has reduced in strategic significance. This is also reflected in the cancelling of the cross shareholding which existed until 2001. An agreement ensures that shares held by Société Générale in the Bank are voted in favour of the board's proposals of the latter. Disadvantages have not been perceived by stakeholders but the current usefulness of this link has diminished.

Antonio de Sommer Champalimaud (hereafter "Sommer Champalimaud")

The stake and board seat of Mr Antonio de Sommer Champalimaud, Portugal, in the Bank originated from the agreement in November 1999 between the Bank and Sheiner Consultoria e Investimentos to acquire the banks Totta & Açores and Crédito Predial Português. The board seat held directly by the former ceased with his passing on 8 May 2004. The stake of Mr de Sommer Champalimaud has been scattered on his heirs which do not pursue an active stance towards their investment. Hence, the former

2.1% stake further diluted through the capital increase of December 2004 is now part of the freefloat.

Mutua Madrileña Automovilista

The tie between Mutua Madrileña Automovilista (Mutua) and the Bank consists of the recently acquired stake of 1.21% by the former in the Bank and the appointment of Luís Rodríguez Durón, an executive of Mutua, as new board member of the Bank in April 2004. Currently there exists no business relationship between the Bank and Mutua, which is a cooperative insurance company that focuses predominantly on car insurance policies. Its portfolio of services includes also life insurance, pension schemes, financial services and real-estate services. The latter two areas may intersect with activities that the Bank is likewise pursuing. However at this stage it is too early to say how potential conflict of interest situations have been dealt with and whether they could turn out to be prohibitive to freely discussing the Bank's financial services activities during board meetings. No strategic agreement exists between Mutua and the Bank. There may be some development of joint services in the future. The Bank has not been informed of any shareholder agreement involvement by Mutua affecting the latter's stake in the Bank.

Assicurazioni Generali

The link between Assicurazioni Generali and the Bank is a historical remnant from a shareholder agreement that existed between Generali and Central Hispano prior to the merger of the latter with Santander. The agreement was linked to a banking and insurance collaboration and gradually discontinued after the merger, which led to the elimination of the direct cross-shareholding. A gentlemen's agreement exists however that a change in stakes in either company is made known to the other. Both the Bank and Generali have a participation in Mediobanca's capital. The Bank holds 1.4% through its fully owned subsidiary Santusa Holding SL and Generali holds 2.0%. Both Santusa and Generali are part of the shareholders' agreement among Mediobanca's shareholders that controls 56.8% of Mediobanca's capital. Since Mediobanca is the major shareholder in Generali (with a 13.6% participation) and traditionally has always ruled the insurance group, the Bank maintains an indirect cross-shareholding with Generali via its holding in Mediobanca. The board seat held by Generali's representative and chairman Mr Antoine Bernheim in the Bank is regularly delegated to the Bank's chairman Mr Emilio Botín. Adding the delegated representations of Mr Bernheim to the Botín family's votes on the board brings the total number of votes to five. This is more than a fourth of the 19 votes that can potentially be cast at a board meeting (not counting the right of a casting vote that the chairman Botín has in case of a tie).

Commerzbank

The Bank's relatively high stake in Commerzbank is a remnant from the year 2000 when Commerzbank was targeted as a takeover candidate. Commerzbank in the meantime has sold its stake in the Bank to free cash flow for other activities. Strategic links had already been loosened by the departure of Dr. Axel von Ruedorffer,

member of the executive board of Commerzbank AG, in February 2001. The Bank has no board seat at Commerzbank and operations of the two banks are observed to be conducted in an independent manner.

Significant Shareholders at the General Meeting

The shareholders described above hold a total of 10.9%. When looking at the 45.6% average attendance at general meetings of the past 5 years, it appears that they could control 23.82% of the votes. There is no reason to believe that the significant shareholders outlined above are automatically inclined to vote in unison pro the Bank's management. Their links with the Bank however, and the respect and shared interest of most of the largest shareholders with the Bank's management would mean that support will in normal circumstances be granted at the general meeting and at board meetings. Thus far consent has not been given in any way by the significant shareholders that could have harmed the long-term interest of the Bank's stakeholders.

External Auditors

The external auditor that was appointed by the board and approved of by the general meeting has gone through a rigorous selection process via the Audit and Compliance Committee. For all but one country Deloitte & Touche was appointed as auditor. For Chile it was decided that PricewaterhouseCoopers would provide the best service in terms of price and quality. For 3 years now the same partners at Deloitte & Touche have been signing the accounts. At the AGM 2004 shareholders decided that Deloitte & Touche will likewise be auditing the 2004 accounts. All partners who certified the Bank's accounts in the past in Spain have moved from Arthur Andersen to Deloitte & Touche. The chairman of the Audit and Compliance Committee of the Bank, Mr Manuel Soto Serrano, has ceased executive position with Arthur Andersen already in December 1998 and the chairman post on Arthur Andersen's Council of World Partners in 1989. The independence of Mr Soto Serrano, the rigorous conflict of interest mechanism provided in the company's regulations, the checks and balances, experience and concern prevalent on both the committee and the board as well as the final approval by the general meeting, constitute strong governance structures to ensure a proper auditing firm selection process.

Governance Features
<ul style="list-style-type: none"> ▪ The Bank has a few significant shareholders who represent around 10.9% of the Bank's share capital and voting rights ▪ The Botín family holds 2.04% of the share capital and 4 out of the 19 board mandates ▪ The commercial co-operation and mutual board seats between RBS and the Bank have been cancelled. The contractual alliance, sealed with a shareholders' agreement between the two entities, is still in force ▪ Société Générale has a contractual alliance with the Bank that is sealed with a shareholders' agreement ▪ 2 significant shareholders, Mutua Madrileña Automovilista and Assicurazioni Generali each hold a board seat ▪ One board member regularly delegates his representation at board meetings to Chairman Emilio Botín ▪ Significant shareholders may vote nearly a quarter at general meetings if voting in unison ▪ Support of significant shareholders can generally be expected ▪ There has been no indication that stakeholders should not be in line with the long term interest of all shareholders ▪ The selection of the external auditing firm is subject to several checks and balances to ensure its independence

2.2 Board & Management Remuneration

The Bank's Appointments and Remuneration Committee is making use of external professional advice to set up a fair and appropriate remuneration policy for both its board of directors and top management. Compensation of non-executive directors (NEDs) is restricted to a clear fee structure that incentivises attendance and remunerates additional commitment fairly.

Executive and top management have a well-benchmarked fixed and variable pay policy, featuring among others an abandonment of stock options; some pension obligations of top executives that may be considered by some market observers as rather high; and a number of indemnity and change of post/control provisions granting increased protection to some executives that are not in line with investor demand.

2.2.1. Remuneration of Board members

The remuneration policy for both non-executives and executives includes:

- an annual cash fee; and
- attendance fees for the board and committee meetings.

The Bank's articles of association provide that the share in the Bank's income for the year to be received by members of the board of directors for discharging their duties will be up to 5% of such income. The board, making use of the powers conferred upon it, set the related amount at approximately 0.2% of the Bank's income for 2002 and 2003. The fixed annual fees thus amounted to a reasonable EUR 65,000 per board member for the year 2002, which

remained unchanged in 2003. These fees had been reduced by 10% from 2001 to 2002. It may be argued that non-executive directors are part of the board and thus in fact co-determine their own annual fees. But in performance terms this right was used responsibly, as can be seen in the voluntary pay reduction. Besides, their pay is disclosed in aggregate and per individual in the annual report. This information is made available by the shareholders prior to the general meeting.

