
Annual corporate governance report

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A. Ownership structure

A.1 Complete the following table on the company's share capital:

| Date of last modification | Share capital (€) | Number of shares | Number of voting rights |
|---------------------------|-------------------|------------------|-------------------------|
| 02/11/2009 | 4,114,413,067.50 | 8,228,826,135 | 8,228,826,135 |

Indicate whether different types of shares exist with different associated rights:

Yes No

At 31 December 2009, the Bank's share capital is represented by 8,228,826,135 shares of EUR 0.50 par value each.

All shares carry the same dividend and voting rights.

A.2 List the direct and indirect holders of significant ownership interests in your organisation at year-end, excluding directors:

- Interests equal to or greater than 3%(*).

At 31 December 2009, the only shareholders with an interest greater than 3% appearing in the Company's Shareholder Register were Chase Nominees Limited, State Street Bank & Trust, EC Nominees Ltd, Bank of New York Mellon, Société Générale and Caceis Bank, with 12.51%, 9.06%, 6.91%, 5.57%, 3.59% and 3.42%, respectively.

However, the Company believes that such ownership interests are held in custody on behalf of third parties, and to the Bank's knowledge, none of the shareholders hold an interest of over 3% of the Bank's share capital or voting rights.

- Significant influence on the Bank.

At 31 December 2009, the Bank is not aware of the existence of any other shareholder who has a number of shares that allows it to appoint a director, pursuant to Article 137 of the Spanish Companies Act (*Ley de Sociedades Anónimas*). This is the standard used to determine if a shareholder has significant influence on the Bank.

In fact, considering the current number of members of the board of directors (19), the percentage of share capital required to be entitled to appoint a director would be approximately 5.26%.

Therefore, the Bank is not aware of the existence of shareholders with significant shareholdings at 31 December 2009.

Indicate the most significant movements in the shareholder structure during the fiscal year:

During 2009, the Bank made three rights issues, on 30 January, 13 October and 2 November, issuing 161,546,320, 257,647 and 72,962,765 new shares, respectively, representing 1.963%, 0.003% and 0.887% of the Company's share capital at year end 2009. The first increase was for the acquisition of the shares of Sovereign that the Bank did not already own. The second was made to meet the conversion of 754 bonds with mandatory conversion (*Valores Santander*). The third was part of the *Santander Dividendo Elección* programme, which is described under note 4 to the Group's financial statements for 2009.

(*) Threshold stipulated, for the purposes of the annual corporate governance report, in Royal Decree 1362/2007, of 19 October.

A.3 Complete the following tables on company directors holding voting rights through company shares:

Below is a breakdown of the percentage interest that the directors hold or represent in the Bank's share capital at 31 December 2009.

| Name or corporate name of director | Voting rights held directly | Voting rights held indirectly | % of total voting rights |
|--|-----------------------------|-------------------------------|--------------------------|
| Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos | 8,137,775 | 149,942,027 | 2.146 ⁽¹⁾ |
| Mr. Fernando de Asúa Álvarez | 37,016 | 69,379 | 0.001 |
| Mr. Alfredo Sáenz Abad | 805,747 | 1,243,532 | 0.025 |
| Mr. Matías Rodríguez Inciarte | 887,710 | 159,749 | 0.013 ⁽³⁾ |
| Mr. Manuel Soto Serrano | 60,659 | 240,109 | 0.004 |
| Assicurazioni Generali S.p.A. | 1,072,277 | 92,690,958 | 1.139 |
| Mr. Antonio Basagoiti García-Tuñón | 704,400 | 0 | 0.009 |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea | 5,036,774 | 4,024,136 | 0.000 ⁽¹⁾ |
| Mr. Javier Botín-Sanz de Sautuola y O'Shea | 4,793,481 | 4,652,747 | 0.000 ⁽¹⁾⁽²⁾ |
| Lord Burns (Terence) | 30,101 | 27,001 | 0.001 |
| Mr. Guillermo de la Dehesa Romero | 101 | 0 | 0.000 |
| Mr. Rodrigo Echenique Gordillo | 658,758 | 9,280 | 0.008 |
| Mr. Antonio Escámez Torres | 757,593 | 0 | 0.009 |
| Mr. Francisco Luzón López | 1,132,264 | 26,964 | 0.014 |
| Mr. Abel Matutes Juan | 123,388 | 2,590,104 | 0.033 |
| Mr. Juan Rodríguez Inciarte | 1,318,267 | 0 | 0.016 |
| Mr. Luis Ángel Rojo Duque | 1 | 0 | 0.000 |
| Mr. Luis Alberto Salazar-Simpson Bos | 185,768 | 5,641 | 0.002 |
| Ms. Isabel Tocino Biscarolasaga | 36,394 | 0 | 0.000 |

(1) Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos is attributed the voting rights of 91,886,035 shares owned by the Marcelino Botín Foundation (1.12% of the share capital), 8,096,742 shares held by Mr. Jaime Botín-Sanz de Sautuola y García de los Ríos, 9,042,777 shares held by Mr. Emilio Botín-Sanz de Sautuola y O'Shea, 9,060,910 shares held by Ms. Ana Patricia-Botín Sanz de Sautuola y O'Shea and 9,446,228 shares held by Mr. Javier Botín-Sanz de Sautuola y O'Shea. Therefore, although the table above shows the direct and indirect ownership interests of each of the two last-mentioned directors of the Bank, these holdings, in the column relating to the percentage of total voting rights are calculated together with those belonging to or also represented by Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos.

(2) Mr. Javier Botín-Sanz de Sautuola y O'Shea has the status of an external proprietary director since he represents on the board 2.146% of the share capital relating to the holdings of the Marcelino Botín Foundation, Emilio Botín-Sanz de Sautuola y García de los Ríos, Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea, Mr. Emilio Botín-Sanz de Sautuola y O'Shea, Mr. Jaime Botín-Sanz de Sautuola y García de los Ríos, Ms. Paloma O'Shea Artiñano and his own holding.

(3) The voting rights of 77,288 shares owned by two of his children are attributed to Mr Matías Rodríguez Inciarte.

(*) The number of indirect shares listed below includes shares represented by proxy as well as shares that are indirectly owned:

Name or corporate name of director
Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos

| Name or corporate name of the direct owner of the ownership interest | Number of direct voting rights | % of total voting rights |
|--|--------------------------------|--------------------------|
| Fundación Marcelino Botín-Sanz de Sautuola y López | 91,866,035 | 1.12% |
| Simancas, S.A. | 5,266,945 | 0.06% |
| Puentepumar, S.L. | 13,713,315 | 0.17% |
| Puente San Miguel, S.A. | 3,275,605 | 0.04% |
| Latimer Inversiones, S.L. | 18,144,408 | 0.22% |
| Bafimar, S.A. | 536,200 | 0.01% |
| Mr. Jaime Botín-Sanz de Sautuola y García de los Ríos | 8,096,742 | 0.10% |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea | 5,036,774 | 0.06% |
| Cronje, S.L. Unipersonal | 4,024,136 | 0.05% |
| Mr. Emilio Botín-Sanz de Sautuola y O'Shea | 9,042,777 | 0.11% |
| Mr. Javier Botín-Sanz de Sautuola y O'Shea | 4,793,481 | 0.06% |
| Inversiones Zulu, S.L. | 4,652,747 | 0.06% |
| Total | 168,449,165 | 2.05% |

Name or corporate name of director
Mr. Fernando de Asúa Álvarez



| Name or corporate name of the direct owner of the ownership interest | Number of direct voting rights | % of total voting rights |
|--|--------------------------------|--------------------------|
| Sualfer Inversiones SICAV, S.A. | 69,379 | 0.00% |
| Total | 69,379 | 0.00% |

Name or corporate name of director
Mr. Alfredo Sáenz Abad

| Name or corporate name of the direct owner of the ownership interest | Number of direct voting rights | % of total voting rights |
|--|--------------------------------|--------------------------|
| Liborne, S.L.(*) | 1,243,532 | 0.02 |
| Total | 1,243,532 | 0.02 |

(*) Mr. Alfredo Sáenz Abad donated his stake in the share capital of Liborne, S.L., but still has voting rights to the 1,243,532 shares of Banco Santander, S.A.

Name or corporate name of director
Mr. Matías Rodríguez Inciarte

| Name or corporate name of the direct owner of the ownership interest | Number of direct voting rights | % of total voting rights |
|--|--------------------------------|--------------------------|
| Blood relatives | 77,228 | 0.00% |
| Cueto Calero SICAV, S.A. | 82,521 | 0.00% |
| Total | 159,749 | 0.00% |

Name or corporate name of director
Mr. Manuel Soto Serrano

| Name or corporate name of the direct owner of the ownership interest | Number of direct voting rights | % of total voting rights |
|--|--------------------------------|--------------------------|
| Spouse | 10,109 | 0.00% |
| Ace Global SICAV, S.A. | 230,000 | 0.00% |
| Total | 240,109 | 0.00% |

Name or corporate name of director
Assicurazioni Generali S.p.A.

| Name or corporate name of the direct owner of the ownership interest | Number of direct voting rights | % of total voting rights |
|--|--------------------------------|--------------------------|
| Generali Vie, S.A. | 32,062,109 | 0.390% |
| Alleanza Toro S.p.A. | 15,483,102 | 0.188% |
| La Estrella, S.A. de Seguros y Reaseguros | 14,252,105 | 0.173% |
| Generali Lebensversicherung AG | 9,768,862 | 0.119% |
| Generali IARD, S.A. | 4,591,120 | 0.056% |
| AachenMünchener Lebensversicherung AG | 3,172,171 | 0.039% |
| Generali Versicherung AG | 2,660,182 | 0.032% |
| Cosmos Lebensversicherung AG | 2,497,680 | 0.030% |
| ECIE VIE | 1,775,725 | 0.022% |
| Generali Versicherung AG | 1,624,270 | 0.020% |
| Central Krankenversicherung AG | 1,426,516 | 0.017% |
| INA Assitalia S.p.A. | 1,250,000 | 0.015% |
| AachenMuenchener Versicherung | 1,000,000 | 0.012% |
| Banco Vitalicio de España, C.A. de Seguros y Reaseguros | 441,443 | 0.005% |
| Augusta Vita S.p.A | 130,000 | 0.002% |
| Generali Belgium, S.A. (Belgium) | 129,581 | 0.002% |
| Generali Holding Vienna AG (Austria) | 111,000 | 0.001% |
| Generali Personenversicherungen AG (Switzerland) | 100,000 | 0.001% |
| Generali Assurances Générales (Switzerland) | 100,000 | 0.001% |
| Intesa Vita S.p.A. | 56,250 | 0.001% |
| Generali Worldwide Insurance Co. Ltd (Guernsey) | 53,950 | 0.001% |
| Generali International Ltd (Guernsey) | 2,455 | 0.000% |
| Europ Assistance Portugal, S.A. (Portugal) | 2,437 | 0.000% |
| Total | 92,690,958 | 1.13% |