Directors who form part of the executive committee received an annual gross amount of EUR 141,000 in 2002 and 2003 (also 10% below the EUR 157,000 received in 2001 and 2000). From 2002 onwards, the members of the Audit and Compliance Committee have been assigned an additional gross emolument of EUR 32,500.

Attendance fees for board members per meeting are as follows (for non-Spanish residents amount in brackets, which is lower than for Spanish residents who pay a higher withholding tax):

- board meetings: EUR 2,100 (EUR 1,700), and for
- committee meetings: EUR 1,050 (EUR 850)

No attendance fees are paid for the executive committee meetings.

The annual cash fee as well as the attendance fees are reviewed each year by the independent Appointments and Remuneration Committee (see section 4.2.1.3.) and subject to the approval of the whole board, yet not by the general meeting in a separate agenda item.

Governance Features
<ul style="list-style-type: none"> ▪ Adequate fees per member (NEDs) ▪ Attendance to board meetings and commitment in board committees is additionally and fairly remunerated ▪ Cash fees and attendance fees are annually reviewed by the independent Appointments and Remuneration Committee ▪ The remuneration package for non-executives is approved by the whole board, yet not by the general meeting

2.2.2. Remuneration of top management

In addition to the above fees to which all board members are entitled, executive directors serving on the board and top management receive:

- a contractually agreed fixed salary;
- an annual bonus component;
- pension benefits; and
- insurance policies and car.

The annual fixed salary has been determined by the Appointments and Remuneration Committee with support from an external pay consultant. The fixed salary differs from executive to executive and is subject to intense scrutiny through the Appointments and Remuneration Committee.

Top management has been meticulously divided into several levels of salary, competence and responsibility. A market comparison of salaries has been conducted and

several steps have been taken to remedy some discrepancies in Latin America between the Bank's pay policy for top management and that of the rest of the market. The decision on the proposed pay for board executives, including that of the chairman, as well as top management is made by the board of directors with input from the Appointment and Remuneration Committee. The resulting annual base salary just like the remaining pay components have, however, not been submitted for approval by the general meeting in a specific agenda item.

The annual bonus for 2003 depended for 20% on the group objectives and for 80% on the group unit results. The bonus policy for the CEO and other top executives is proposed by the CEO himself to the Appointments and Remuneration Committee in the beginning of the year. The committee discusses the bonus policy in addition to proposing the policy for the chairman and forwards the results of the consultation to the full board for final approval. The board executives' bonus components in 2002 and in 2003 were around 100% and 110% of the fixed compensation respectively. The degree to which executives subject to the bonus policy have reached their objectives to determine the amount of the bonus is evaluated by the Appointments and Remuneration Committee at the end of the year and submitted to the board for a final decision.

New stock option plans are not part of the pay anymore. Although approved by the general meeting, the active stock option plans cannot be considered as best practice as one of the two active plans has been issued at a 7.5% discount and neither plan features an exercise condition that would be linked to the outperformance of any domestic, sector or European peer index. Some 575,000 options still remain exercisable by executive board members. At this stage no long-term incentive scheme (that would tie company performance over a period of 3 years or more with directors' salaries) is installed. Shares potentially obtainable through stock options, however, are negligible compared to the already existing significant share ownership of all executive board members ensuring long term alignment of their interests with those of investors.

A number of executive directors are entitled to pension benefits which differ in amount reflecting different contractual obligations of the Bank agreed on a case by case basis. Pension benefits of the board executives are publicly available. In determining the amount and terms of the pension obligations, a limited comparison with the Spanish banking sector has been undertaken. Some amounts guaranteed to individuals under these obligations seem rather high.

A so-called *Contrato de Alta Dirección* (top management contract) is made available to 29 executives. This contract provides for an increased indemnity protection for the termination of contract depending on a director's seniority. A change of post or control situation is available to 5 out of these 29 contracts, which makes the beneficial director subject to the same rights as under the indemnity protection. The indemnity provision as well as the change of post/control clause could be considered as too generous

by the market and thus be construed as a golden handshake and a golden parachute respectively. Also early retirement provisions under this type of contract are substantially more generous than those available under Spanish law.

Additional benefits are limited to a company car and various insurance policies.

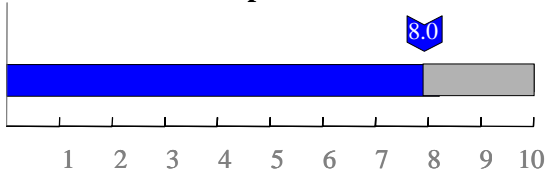
With the exception of the stock option plans, which are not part of the annually attributed pay policy anymore, the general meeting does not approve any of the components of the compensation policy of the executive directors (or top management).

Governance Features
<ul style="list-style-type: none"> ▪ Annual fixed salary has been determined with the help of external consultant against an international benchmark ▪ The annually determined bonus for executives amounts to approximately 110% of the annual base salary ▪ The amount of the annual bonus per executive is determined by the achievement of group and group unit results ▪ No long term performance component is part of the remuneration policy of executive directors at this stage ▪ Significant shareholdings of executive board members ensure alignment of their long term interest with those of investors ▪ Pension obligations, some of which could be regarded as high, differ between directors ▪ Indemnity and change of post/control clauses featured in some executive contracts are not in line with investor demand ▪ The general meeting only approves stock option plans but none of the other pay components at the general meeting in a specifically foreseen agenda item

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3 Disclosure on Corporate Governance

Disclosure on Corporate Governance



3.1 Investor Relations Department

The Bank achieves a very high standard of corporate governance reporting and disclosure. All the documents that are considered crucial for the understanding of the Bank's business, structures and performance are promptly available on the corporate website in English.

The latest accounts are prepared according to Spanish generally accepted accounting principles. The consolidated figures are also available in US-GAAP to comply with the registration rules of the Securities Exchange Commission (SEC) for its US share listing. The company furthermore is intensively involved in preparing a smooth transition of its accounting rules into the soon to be EU-wide compulsory International Financial Reporting Standards (IFRS).

The investor relations department is staffed with seven people, three of whom are responsible for answering investor questions. Phone numbers for both institutional and retail shareholders are provided online together with a general email through which shareholders can request to be registered on a mailing list. Personal contact details however are not disclosed. The investor relations department is run under the auspices of the chief financial officer (CFO). It has a global corporate outreach to country heads and departmental heads. They are consulted, if deemed necessary, in answering investor questions. Next to the IR staff the CFO and the chief executive officer (CEO) himself are regularly involved in providing the domestic and international investor community with insight into the operations of the Bank via investor days and additional one-on-one meetings with institutional investors.

The Company runs an extensive multi-lingual website (Spanish, English, Portuguese, Brazilian) featuring a vast volume of documents and data that can be consulted and downloaded. This ranges from the annual report, share price information, specific remuneration data and the articles of association to press releases, company presentations, important financial dates, the Rules of Procedure of the board of directors of Banco Santander Central Hispano SA (hereafter "Rules of Procedure of the Board of Directors") and a specific corporate social responsibility section. Moreover the Bank publishes a list of main equity and fixed income analysts who report on the Bank and discloses its latest debt ratings. All shareholder

relevant information is thus available online, except for the minutes of the general meeting.