Name or corporate name of director
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea

| Name or corporate name of the direct owner of the ownership interest | Number of direct voting rights | % of total voting rights |
|--|--------------------------------|--------------------------|
| Cronje, S.L. Unipersonal | 4,024,136 | 0.05% |
| Total | 4,024,136 | 0.05% |

Name or corporate name of director
Mr. Javier Botín-Sanz de Sautuola y O'Shea

| Name or corporate name of the direct owner of the ownership interest | Number of direct voting rights | % of total voting rights |
|--|--------------------------------|--------------------------|
| Inversiones Zulú, S.L. | 4,652,747 | 0.06% |
| Total | 4,652,747 | 0.06% |

Name or corporate name of director
Lord Burns (Terence)

| Name or corporate name of the direct owner of the ownership interest | Number of direct voting rights | % of total voting rights |
|--|--------------------------------|--------------------------|
| Pershing Keen | 27,001 | 0.00% |
| Total | 27,001 | 0.00% |

Name or corporate name of director
Mr. Rodrigo Echenique Gordillo

| Name or corporate name of the direct owner of the ownership interest | Number of direct voting rights | % of total voting rights |
|--|--------------------------------|--------------------------|
| Spouse | 9,280 | 0.00% |
| Total | 9,280 | 0.00% |

Name or corporate name of director
Mr. Francisco Luzón López

| Name or corporate name of the direct owner of the ownership interest | Number of direct voting rights | % of total voting rights |
|--|--------------------------------|--------------------------|
| Cañabara Inversiones, SICAV, S.A. | 26,964 | 0.00% |
| Total | 26,964 | 0.00% |

Name or corporate name of director
Mr. Abel Matutes Juan

| Name or corporate name of the direct owner of the ownership interest | Number of direct voting rights | % of total voting rights |
|--|--------------------------------|--------------------------|
| Residencial Marina, S.L. | 2,590,104 | 0.03% |
| Total | 2,590,104 | 0.03% |

Name or corporate name of director
Mr. Luis Alberto Salazar-Simpson Bos

| Name or corporate name of the direct owner of the ownership interest | Number of direct voting rights | % of total voting rights |
|--|--------------------------------|--------------------------|
| C.I.U.V.A.S.A. | 5,641 | 0.00% |
| Total | 5,641 | 0.00% |

Total % of share capital held by the board of directors **3.420%**



Complete the following tables on the members of the company's board of directors that hold rights over company shares:

Performance shares plan and shares related to mandatory investment plan.

- The general shareholders' meeting of 23 June 2007 approved the first two cycles of the performance shares plan (plans I-09 and I-10) and the first cycle of the shares related to mandatory investment plan, relating to two programmes. Under the plans, Santander shares are delivered if certain requirements of permanence or changes in total shareholder return and earnings per share of the Bank are met. The beneficiaries of the plans include the Bank's executive directors.
- Approval was given at the subsequent general shareholders' meetings for the next cycles of the aforementioned plans, with certain modifications:
 - The general shareholders' meeting of 21 June 2008 approved the third cycle of a performance shares plan (Plan I-11) and the second cycle of the shares related to mandatory investment plan.
 - The general shareholders' meeting of 19 June 2009 approved the fourth cycle of the performance shares plan (Plan I-12) and the third cycle of the shares related to mandatory investment plan. See section B1.14 of this report for a more detailed explanation of these remuneration schemes.

a) Performance shares plan:

The maximum number of shares to be awarded to each director under the cycles of this programme as at the date of this report (plans I-10, I-11 and I-12) is the following:

| Name or corporate name of director | Plan I-10 (number of shares) | % of total voting rights | Plan I-11 (number of shares) | % of total voting rights | Plan I-12 (number of shares) | % of total voting rights |
|---|---------------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos | 62,589 | 0.001% | 68,848 | 0.001% | 82,941 | 0.001% |
| Mr. Alfredo Sáenz Abad | 164,894 | 0.002% | 189,628 | 0.002% | 228,445 | 0.003% |
| Mr. Matías Rodríguez Inciarte | 79,627 | 0.001% | 87,590 | 0.001% | 105,520 | 0.001% |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea ⁽¹⁾ | 41,835 | 0.001% | 46,855 | 0.001% | 56,447 | 0.001% |
| Mr. Francisco Luzón López | 67,029 | 0.001% | 77,083 | 0.001% | 92,862 | 0.001% |
| Mr. Juan Rodríguez Inciarte | 64,983 | 0.001% | 50,555 | 0.001% | 60,904 | 0.001% |

(1) Without prejudice to the Banesto shares that correspond to Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea under the plans approved at Banesto's general shareholders' meeting of 27 June 2007, this director is entitled to the maximum number of shares shown to in the preceding table in relation to Plan I-10 as per resolution adopted said meeting. The number of shares corresponding to her under Plans I-11 and I-12 were approved at Banesto's general shareholders' meeting held 24 February 2010.

b) Shares related to mandatory investment plan:

The number of shares acquired by each director under the three cycles of the shares related to Mandatory Investment Plan are as follows:

| Name or corporate name of director | 1 st cycle (number of shares acquired) | % of total voting rights | 2 nd cycle (number of shares acquired) | % of total voting rights | 3 rd cycle (number of shares acquired) | % of total voting rights |
|---|--|--------------------------|--|--------------------------|--|--------------------------|
| Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos | 16,306 | 0.000% | 19,968 | 0.000% | 20,515 | 0.000% |
| Mr. Alfredo Sáenz Abad | 37,324 | 0.000% | 47,692 | 0.001% | 49,000 | 0.001% |
| Mr. Matías Rodríguez Inciarte | 20,195 | 0.000% | 25,159 | 0.000% | 25,849 | 0.000% |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea ⁽¹⁾ | 13,610 | 0.000% | 16,956 | 0.000% | 18,446 | 0.000% |
| Mr. Francisco Luzón López | 22,214 | 0.000% | 27,675 | 0.000% | 28,434 | 0.000% |
| Mr. Juan Rodríguez Inciarte | 14,617 | 0.000% | 14,738 | 0.000% | 15,142 | 0.000% |

(1) The number of shares acquired by Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea as a beneficiary of the first cycle of this plan is in accordance with that which was agreed by both Banco Santander's and Banesto's general shareholders' meetings of 23 and 27 June 2007, respectively. The number of shares corresponding to her under the second and third cycles of this plan was approved at Banesto's general shareholders' meeting held 24 February 2010.

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities:

Not applicable since there are no significant shareholders as explained in A.2 above.

A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Not applicable since there are no significant shareholders as explained in A.2 above.

A.6 Indicate whether any shareholders' agreements have been notified to the company pursuant to Article 112 of the Securities' Market Act (Ley del Mercado de Valores). Provide a brief description and list the shareholders bound by the agreement, as applicable:

Yes No

In February 2006, three directors, together with other shareholders of the Bank, entered into a shareholder agreement that was notified to the Bank and to the Spanish Securities Markets Commission (CNMV). The document witnessing the aforementioned agreement was filed at both the CNMV Registry and the Cantabria Mercantile Registry.

The agreement, which was signed by Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos, Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea, Mr. Emilio Botín-Sanz de Sautuola y O'Shea, Mr. Francisco Javier Botín-Sanz de Sautuola y O'Shea, Simancas, S.A., Puente San Miguel, S.A. Puenteumar, S.L., Latimer Inversiones, S.L. and Cronje, S.L. Unipersonal, provides for the syndication of the Bank shares held by the signatories to the agreement or whose voting rights have been granted to them.

The aim pursued by virtue of the syndication agreement, the restrictions established on the free transferability of the shares and the regulated exercise of the voting rights inherent thereto is to ensure, at all times, the concerted representation and actions of the syndicate members as shareholders of the Bank, for the purpose of developing a lasting, stable common policy and an effective, unitary presence and representation in the Bank's corporate bodies.

At the date of execution of the agreement, the syndicate comprised a total of 44,396,513 shares of the Bank (0.540% of its share capital at 2009 year-end). In addition, as established in clause one of the shareholders' agreement, the syndication extends, solely with respect to the exercise of the voting rights, to other Bank shares held either directly or indirectly by the signatories, or whose voting rights are assigned to them, in the future. Accordingly, at 31 December 2009, a further 32,227,650 shares (0.392% of share capital) were included in the syndicate.

At any given time, the chairman of the syndicate is the person then presiding over the Mr. Marcelino Botín Foundation, currently Mr. Emilio Botín Sanz de Sautuola y García de los Ríos.

The members of the syndicate undertake to syndicate and pool the voting and other political rights inherent to the syndicated shares, so that these rights may be exercised and, in general, the syndicate members heading the Bank may act in a concerted manner, in accordance with the instructions and indications and with the voting criteria and orientation, necessarily unitary, issued by the syndicate, and, for this purpose, the representation of these shares is attributed to the chairman of the syndicate as the common representative of its members.

Except for transactions carried out in favour of other members of the syndicate or in favour of the Marcelino Botín Foundation, prior authorisation must be granted from the syndicate assembly, which may freely approve or refuse permission for the planned transfer.

Indicate whether the company is aware of the existence of any concerted actions among its shareholders: Give a brief description as applicable:

Yes **X** No

These have been described above.

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year.

Not applicable.

A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company pursuant to Article 4 of the Securities Market Act (Ley del Mercado de Valores): If so, identify:

None.