Governance Features

- Application of US-GAAP standards and thorough programme to organise transition to IFRS
- Pro-active IR department with strong multi-lingual communication channels
- Very good disclosure of financial and non-financial documents
- Website section fully dedicated to investors

3.2 Corporate Governance Involvement

The Bank aims to convey to its stakeholders that proper corporate governance is followed in its operations, as is clearly visible in the Bank's communications efforts and in its comparatively high transparency standards when compared to European market practice.

The company includes a report on corporate governance in its annual report, which is also available as a stand-alone document on its website. It outlines among others the Bank's posture vis-à-vis good governance, provides some background on its directors, and the mission and workings of its governing bodies. Furthermore it discloses the participation of its directors in the Bank's capital, summarises the general meeting agendas of the previous year, whilst outlining the agenda of the coming general meeting and informing its shareholders of their rights and the process to attend the general meeting. Extensive information on the share capital is provided together with some notes on the distribution of the capital and individual and relevant shareholdings of foreign institutional investors that are not board members. Information on directors' and top management remuneration is not part of the corporate governance report but is accessible in a specific website section dedicated to corporate governance and is also part of the annual report.

In January 2003 the Spanish market authorities produced the "Report by the Special Commission to Foster Transparency and Security in the Markets and In Listed Companies" which is commonly referred to as the "Aldama Report." The Spanish lawmaker has taken on this recommendations which found its way into the Transparency Law of 17 July 2003 (*Ley de Transparencia*). It requires Spanish listed companies to submit to the Spanish securities market regulator (*Comisión Nacional del Mercado de Valores-CNMV*) for 2004 for the first time an annual corporate governance statement. The Bank does this for its 2003 financial year.

Governance Features

- Clear commitment to adopt good corporate governance
- Corporate governance report included in the annual report as well as a dedicated corporate governance website section
- Adherence to domestic compulsory regulations as regards an annual corporate governance statement

3.3 Capital & Shareholder Structure

The detailed picture of the shareholder structure attests to the Bank's awareness of its shareholder base. It remains silent however as regards the explanation of the nature of the ties between itself and its strategic shareholders.

The distribution of the share capital is clearly disclosed according to regions (per continent), type (board, employees, institutional investors and retail investors) and by number of shares. In addition the total number of shareholders is disclosed as well as the most relevant individual shareholdings of institutional investors. The Bank is explicit in its annual report as regards the absence – according to its best knowledge - of shareholders' agreements among its shareholders. . Even though the Bank is straightforward as regards the disclosure of representatives of strategic shareholders on its board and in identifying significant institutional shareholdings without a board seat, with the exception of the strategic agreement with RBS, it does not comment on the nature and purpose of those shareholdings in an equally informative manner.

The Bank's general meeting agenda discloses the total amount of capital authorisations for share issuance or share buy backs but lacks sufficient detail as regards the use thereof. The 20-F (annual) report prepared in compliance with the SEC's registrations rules includes even less details on the authorisations and the Spanish annual report remains silent. In compliance with Spanish law and standard market practice in Spain, the Bank solely presents a general ex-ante formulation when requesting shareholders consent for authorised capital at the general meeting. Shareholders hereby grant the board the authority to increase share capital up to 50% of the Bank's total capital within a 5 year period (now still 4 years remaining), including the possibility to exclude pre-emption rights for existing shareholders. Detailed explanation, in form of a prospectus to be filed with the CNMV, is only produced shortly before the exercise of the authorisation.

Governance Features

- Full disclosure on the capital structure but few details as regards the planned use of authorised capital
- Very good level of disclosure on shareholder structure with little explanation however as regards the nature of the strategic holdings

3.4 Information on Stakeholders

According to the published documents, the Bank is an active corporate citizen in the field of cultural and community activities with a particular focus on the academic world and the integration of environmental practices at all levels of the organisation. Information on the external auditors is strong.

As outlined in its second Annual Report on Corporate Social Responsibility in 2003 (*the "CSR Report"*) the Bank and its group companies invested in 2003 EUR 71 million, i.e. 16% more than the previous year and constitutes 2.7% of its net attributable income, in social and cultural activities. Around 95% of this amount went to universities. The purpose is among others to provide institutional and economic support to develop teaching and research programmes as deemed beneficial by the respective universities. Among others 6,713 scholarships and professional practices were financed, i.e. more than double the number of 2002. The Bank is holistic in its governance by explicitly stressing the concerns of customers, shareholders, employees, suppliers, the society and the environment and by disclosing its actions that prove its commitment.

Furthermore, the Bank publishes a specific *Environmental Policy* document to emphasise its commitment to incorporate respect for the environment into its strategy and management. This commitment translates into including environmental criteria in the Bank's activity and adopting specific measures aimed at protecting and preserving the environment, which are outlined in the above mentioned CSR report. A specific section is dedicated to CSR on the corporate website as well as in the annual report.

The Bank has implemented an environmental management system throughout the group. It uses the Global Reporting guidelines as a self-assessment tool to verify its performance in matters of social responsibility adjusted to the group's management needs. In the environmental field, targets are clearly outlined and the achieved performance is measured and disclosed.

The composition of the board of directors is clear with regard to the presence of executive directors, non-executive directors (NEDs) and independent NEDs. Independence of NEDs is defined in the Rules of Procedure of the board of directors. However, the Bank is not explicit in the annual report as regards the reason why a non-executive is not regarded as independent.

The company provides all necessary information with regard to the group auditors' identity. Non-audit and audit fees of the main external auditor are disclosed in the annual report. Furthermore - and this is rather exceptional in Europe - the group discloses its revenue share in the auditing firm's total revenues (0.1%) and the group's policy to refrain from contracting an external auditor if the audit fees for all services amounted to more than 2% of the auditing firm's total revenue. Further selection criteria of

the external auditors is outlined in the annual report as well as in the Rules of Procedure of the board of directors. Specific reference is made to the Spanish Law 44/2002 and the Sarbanes Oxley Act in the US. There is no information, however, as regards the rotation policy of the audit partners and of that of the auditing firm. The initial date of the mandate given to the auditors/signing partners is not disclosed by the Bank.

On its website the Bank posts the English full text version of the Securities Markets Code of Conduct and a company specific General Code of Conduct as regards the rules directors and top managers adhere to with respect to preventing possible conflicts of interest, insider trading and undue divulging of privileged information.

Governance Features
<ul style="list-style-type: none"> ▪ The Bank explicitly stresses concerns of multiple stakeholders and discloses its actions to prove its commitment ▪ Environmental criteria permeate the Bank's strategy to protect and preserve the environment ▪ Informative Corporate Social Responsibility report that is self-assessed according to the Global Reporting principles ▪ Independent NEDs are identified ▪ Information is provided to evaluate the NEDs relationship (in terms of independence) vis-à-vis the Bank ▪ Identity of external auditors is disclosed ▪ Audit and non-audit fees are available in the annual report ▪ Total revenue share of the Bank in the auditor's annual revenues is disclosed ▪ Criteria for external auditors' selection are disclosed ▪ Initial mandate and rotation policy of the external auditors are not disclosed ▪ Disclosure of the Codes of Conduct for board members and top management

3.5 Remuneration & Incentive Schemes

The disclosure on board remuneration with the exception of the soon expiring stock option plans as screened by Deminor Rating is clearly above European average. Executive pay is very well disclosed for board members but remains on a rather general aggregate level for top management.