A.8 Complete the following tables on the company's treasury shares:

At year end:

| Number of direct shares | Number of indirect shares(*) | % of total share capital |
|-------------------------|------------------------------|--------------------------|
| 2,529,773 | 54,476 | 0.031% |

() Through (see next table):*

| Name or corporate name of the direct owner of the ownership interest | Number of direct shares |
|--|-------------------------|
| Banco Español de Crédito, S.A. | 54,476 |

Give details of any significant changes during the year, in accordance with Royal Decree 1362/2007:

| Date notified (day/month/year) | Total number of direct shares acquired | Total number of indirect shares acquired | % of total share capital |
|--------------------------------|--|--|--------------------------|
| 12/01/09 | 8,789,509 | 72,327,015 | 1.014% |
| 05/02/09 | 3,452,446 | 86,050,924 | 1.100% |
| 10/03/09 | 24,683,308 | 70,275,786 | 1.162% |
| 08/04/09 | 27,654,245 | 119,278,139 | 1.800% |
| 14/04/09 | 384,393 | 155,035,052 | 1.905% |
| 08/05/09 | 49,473,174 | 47,694,196 | 1.193% |
| 25/05/09 | 36,638,590 | 66,429,329 | 1.267% |
| 12/06/09 | 45,419,828 | 40,095,729 | 1.048% |
| 13/07/09 | 43,614,730 | 39,030,010 | 1.015% |
| 05/08/09 | 25,218,680 | 57,061,096 | 1.009% |
| 24/08/09 | 29,274,481 | 52,472,030 | 1.002% |
| 10/12/09 | 21,938,105 | 61,833,952 | 1.024% |

Pursuant to Article 40 of Royal Decree 1362/2007, a communication is made on the percentage of voting rights held by the Bank when acquisitions are made, individually or in a series of transactions, since the last communication and exceeding 1% of the Company's share capital, excluding any sales made.

| Gain/(loss) from treasury stock transactions during the year | (In thousand €) |
|--|-----------------|
| | 320,761(*) |

(*) The after tax net proceeds generated by transactions in shares issued by the Bank in 2009 of EUR 320,761 thousand were recognised as equity.

A.9 Give details of the applicable conditions and time periods governing any resolutions of the general shareholders' meeting authorising the board of directors to acquire and/or transfer treasury shares.

The authorisation for treasury stock transactions made in 2009 was provided by resolution no. 5 adopted at the annual general meeting held on 21 June 2008, and by resolution no. 5 adopted at the annual general meeting of 19 June 2009.

Resolution no. 5 adopted at the annual general meeting of 21 June 2008 stipulates the following:

- "I) To deprive of effect, to the extent of the unused portion, the authorisation granted by the shareholders acting at the ordinary general shareholders' meeting of 23 June 2007 for the derivative acquisition of shares of the Bank by the Bank and the Subsidiaries comprising the Group.*
- II) To grant express authorisation for the Bank and the subsidiaries comprising the Group to acquire shares representing the capital stock of the Bank with any compensation permitted by Law, within the limits of the Law and subject to all legal requirements, up to a maximum limit – including the shares they already hold – of 312,714,828 shares or, as appropriate, the number of shares equivalent to 5 percent of the capital stock existing at any given time, which shares shall be fully paid-up, at a minimum price per share equal to the par value and a maximum of up to 3% over the last listing price for transactions in which the Bank does not act for its own account on the electronic market of the Spanish stock exchanges (including the block market) prior to the relevant acquisition. This authorisation can only be exercised within 18 months from the date on which the general shareholders' meeting is held. The authorisation includes the acquisition of shares, if any, that must be conveyed directly to the employees and directors of the Company, or that must be conveyed as a result of the exercise of the options they hold."*

Resolution no. 5 adopted at the annual general meeting of 19 June 2009 stipulates the following:

- "I) To deprive of effect, to the extent of the unused amount, the authorisation granted by the shareholders acting at the ordinary general shareholders' meeting of June 21, 2008 for the derivative acquisition of shares of the Bank by the Bank and the subsidiaries comprising the Group.*
- II) To grant express authorisation for the Bank and the subsidiaries comprising the Group to acquire shares representing the capital stock of the Bank for any valuable consideration permitted by Law, within the limits of and subject to any legal requirements, up to a maximum limit –including the shares they already hold– of a number of shares equivalent to 5 percent of the capital stock existing at any given time, or to such greater percentage as may be established by Law during the effectiveness of this authorization, which shares shall be fully paid-in, at a minimum price per share equal to the par value and a maximum price of up to 3 percent over the last listing price for transactions in which the Bank does not act for its own*

account on the electronic market of the Spanish stock exchanges (including the block market) prior to the acquisition in question. This authorisation may only be exercised within 18 months from the date on which the general shareholders' meeting is held. The authorization includes the acquisition of shares, if any, that must be conveyed directly to the employees and management of the Company, or that must be conveyed as a result of the exercise of the options they hold."