The rationale behind the pay policy for the board members' fixed remuneration is clearly outlined in aggregate figures and per individual for both executives and non-executives. Pension obligations are also available per board member as are "other insurance" fees paid. A position referred to as "other compensation" received by board members is also disclosed per individual without however detailing what this covers.

The variable remuneration policy as regards the attendance fees (*dietas de asistencia*) per board and committee meeting is now clearly outlined in the annual report 2003,, based on the proposal of the Appointments and Remuneration Committee.

A summary picture of the stock options still held by board members outlining the exercise period, the exercise and vesting conditions can be obtained through the Spanish stock market regulator (CNMV) and in summary form in the annual report and in the 20-F report registered with the SEC and accessible via the Electronic Data Gathering, Analysis, and Retrieval system (EDGAR) of the US SEC. There is no information with respect to the granting criteria and other possible performance measures. Apart from the information filed with the CNMV in Spanish, it is not clear how many options directors hold in each stock option plan. The options will expire in December 2005.

The pay for the executive board members is well outlined per individual. The rationale behind the annual variable component however is not disclosed. For 20 senior managers excluding executive directors, an aggregate figure of the fixed salary, the variable component as well as "other compensation" is disclosed. Pension obligations for the current 20 senior managers cannot be identified from the aggregate group obligations. Also the stock option plans described in the 20-F report do not allow for a detailed understanding of who of the senior managers has how many options under which plan.

Loans and credits are disclosed per board member. This is not the case for executives who are not part of the board of directors.

The existence of payments upon termination of employment or severance payments if employment is terminated other than for a just cause are disclosed in the 20-F (annual) report. The executives subject to this right and the detailed policy behind the payments are not disclosed. No change of control or change of post clauses are referred to in the public documents.

Governance Features
<ul style="list-style-type: none"> ▪ Rationale behind the pay policy for the board members' fixed remuneration and attendance fees for board and committee meetings are clearly outlined ▪ Pension obligations as well as "other insurance" fees are available per board member ▪ A summary picture of the stock options still held by board members is available in the 20-F report and in the annual report ▪ Details of the stock option plans can be accessed in Spanish language through the CNMV website ▪ The pay for executive board members is well outlined per individual ▪ The rationale behind the annual variable component for executives is not disclosed ▪ Senior management pay components (excluding executives on the board of directors) are disclosed in aggregate figures ▪ The existence of benefits upon termination of employment is disclosed without identifying the person and exact policy

3.6 Board & Committees

The Bank's disclosure on its Board and committees gives insight into their composition, functioning, powers and duties as well as the workload in terms of number of meetings held and time spent.

3.6.1 Board disclosure

The principles of conduct of the board of directors of the Bank is outlined in the Rules of Procedure of the Board of Directors. These rules outline among others the mission of the board, its composition, its structures and its authority and powers. The interaction with board committees is also outlined, as is the nature of the executive committee. In the Bank's case it is a reduced board of directors that includes both executives and non-executives. The treatment of confidential information and of a conflict of interest situation are briefly dealt with in the Rules as well.

The annual report makes a short reference to those articles that outline the main tasks of the board of directors. It also refers to the full Rules of Procedure for further information.

The number of meetings held as well as the estimated hours spent per director at executive committee meetings is mentioned. The independent nature of each board member is identified, as are his memberships in board committees. Other mandates held by board members are identified but there is no clear differentiation between other executive or non-executive mandates. Little information is however available to assess the independence of most of the members (only short CVs). The attendance rate is not disclosed. A report on the tasks dealt with by the board during the financial year under review is not provided.

3.6.2 Committee disclosure

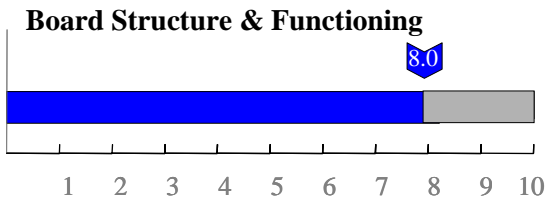
The annual report discloses the committee membership as well as the number of meetings held and estimated time spent per member during the year for each committee. The tasks and functions of all committees are outlined in the annual report. The average attendance rate of committee members is not disclosed.

With the exception of the audit committee and the risk committee whose work in the past financial year can be inferred from the annual report in addition to a separate report of the audit (and compliance) committee, committee reports with respect to their activities during the past year and objectives set for the coming year are not disclosed.

Governance Features
<ul style="list-style-type: none"> ▪ Tasks, duties and rules of procedure for board of directors as well as the committees are well explained ▪ Board members' CVs are too short and lack details as regards past professional posts and academic career ▪ Other mandates held by board members are disclosed, yet it is not clear whether they are executive or non-executive ▪ The number of meetings held and estimated time spent per member are disclosed for both the committee and the board ▪ The attendance rate at both the board and the committee level is not made public

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4 Board Structure & Functioning



4.1 Election & Composition of the Board

4.1.1 Structural adequacy of Board profile

All members of the board of directors are elected by shareholders at the general meeting. Following the cancellation of the age limit of 72 in 2003, there is currently no age limit imposed on board members. Despite recent efforts to reduce the board size, with 19 members the board would still be regarded as too large according to market standards. The board delegates its functions on a more detailed level to the 10 member executive committee which is composed of 5 NEDs and 5 executive directors from the board of directors and meets weekly.

As is the norm in Spain, the Bank has a one-tier board structure consisting of a board of directors composed of executive, non-executive and non-executive independent directors. The board of directors fully delegates its functions to the so-called executive committee, even though the former remains the company's ultimate decision-making entity that outlines the company's strategy and is in charge of taking the most sensitive decisions. Unlike its name may suggest, the executive committee does not only consist of executive directors but also has non-executive and independent members.

The board of directors is made up of a minimum of 14 and a maximum of 30 members. It currently consists of 19 members, and for the moment there is no intention in deviating from this board size. One third of the members of the board are elected each year. The executive committee is composed of a minimum of 5 members and a maximum of 12 members. It currently is comprised of 10 members. The appointment of the board members and, if ever the case, their dismissal is approved by the general meeting. Each member of the board of directors is appointed for a maximum term of 3 years and may be re-appointed for an infinite number of terms.

According to international best practice, the Board with 19 members can be considered as too big, although in general banks tend to have somewhat larger boards, due to the complexity of their business. The bank made efforts to gradually downsize its board from 27 members in 2002 to

reach its current size. Moreover, the argument of size is partly neutralised through the existence of the described executive committee that only has 10 members and which monitors the Bank's activities effectively.

The board scrapped several structural takeover defences at its 2003 AGM, such as special statutory requirements for eligibility for the post of board member as well as that of chairman and vice-chairman.

The two entities that due to contractual agreements were entitled to a board mandate in the Bank ceased to be represented on the board. Following the acquisition of Abbey National, the Royal Bank of Scotland, withdrew their mutual board representatives. Antonio de Sommer Champalimaud, formerly representing his own stake in the Bank passed away. By contrast, Mutua Madrileña Automovilista (Mutua), a new strategic shareholder albeit a small stake of 1.2% in the Bank has nominated Luís Rodríguez Durón, an executive of Mutua, as new board member in April 2004. Assicurazioni Generali's board mandate, historically founded on various contractual agreements, is to date mostly an expression of fostering a well-established and mutually beneficial co-operation.