Treasury stock policy

The Company's board of directors, at its meeting on 19 June 2009 approved the formal rules of its treasury stock policy, as set forth below:

- "1. Transactions involving the purchase and sale of treasury stock by the Company or other companies dominated by it will conform, in the first place, to the provisions established by current ruling and by the resolutions of the general shareholders' meeting in such respect.*
- 2. Treasury stock trading will be used to:*
 - a. Provide liquidity or a supply of securities, as appropriate, in the market where the Bank's shares are traded, giving depth to such market and minimising any eventual temporary imbalances between supply and demand.*
 - b. Take advantage, to the benefit of shareholders, of situations of share price weakness in relation to medium-term performance.*
- 3. Treasury stock trading will be undertaken by the department of investments and holdings, as a separate isolated area protected by the respective Chinese walls, so as not to have any insider or material information at its disposal.*

In order to know the market situation of the Bank's shares, such department may collect data from the market members it considers appropriate, although ordinary trades in the continuous market should only be executed through one of such members, reporting such fact to the CNMV.

No other Group unit will undertake treasury stock trading, the only exception being that stated in paragraph 9 below.

- 4. Treasury stock trading will be subject to the following general rules:*
 - a. It will not be motivated by a proposal to participate in the free formation of prices.*
 - b. It may not take place if the unit responsible for executing the trade is in possession of insider or material information.*
 - c. Where applicable, the execution will be permitted of share repurchase and acquisition programmes to cover Bank or Group obligations arising from stock option plans, the handing-over of shares or other similar plans, or the issuing of securities convertible into or exchangeable for shares.*

5. Orders to buy should be made at a price not higher than the greater of the following two:

- The price of the last trade carried out in the market by independent persons.
- The highest price contained in a buy order of the orders book.

Orders to sell should be made at a price not lower than the lesser of the following two:

- The price of the last trade carried out in the market by independent persons.
- The lowest price contained in a buy order of the orders book.

6. As a general rule, treasury stock operations will not exceed 25% of the traded volume of the Bank's shares on the continuous market.

In exceptional circumstances, such limit may be exceeded. In such case, the investment and holdings department should inform such situation at the next meeting of the executive committee.

7. Treasury stock trading operations should adhere to the following time limits:

- a. During the adjustment period, the marking of price tendencies by buy or sell orders shall be avoided.
- b. All trading transactions involving treasury stock will be carried out during normal trading hours, except for exceptional operations in line with any of the cases envisaged for carrying out special operations.

8. The rules contained in paragraphs 3 (subparagraph two), 5, 6 and 7 above will not be applicable to treasury stock operations undertaken on the block trading market.

9. As envisaged in paragraph 3, Group units other than the department of investments and holdings may acquire treasury stock in the implementation of market risk hedging activity or when providing brokerage or hedging for customers. The rules contained in paragraphs 2, 4 (subparagraph c), 5, 6 and 7 above will not be applicable to such activities.

10. The executive committee will receive regular information on treasury stock activity.

Furthermore, whenever trades of certain volume or other characteristics are proposed, and in any event, if they affect more than 0.5% of the share capital, the head of such department should consult the chairman or the chief executive officer."

Treasury stock transactions may not be used as a defence.

A.10 Indicate, as applicable, any restrictions imposed by law or the bylaws on exercising voting rights, as well as any legal restrictions on the acquisition or transfer of ownership interests in the share capital:

Indicate whether there are any legal restrictions on exercising voting rights:

Yes No

Maximum percentage of legal restrictions on voting rights a shareholder can exercise:

Not applicable

Indicate whether there are any restrictions included in the bylaws on exercising voting rights:

Yes No

Maximum percentage of restrictions under the company's bylaws on voting rights a shareholder can exercise:

Not applicable

There are no bylaw restrictions on the exercise of voting rights as such.

The first paragraph of Article 26.1 of the Company's bylaws stipulates the following:

"The holders of any number of shares registered in their name in the respective book entry registry five days prior to the date on which the general shareholders' meeting is to be held and who are current in the payment of capital calls shall be entitled to attend general shareholders' meetings."

The internal regulations of the Bank do not provide exceptions to the one-vote-per-share rule.

The first paragraph of Article 35.2 of the Bylaws stipulates:

"The attendees at the general shareholders' meeting shall have one vote for each share which they hold or represent. Non-voting shares shall have the right to vote in the specific cases laid down in the Business Corporations Law."

Indicate if there are any legal restrictions on the acquisition or transfer of share capital:

Yes No

Description of legal restrictions on the acquisition or transfer of share capital:

There are no bylaw-stipulated restrictions on the transfer of shares.

However, Articles 57 and 58 of Law 26/1988, of 29 July, on Discipline and Intervention of Credit Institutions require the Bank of Spain be notified in advance of any acquisition of a significant ownership interest in a credit institution.

In certain circumstances the Bank of Spain has a right to object to the acquisition planned.

A.11 Indicate whether the general shareholders' meeting has agreed to take neutralisation measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007.