There is no limitation on the nationality of board members, also the board has currently two foreign nationals as a consequence of the aforementioned co-operation with Assicurazioni Generali and through the nomination of Lord Terence Burns, non-executive chairman of Abbey National on 20 December 2004. Despite the international positioning of the Bank the Board remains largely Spanish in composition. Still, it benefits from a wealth of international know-how, as in addition to its foreign directors some of its Spanish board members have experienced world-wide exposure in their previous professional commitments. Moreover, the board may benefit from the input given by an international advisory board, that consists of well know international business and public figures.

The Board is quite impressive in terms of business experience and background of its high calibre members. This balances off the relative homogeneity of the academic background.

The Bank does not impose an age limit for any executives and non-executives serving on the board of directors, as the formerly existing limit of 72 years was scrapped at the 2003 AGM. The rationale provided was that age in itself is no determining factor for qualification.

The Board is assisted in its audit, nomination and remuneration responsibilities by committees, which have been enshrined in the articles of association. The nomination and remuneration functions are dealt by a combined committee.

Governance Features
<ul style="list-style-type: none"> ▪ All board members are elected by the general meeting ▪ One-tier board structure with a relatively large board of directors comprising 19 members ▪ There is an executive committee within the sphere of the board of directors. Through delegation by the Board, the Executive Board is the Bank's permanent body for administration with general powers ▪ The executive committee consists of executive, non-executive and independent directors ▪ Further management responsibilities are for the most part delegated to the management committee, which is not part of the Board. ▪ All members of the board of directors are elected by the general meeting for 3 years ▪ No age limit for board members ▪ Board members elected by the general meeting can be dismissed at any time by the general meeting

4.1.2 Factual adequacy of Board profile

The board of directors reflects a sound composition of members from a diverse and high calibre professional background. The Board is characterised by an adequate balance of 5 executives and 14 non-executive directors (NEDs). A minority of 4 independent directors (according to Deminor Rating's standards) among the 14 NEDs counterbalances the powerful role of the executive chairman, the CEO and the remaining non-executive directors.

The Bank's board composition*

Board Composition	No.	%
Executive directors	5	26%
Non-executive directors, thereof:	14	74%
==> Independent directors	4	21%
==> Shareholder representatives	5	26%
==> Non-independent non-executive directors*	6	32%

* see also appendix 4

Whereas the company classified six of its directors as independent, Deminor Rating reclassified one as linked to the Bank for holding an executive mandate in an investee company of the Bank. Another director cannot be regarded as fully independent as he currently benefits from a large loan from the Bank (see appendix 4 for complete overview).

Although the role of chairman and chief executive are nominally separated, the chairman holds an executive function and presides the powerful executive committee. He sets the agenda for the board meetings and has a tie vote at board meetings (although according to several board members there has yet been no ground for making use of such right). The chairman is also in charge of the informal evaluation process of other board members. This relative concentration of power is further backed up by the presence of three other family members of the chairman. These are his son Javier Botín Sanz de Sautola O'Shea, non-executive

director that during 2004 replaced his brother Jaime Botín-Sanz de Sautuola y García de los Ríos, non-executive director and first-vice. president (the first vice-presidency has meanwhile be conferred upon Fernando de Asua, an independent director), his daughter, Ms Ana Patricia Botín-Sanz de Sautuola y O'Shea, executive director, member of the executive committee and executive chairperson of Banesto, 88.6% owned by the Bank, and another son, Mr Emilio Botín-Sanz de Sautuola y O'Shea, a non-executive director.

A balancing effect to the board structure is given through the existence of three corporate governance relevant board committees. Of particular importance are the Audit and Compliance Committee (AC) and the Appointments and Remuneration Committee (ARC). Both are composed of non-executive directors only. The ARC has a majority, the AC only 40% independent directors. Both committees' chairmen have an independent status and vast business experience. Neither the executive chairman nor the CEO take part in the committee meetings.

From the information provided it appears that the board members of the Bank do not have an excessive number of outside positions.

Following the AGM of 2002, in order to respond to recent corporate governance trends, the Bank downsized its Board considerably from 27 to 18 members. With the appointment of 3 independent board members the board grew to 21 members and has currently reached 19 members after the departure of the independent board member Mr José María Arburúa Aspizunza on 22 April 2004 and the passing of Antonio de Sommer Champalimaud on 8 May 2004. Juan Abelló, independent director, resigned after Sacyr Vallehermoso announced plans to increasing its stake and appointing several board members in BBVA, the main national competitor of the Bank. Being simultaneously a board member of Sacyr Vallehermoso, his resignation was a consequence of the obvious conflicts of interests.

With a view to the backgrounds of its directors, the Bank can draw on a wealth of technical, international and political experience and expertise from these new independent directors.

Governance Features
<ul style="list-style-type: none"> ▪ A soundly balanced board of directors ▪ Proportion of independent directors below international best practice ▪ The Bank provides its own definition of an independent director in the Board Regulations which are disclosed ▪ Official separation of chairman and CEO positions, although the chairman is an executive with all powers ▪ High calibre board members with proven track-record in banking, business and politics ▪ Fair diversity in terms of nationality, academic background and sector experience

4.2 Functioning of the Board

4.2.1 Board responsibilities and tasks

4.2.1.1. *Control responsibility – Audit and Compliance Committee*

The board of directors of the Bank has given credible examination powers to the Audit and Compliance Committee, which is chaired by an independent chairman, composed of NEDs only. Due to recent changes in the board composition the committee does no longer have a majority of independent members. The committee is active in pursuing its work responsibly.

The board of directors is assisted by a number of committees, including the Audit and Compliance Committee. The Committee is composed of 5 non-executive directors, of which 2, including the chairman of the Committee, can be considered independent. As required by the international investor community, no executive (other than invited guests) participates in the Committee's meetings. Furthermore, the chairman of the Committee has a proven track record in the auditing field as co-launcher of Arthur Andersen in Spain and then Head of Arthur Andersen Europe. The Committee chairman has to rotate every four years. The remaining 4 members have diversified and complementary experience.

The Committee operates according to a charter that outlines its composition, its purpose, its responsibilities and its rules of operation. The Committees' tasks and duties are very complete. It takes on the role of a communication channel between the board and the internal and external auditors and can decide to meet with them without the presence of the executive directors. The Audit and Compliance Committee furthermore supervises the internal auditing process through a tight control on all levels and proposes the designation of the external auditors, while ensuring their independence. There is direct reporting from the external auditors to the Committee, which ensures an effective information flow. In compliance with the Sarbanes Oxley Act, all audit and non-audit services not specifically prohibited must be pre-approved by the Committee. The observance of the Bank's Code of Conduct for Securities Market is another central element of the Committee's work. The Committee can make use of the assistance of outside legal, accounting, financial or other experts. Although training is not a standard tool for the Committee, its members occasionally initiate training workshops to keep abreast with the latest developments. The independent chairman, with assistance from the company secretary, sets the agenda for the Committee's meetings.

At least twice a year, the Audit and Compliance Committee presents a report to the board of directors. During the AGM the Committee is directly responding to shareholders' queries related to its competence, and has the obligation to be generally aware of and respond to initiatives,

suggestions or complaints presented by shareholders. For the first time in Spain, the chairman of an audit committee opened the AGM with an address to the floor.

Banco Santander Central Hispano's Audit and Compliance Committee, which makes non-binding proposals to the board of directors, proves to be quite active; 13 meetings were held during the last financial year and each director dedicated an estimated 60 hours of working time in pursuance of the Committee's duties. The agenda and preparatory information are distributed on time to all committee members.

In the beginning of 2003, the Chairman of the Audit and Compliance Committee submitted to the Board of Directors a report evaluating the efficiency of and compliance with the corporate governance rules of procedure in 2002. One of the committee meetings shall be dedicated exclusively to preparing such information that the board has to approve in the annual corporate governance statement. The latter, based on the reflections of the Olivencia and Aldama codes has become compulsory for Spanish listed companies by ministerial decree as of January 2004.

Governance Features
<ul style="list-style-type: none"> ▪ Adequate size of the audit committee (5 members) ▪ Independent chairman. 40% of committee members are considered independent ▪ No executive takes part in committee deliberations ▪ Pool of highly experienced talents from different professional background ▪ Adequate financial expertise of committee members ▪ Good and timely access to relevant information ▪ Separate report to shareholders as of 2003 ▪ Early agenda setting for recurrent events ▪ Systematic approval of all non-audit services performed by the company's external auditors

4.2.1.2. *Strategic responsibility - Board of Directors*

Deminor Rating's analysis revealed a clear involvement of the board of directors in the strategy-making process.

Banco Santander Central Hispano's board of directors takes a leading role in formulating and approving the general corporate strategy, which is also outlined in the board's mission statement. This function is taken on a more detailed level in the executive committee. In the strategy setting process, the board is supported by the International Committee, an additional board committee with 5 executive and 5 non-executive members. This committee monitors the development of the Bank strategy worldwide, analyses business opportunities and reviews the performance of financial and business investments. In addition, the board can draw on the advice of the International Advisory Board. This Advisory Board is comprised of distinguished international figures from business and politics and provides input through debates and ideas on a global, business and macro-economic scale.

Deminor Rating's analysis revealed that the board of directors as a whole, executive and non-executive members, is quite active in the strategy making process, and that not only in the executive committee. Board members are strongly committed to the successful search for and implementation of company strategy.

Governance Features
<ul style="list-style-type: none"> ▪ The board of directors as a whole deals with the company strategy in an active manner ▪ This strategy-making responsibility is effectively outlined in detail in the executive committee ▪ The board is supported in its strategy finding process by the International Committee, which is a board committee ▪ The International Advisory Board provides additional strategic inspiration on a macro-level

4.2.1.3. Selection and evaluation – the Appointments and Remuneration Committee

All nominations go de facto through the Appointments and Remuneration Committee (ARC) before being submitted to the general meeting. No systematic profiling of the board as a whole or regular formal evaluation of directors exists yet, but is envisaged

Banco Santander Central Hispano deals with matters relating to nomination and remuneration of directors in the so-called Appointments and Remuneration Committee (ARC).

According to the Rules of Procedure of the board of directors, the ARC is responsible for formulating and reviewing the criteria for the Board's composition and for the selection of persons proposed for the post of directors and the working committees. The Committee mainly provides recommendations; its decisions are not binding for the Board.

The Committee consists of 5 non-executives, four of which are considered independent; it is also presided by an independent director. The Committee chairman has served 14 years as a non-executive to the board (of which 9 years on the board of Banco Central Hispano, i.e. the entity with which Santander merged in 1999 to form Banco Santander Central Hispano). According to some market observers the duration of the service may potentially impede his full independence. The Committee chairman was the former president of IBM Spain; the other Committee members are equally high profile individuals with a broad professional background. The Committee in conjunction with the board decides on the short-listing of candidates for board membership. The final approval thereof lies with the AGM. For the time being no standardised directors' profile exists. The selection process is based on credibility and capability of candidates. The absence of standardised procedures gives the risk of nominating on an *ad hoc* basis where the focus is on an individual rather than on the whole board. The Bank so far has proven a good hand in ensuring the commitment of a pre-eminent group of individuals to join

its board. It envisages, nevertheless, to define and formalise a board profile.

With a glance at the central role of the Bank's success story under a charismatic leadership, the absence of any succession plan for both the chairman and the CEO may imply a risk. In the future, speculation surrounding succession may be reinforced by the presence of family board members.

Although the Rules of Procedure of the Board of Directors state that the board shall at least once a year evaluate its performance and the quality of its work, in practice this assessment is rather limited to an overall assessment of the Bank's targets. At the individual level, there is no standardised board members evaluation procedure. Such evaluations only exist on a management level. However, on an informal level, the chairman of the Board has one-on-one meetings, where general feedback is exchanged. The executive board members and the CEO are evaluated with regard to their performance targets set by the ARC and informally by the Bank's chairman. Notwithstanding, the Chairman of the ARC, at the AGM 2004, announced plans for an external evaluation of the board's tasks and functioning.

New directors are not given any official introductory initiation into the company, its products and activities.

With 7 meetings a year and 15 hours dedicated per member, the meeting frequency is satisfying bearing in mind that this figure includes the committee meetings conducted for the purpose of fulfilling its remuneration mandate. The committee also benefits from external viewpoints through invitees from inside or outside the company. The advice from external service providers is not being used for the nomination process. The ARC also participates in the AGM.

Governance Features
<ul style="list-style-type: none"> ▪ The Committee is adequately sized with 5 non-executive members ▪ The functions of nomination and remuneration are dealt with by one combined committee ▪ Four members are independent, including the Committee's chairman ▪ Board evaluation and individual evaluation happen predominately with respect to the executive directors, but have not been formalised yet ▪ No succession plan for the Chairman and the CEO

4.2.1.4. Determining remuneration - the Appointments and Remuneration Committee

The Appointments and Remuneration Committee (ARC) takes care of the Bank's overall pay policy for board members and top management. It is composed of a majority of independent directors.

A remuneration committee had been established at the first board meeting of the new entity of 17 April 1999, ensuing

the merger of Banco Santander and Banco Central Hispano. In 2002 after the end of the co-presidency and with expanded duties regarding appointments, the committee was renamed Appointments and Remuneration Committee (ARC). The ARC proposes to the board the form and amount of the annual remuneration of directors, both in their capacity as directors as well as for carrying out other tasks, such as membership on board committees or executive as well as non-executive positions in group companies.

The Committee's duty is to regularly review the remuneration programmes, aligning them with the directors' performance (for executive directors and top management) and ensuring that the remuneration of directors meets the criteria of moderation and adjustment to the Company's results. Practice showed that the Committee handled this objective responsibly in the past financial years, as board remuneration *de facto* decreased in line with lower Company profits.

The Committee also oversees the transparency in remuneration, the inclusion in the annual report of the remuneration of directors as well as directors' compliance with the Bank's rules on situations of conflict of interests. The ARC does rely on outside advice of independent consultants to set remuneration.

One of the committee's objectives is to ensure that controversial debates surrounding pay are dealt with in a prophylactic and transparent manner. This may deserve special attention after the discussions surrounding the payments to former co-chairman José María Amusátegui and ex-CEO Ángel Corcóstegui.

Initially, Mr José María Amusátegui's retirement bonus and pension, as well as the remuneration and pension rights of Mr Ángel Corcóstegui, were approved by the board of directors at its first meeting held on the same day as the consummation of the merger (17 April 1999). Since the creation of the remuneration committee of the new Bank was approved at this same meeting, the former was not involved in setting the above mentioned arrangements for Messrs Amusátegui and Corcóstegui. In the case of Mr Ángel Corcóstegui, the board - subject to a fairness opinion of the external auditors and relying on the favourable opinion of the ARC - adopted its decision on the final settlement in a manner that was more favourable to the Bank than the conditions initially agreed upon.