Yes No

B. Company's management structure

B.1 Board of directors

B.1.1 List the maximum and minimum number of directors included in the bylaws:

| | |
|-----------------------------|------------|
| Maximum number of directors | Twenty-two |
| Minimum number of directors | Fourteen |

B.1.2 Complete the following table with board members' details:

| Name or corporate name of director | Representative | Position on the board | Date of first appointment (day/month/year) | Date of last appointment (day/month/year) | Election procedure |
|--|----------------------|-----------------------|--|---|-------------------------------|
| Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos | N/A | Chairman | 04/07/1960 | 21/06/2008 | General shareholders' meeting |
| Mr. Fernando de Asúa Álvarez | N/A | First vice chairman | 17/04/1999 | 17/06/2006 | General shareholders' meeting |
| Mr. Alfredo Sáenz Abad | N/A | Second vice chairman | 11/07/1994 | 17/06/2006 | General shareholders' meeting |
| Mr. Matías Rodríguez Inciarte | N/A | Third vice chairman | 07/10/1988 | 19/06/2009 | General shareholders' meeting |
| Mr. Manuel Soto Serrano | N/A | Fourth vice chairman | 17/04/1999 | 19/06/2009 | General shareholders' meeting |
| Assicurazioni Generali S.p.A. | Mr. Antoine Bernheim | Member | 17/04/1999 | 23/06/2007 | General shareholders' meeting |
| Mr. Antonio Basagoiti García-Tuñón | N/A | Member | 26/07/1999 | 23/06/2007 | General shareholders' meeting |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea | N/A | Member | 04/02/1989 | 17/06/2006 | General shareholders' meeting |
| Mr. Javier Botín-Sanz de Sautuola y O'Shea | N/A | Member | 25/07/2004 | 18/06/2005 | General shareholders' meeting |
| Lord Burns (Terence) | N/A | Member | 20/12/2004 | 17/06/2006 | General shareholders' meeting |
| Mr. Guillermo de la Dehesa Romero | N/A | Member | 24/06/2002 | 19/06/2009 | General shareholders' meeting |
| Mr. Rodrigo Echenique Gordillo | N/A | Member | 07/10/1988 | 17/06/2006 | General shareholders' meeting |
| Mr. Antonio Escámez Torres | N/A | Member | 17/04/1999 | 23/06/2007 | General shareholders' meeting |
| Mr. Francisco Luzón López | N/A | Member | 22/03/1997 | 23/06/2007 | General shareholders' meeting |
| Mr. Abel Matutes Juan | N/A | Member | 24/06/2002 | 19/06/2009 | General shareholders' meeting |
| Mr. Juan Rodríguez Inciarte | N/A | Member | 28/01/2008 | 21/06/2008 | General shareholders' meeting |
| Mr. Luis Ángel Rojo Duque | N/A | Member | 25/04/2005 | 21/06/2008 | General shareholders' meeting |
| Mr. Luis Alberto Salazar-Simpson Bos | N/A | Member | 17/04/1999 | 21/06/2008 | General shareholders' meeting |
| Ms. Isabel Tocino Biscarolasaga | N/A | Member | 26/03/2007 | 23/06/2007 | General shareholders' meeting |

Representative: N/A: Not applicable.

| | |
|---------------------------|----------|
| Total number of directors | Nineteen |
|---------------------------|----------|

The Bank believes that this number of directors is appropriate to ensure proper representation and the effective operation of the board of directors, in compliance with Article 7.2 of the Rules and Regulations of the Board^(*).

(*) The Bylaws and Rules and Regulations of the Board of Banco Santander are published on the Group's website www.santander.com.



The appointments and remuneration committee, at its meeting on 27 April 2009, after analysing the performance of their duties, proposed the reappointments of Mr. Matías Rodríguez Inciarte, Mr. Manuel Soto Serrano, Mr. Guillermo de la Dehesa Romero and Mr. Abel Matutes Juan, as executive director in the first case and external independent directors in the case of the other three, in the absence of Mr. Manuel Soto Serrano and Mr. Guillermo de la Dehesa Romero, who are members of this committee.

At the same meeting, the committee also resolved, in the event these directors were reappointed by the general shareholders' meeting, to propose to the board their continuation as members of the board committees of which they were members and that Mr. Matías Rodríguez Inciarte remain chairman of the risk committee.

The proposals by the appointments and remuneration committee were approved by the board of directors and the annual general meeting of 28 April and 19 June 2009, respectively.

Indicate any board members who left during this period:

| Name or corporate name of director | Status of the director at the time | Leaving date |
|------------------------------------|------------------------------------|--------------|
| — | — | — |

B.1.3 Complete the following tables on board members and their respective categories:

Executive directors

Pursuant to the provisions of Article 6.2 a of the Rules and Regulations of the Board, executive directors shall be deemed to be the chairman, the managing director(s), and all other directors who perform management duties within the Company or the Group and do not limit their activity to the duties of supervision and collective decision-making falling upon the directors, including, in all events, those directors who, through the delegation of their powers, stable proxy-granting, or a contractual, employment or services relationship with the Company other than that inherent in their mere capacity as directors, have any decision-making capacity in connection with any part of the business of the Company or the Group.