The Committee is also aiming to standardise directors' and top management's contracts in order to streamline the terms and conditions thereof in line with market standards. This also puts a limit on potentially detrimental effects for shareholders resulting from contractual obligations related to possible early termination of board memberships.

The Committee proposes lines of action to the board, in line with its incumbencies. Even though it is present at the AGM and engaged in a shareholder dialogue thereat, it does not submit a separate remuneration report to

shareholders. The reporting to shareholders is mainly done verbally.

During the last financial year the Committee met seven times, with an estimated 15 hours put in by directors. This covers the Committees functions of both nomination and remuneration. The agenda, which is set by the Committee chairman, and all relevant material are sent to the members in a timely fashion.

Governance Features
<ul style="list-style-type: none"> ▪ The ARC oversees remuneration transparency ▪ It seeks professional advice from external remuneration consultants on executive and non-executive pay ▪ It deals with executive, non-executive and top management remuneration ▪ It aims to standardise now board and management contracts

4.2.2 Internal Board procedures

According to Deminor Rating's analysis, the Bank operates via a clear and transparent governance structure with the chairman playing a key role in the board's responsibilities. An active, open, determined and yet fair decision-making process seems to take place on board level. Conflicts of interests have been well handled to date.

The Bank operates through a clear business structure with transparent channels for the delegation of powers to the management bodies. The chairman of the bank is an executive director with full delegated powers, and ranks number one in the executive line. He operates as the ultimate safeguard for control and strategy by also chairing the executive committee meetings and by being empowered to transfer decisions from the executive committee to the board of directors, if deemed appropriate. The CEO, who is also vice-chairman is in charge of the day-to-day management of the Bank.

The board's workings are regulated by three major documents: (1) the Rules of Procedure of the Board of Directors; (2) the Code of Conduct for Securities Markets; and (3) the General Code of Conduct. Having all been implemented and reviewed in the recent past, they reflect the most up to date Spanish corporate governance obligations. The Bank synthesises those three rather formalistic documents in the condensed Compliance Guide for Directors. The Bank's directors are required to sign the Code of Conduct for Securities Markets. They are bound to the afore-mentioned two first regulations through the obligation to know and comply with the provisions therein, but are not obliged to sign them. Essential issues such as confidential information, non-competition or insider dealing are covered in these documents.

The board's Code of Conduct ensures directors' commitment to the company, as it confirms in detail their duty of confidentiality, information, loyalty and care. The code also rules the interactions with the group, suppliers,

clients and authorities. According to the code the board is validly constituted whenever attended by more than half of its members, either present or represented. Although there is no specific duty of attendance, the chairman shall encourage the participation of all directors in the meeting. This is also endorsed by the Rules of Procedure for the Board, which submit directors to the duty of diligence.

Prevention of conflicts of interest is a crucial issue tackled by the code. A formal procedure is in place and the procedure is adequately applied. In their decision making process directors not only have to abstain from voting but also leave the meeting if they are conflicted. Deminor Rating's review has confirmed adherence to this procedure. The updated board of directors' regulation also foresees that any potential conflict of interest situation has to be included in the annual corporate governance report.

Professional secrets and insider trading provisions are outlined in the Code of Conduct. Directors as well as the corporate secretary shall keep confidentiality of the information received, beyond the time when they have ceased their board membership. Although it is not stipulated that directors have to hold shares to be eligible to board membership, most directors indeed hold a very significant amount of shares.

The Board meets once a month with the exception of August. In practice, most directors regularly attend board and AGM meetings. Exceptions are some of the strategic shareholder representatives who then delegate their vote to the chairman.

Directors are provided with any information or clarification they consider appropriate in relations to the items included on the board agenda. They are entitled to obtain any info and advice necessary for performing their responsibilities.

The directors receive exhaustive relevant information for the board meetings in a timely fashion. Given the complexity of the Bank, the difficulty lies in providing complete yet concise information. The agenda proposed by the chairman is sent at least 4 days before the board meeting. The board's working language is Spanish. Simultaneous translations for the non-Spanish speaking members is taken care of. Board minutes are available in Spanish and English. The internal review confirmed that board decisions are taken by consensus, after fair and open debate.

The executive committee is also to be found within the sphere of the board of directors. Although most of the powers of the Board have been delegated to the executive committee it ultimately reports to the Board of all its actions and decisions taken. As an executive organ it plays a very active role as it meets once a week. It is composed of the five executive directors serving on the board of directors and four non-executive directors, of whom two have an independent status.

The Bank also established a Delegated Risk Committee. In line with a dramatic evolvement of the risk profile of the

Bank over the past 20 years, risk monitoring is a crucial issue for the Bank and goes further than traditional categories of risk. Besides operational risks the company has a clear focus on reputation risks (transparency is key). It assesses environmental, ethical and corporate governance risks as integral part of its lending policy. The Delegated Risks Committee decides on the granting of loans, the opening of credit accounts and risk operations in general, on global risk management – country risks relating to interest rate, credit, market, operational, treasury and derivatives – as well as determining and approving the general and particular conditions of overdrafts, loans, deposits, guarantees and all types of banking operations.

The Risk Committee meets twice a week thereby covering a wide spectre of control, from rather strategic risk assessment down to a particular transaction, country or portfolio level. Even minor decisions are never to be taken by individuals but should be brought to the attention of the Committee. The Risk Committee interacts closely with the executive committee and its minutes are reviewed by the Board. All but one member are members of the board of directors of the Bank. On 22 April 2004 the independent board member Mr José María Arburúa Aspiunza left the board whilst continuing to attend Risk Committee meetings in a consultative function for which he continues to be compensated.

Governance Features
<ul style="list-style-type: none"> ▪ Majority of independent directors in all governance relevant committees ▪ Full access to information through the corporate secretary and also in English for non-Spanish speaking board members ▪ Adequate handling of conflicts of interest at board level ▪ All directors are bound to the Rules of Procedure of the Board of Directors ▪ Concise reporting on the workings of the Board in the obligatory annual corporate governance statement

* * * * *

Appendix 1

Capital Structure of Banco Santander Central Hispano

Details of the capital structure of Banco Santander Central Hispano as of 31 March 2005

<u>Type of share</u>	<u>No. of Shares</u>	<u>Capital Per share (EUR)</u>	<u>Voting rights per share</u>	<u>Gross dividend per share (EUR)</u>	<u>Own stock held by the Group (EUR)</u>	<u>% of Capital</u>	<u>% of voting rights</u>
Ordinary share	6,254,296,579	0.50	1.00	0.30	1,192,826	100%	100%
Total	6,254,296,579				1,192,826	100.0%	100.0%

Note:

- On the picture date, the company's share capital was EUR 3,127.10m.

Appendix 2

Voting Procedures & Methods

	<u>Ability</u>
Postal voting	Yes
Pre-filled proxy voting ³	Yes
Proxy voting	Yes
Blank proxy	No
Internet voting	No
Confidential voting	No

Postal voting

Although the Spanish Company Act does not explicitly provide anything with respect to casting votes for the AGM per mail, this is de facto possible with the company.

Proxy voting

Votes can be delegated to another shareholder, a board member or to the legal representative.

Confidential voting

Confidential voting towards other shareholders is possible. Dissident votes have to be filed with a notary present at the AGM, and thus are registered by the company.

Internet voting

Internet voting is currently not possible, but the company is envisaging to establish e-mail voting.

Other methods

ADR holders can vote through their custodian bank.

Note:

The articles of association stipulate that the deadline for completion of all voting requirements for the general meeting is 5 working days. Shareholders which by that date are registered in the central share registry are entitled to attend the general meeting.

³ Proxy form completed by the shareholder for each item on the agenda and sent to the appointed proxy (Chairman of the Meeting, bank, employee representative) who follows the shareholder's instructions.

Appendix 3

Shareholder structure

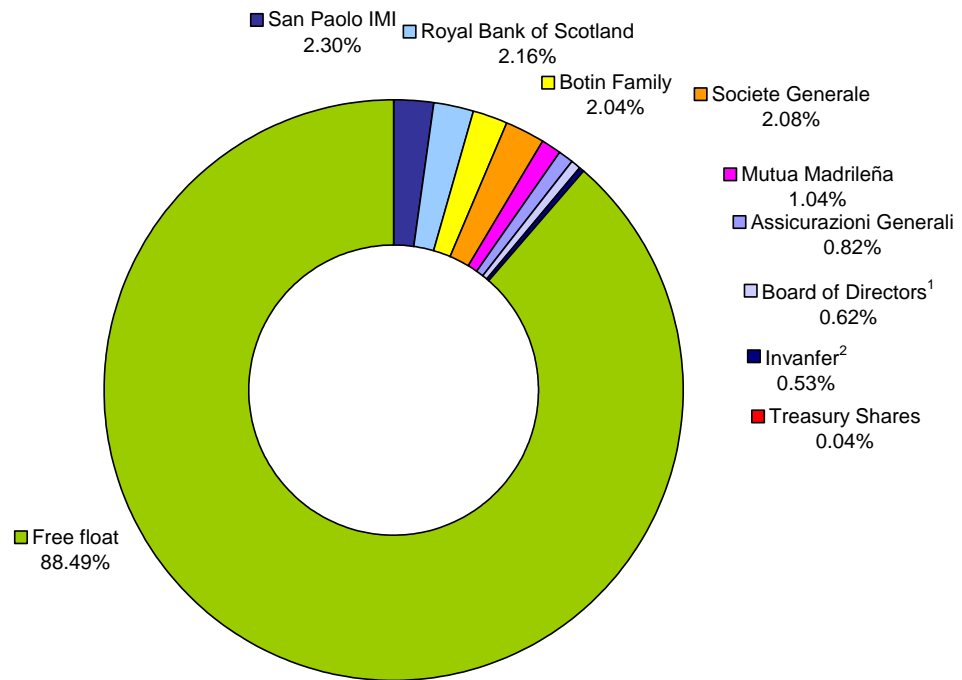
As made available by the Bank as of 12 November 2004 (post capital increase). Treasury shares' date as of 11 March 2004.

Shareholder groups	% of share capital
San Paolo IMI	2.30%
Royal Bank of Scotland	2.16%
Botín Family	2.04%
Société Générale	2.08%
Mutua Madrileña Automovilista	1.04%
Assicurazioni Generali	0.82%
Board of Directors ¹	0.62%
Invanfer ²	0.41%
Treasury Shares	0.04%
Free float	88.49%
<u>Total</u>	<u>100.00%</u>

1) Excluding the four Botín family members on the board as well as Antoine Bernheim of Assicurazioni Generali and Luís Rodríguez Durón of Mutua Madrileña Automovilista, as they are listed above separately.

2) Invanfer is the investment vehicle of Mr. Antonino Fernández Rodríguez, Chairman of the International Advisory Board, and former member of the board of directors. He has a total of 25,370,591 shares (0.41% of the capital) through direct holdings, indirect holdings and shares he represents.

Shareholder Structure on 31 December 2004



Board Composition

Category (assessed by DR)	Title	Name	Function	Age	First Appointment Date	Term of Appointment	Committees				Comments	
							EC	AC	AR	RC		
Executive Directors		Mr. Emilio Botín-Sanz de Sautola y Garcia de los Rios	Chairman of the Board of Directors	70	1960	2005	C				(1)	
		Mr. Alfredo Sáenz Abad	Second Vice-Chairman and CEO	62	1994	2006	x					
		Ms. Ana Patricia Botin-Sanz de Sautuola y O'Shea	Executive director (daughter of Emilio Botín)	44	1989	2006	x				(1)	
		Mr. Francisco Luzón López	Executive director	56	1997	2004	x					
		Mr. Matías Rodríguez Inciarte	Third Vice-Chairman	56	1988	2006	x			C		
Non-Executive Directors	Independent Directors	Mr. Elías Masaveu y Alonso del Campo	Non-executive director	74	1996	2006				x	(2)	
		Mr. Fernando de Asúa Alvarez	First Vice-Chairman	72	1999	2004	x	x	C	x	(3)	
		Mr. Guillermo de la Dehesa Romero	Non-executive director	63	2002	2005	x			x		
		Mr. Manuel Soto Serrano	Fourth Vice-Chairman	64	1999	2005		C		x		
	Shareholder Representatives	Mr. Antoine Bernheim	Non-executive director	79	1999	2004						(4)
		Mr. Luis Rodríguez Durón	Non-executive director	n/i	2004	2007						(5)
		Mr. Javier Botín -Sanz de Sautola y O'Shea	Non-executive director (son of Emilio Botín)	32	2004	2007						(1)*
		Mr. Emilio Botín-Sanz de Sautola y O'Shea	Non-executive director (son of Emilio Botín)	40	1989	2006						(1)
	Non-Independent Non-Executive Directors	Mr. Abel Matutes Juan	Non-executive director (link to the Bank)	63	2002	2005				x		(6)
		Mr. Antonio Basagoiti Garcia-Tunón	Non-executive director (Former executive)	62	1999	2005						x
		Mr. Antonio Escámez Torres	Non-executive director (Former executive)	53	1999	2005	x					x
		Mr. Rodrigo Echenique Gordillo	Non-executive director (Former executive)	58	1988	2006	x	x	x	x		
		Mr. Lord Terence Burns	Non-executive director	61	2004	2005						
Mr. Luis Alberto Salazar-Simpson Bos		Non-executive director (link to the Bank)	64	1999	2005					x		(8)

EC: Executive Committee

AC: Audit and Compliance Committee

AR: Appointments and Remuneration Committee

RC: Risk Committee

C: Chairman

(1): Member of the Botin family

(1)*: replaced Jaime Botín Sanz de Sautola y Garcia de los Rios, brother of Emilio Botín during 2004. Jaime Botín was a board member for 24 years.

(2): Despite a sizeable personal holding (0.25% of the bank's share capital, worth in excess of EUR 100.3m), there is no major reason to question his independence

(3): Although Mr de Asua has served a total of 13 years on the Bank's board, of which nine years with Banco Central Hispano, there is no major reason to question his independence

(4): Representing Assicurazioni Generali

(5): Representing Mutua Madrileña Automovilista

(6): Despite having been classified by the Bank as independent, has been reclassified by Deminor Rating, due to large loan of EUR 7m outstanding to the Bank as of 31 December 2002

(7): Non-executive chairman of Abbey National Plc. prior and post takeover

(8): Despite having been classified by the Bank as independent, has been reclassified by Deminor Rating, due to his mandate as Executive Chairman of Auna, a 32.8% investee company of SCH

- Composition of the Committees

	<u>% of executive members</u>	<u>% of non-executive members</u>	<u>% of independent members</u>
Audit & Compliance Committee	0.0%	100.0%	40%
Appointments & Remuneration Committee	0.0%	100.0%	80.0%