Therefore, the following are executive directors of the Company:

| Name or corporate name of director | Committee proposing appointment | Post held in the company |
|--|---------------------------------|--|
| Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos | Appointments and remuneration | Executive chairman |
| Mr. Alfredo Sáenz Abad | Appointments and remuneration | Second vice chairman and chief executive officer |
| Mr. Matías Rodríguez Inciarte | Appointments and remuneration | Third vice chairman and head of risks |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea | Appointments and remuneration | Executive chairman of Banesto |
| Mr. Francisco Luzón López | Appointments and remuneration | Executive vice president in charge of the America division |
| Mr. Juan Rodríguez Inciarte | Appointments and remuneration | Executive vice president in charge of strategy |
| Total number of executive directors | | 6 |
| % of the board | | 32 |

External proprietary directors

Since 2002, the criterion followed by the board and committee as a necessary but not sufficient condition for designation or consideration as an external proprietary director – as expressly stipulated in Article 6.2. b) of the Rules and Regulations of the Board- is the holding of at least 1% of the Bank's share capital. This percentage has been fixed by the Company within its powers of self-regulation and does not coincide, nor does it need to coincide with Article 137 of the Spanish Companies Act (*Ley de Sociedades Anónimas*) (see section A.2 above). The Bank understands that 1% is sufficient to be able to classify all directors with a percentage interest equal to or higher than this as proprietary directors. Article 137 of the Spanish Companies Act (*Ley de Sociedades Anónimas*) is used to determine the level of percentage interest needed to have the legal right to appoint a director.

The board of directors, taking into consideration the circumstances of each case, and the prior report from the appointments and remuneration committee, considers the following directors to be external proprietary directors:

| Name or corporate name of director | Committee proposing appointment | Name or corporate name of significant shareholder represented or proposing appointment ⁽¹⁾ |
|--|---------------------------------|---|
| Assicurazioni Generali S.p.A. | Appointments and remuneration | Assicurazioni Generali S.p.A. |
| Mr. Javier Botín-Sanz de Sautuola y O'Shea | Appointments and remuneration | Marcelino Botín Foundation, Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos, Ms. Paloma O'Shea Artiñano, Mr. Jaime Botín-Sanz de Sautuola y García de los Ríos, Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea, Mr. Emilio Botín-Sanz de Sautuola y O'Shea and Mr. Javier Botín-Sanz de Sautuola y O'Shea. |

(1) Significant shareholder: As indicated in section A.2., strictly speaking no significant shareholders exist. However in this box, those shareholders who have a relevant percentage ownership in the capital of the Bank are identified. This implies, in the opinion of the board of directors, that they, if they are directors, or the directors linked to them, are considered external proprietary directors.

| | |
|---------------------------------------|----|
| Total number of proprietary directors | 2 |
| % of the board | 11 |

External independent directors

The board of directors deems that all directors are independent directors, a classification that is based on the solvency, integrity and professionalism of each director and not on compliance with certain requirements.

However, the Company incorporates the concept of independent director in the definition provided in Article 6.2 c) of the Rules and Regulations of the Board established in the Unified Good Governance Code

Article 6.2.c) of the Rules and Regulations of the Board:

“External or non-executive directors are considered those who have been appointed based on their personal or professional status and who perform duties not conditioned by relationships with the Company, or with the significant shareholders or management thereof shall be considered independent directors.

In no event may there be a classification as independent directors of those who:

i) Have been employees or executive directors of the Group’s companies, except after the passage of three or five years, respectively, since the cessation of such relationship.

ii) Receive from the Company, or from another Group company, any amount or benefit for something other than director compensation, unless it is immaterial.

For purposes of the provisions of this sub-section, neither dividends nor pension supplements that a director receives by reason of the director’s prior professional or employment relationship shall be taken into account, provided that such supplements are unconditional and therefore, the Company paying them may not suspend, modify or revoke the accrual thereof without breaching its obligations.

iii) Are, or have been during the preceding three years, a partner of the external auditor or the party responsible for auditing the Company or any other Group company during such a period.

iv) Are executive directors or senior managers of another company in which an executive director or senior manager of the Company is an external director.

v) Maintain, or have maintained during the last year, a significant business relationship with the Company or with any Group company, whether in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such relationship.

Business relationships shall be considered the relationships of a provider of goods or services, including financial services, and those of an adviser or consultant.

vi) Are significant shareholders, executive directors or senior managers of an entity that receives, or has received during the preceding three years, significant donations from the Company or the Group.

Those who are merely members of the board of a foundation that receives donations shall not be considered included in this item.

vii) Are spouses, persons connected by a similar relationship of affection, or relatives to the second degree of an executive director or senior manager of the Company.

viii) Have not been proposed, whether for appointment or for renewal, by the appointments and remuneration committee.

ix) Are, as regards a significant shareholder or shareholder represented on the board, in one of the circumstances set forth in items i), v), vi) or vii) of this sub-section 2(c). In the event of a kinship relationship set forth in item (vii), the limitation shall apply not only with respect to the shareholder, but also with respect to the related proprietary directors thereof in the affiliated company.”

In view of this definition, and taking into consideration the circumstances of each case and the prior notification of the appointments and remuneration committee, the board considers the following board members to be external independent directors:

| Name or corporate name | Committee proposing appointment | Profile(*) |
|------------------------------------|---------------------------------|--|
| Mr. Fernando de Asúa Álvarez | Appointments and remuneration | Born in 1932 in Madrid. Degree in Economics and Information Technology, Post-Graduate in Business Administration and Mathematics. Other relevant positions: formerly chairman of IBM España where he is currently honorary chairman. Non-executive director of Técnicas Reunidas, S.A. |
| Mr. Manuel Soto Serrano | Appointments and remuneration | Born in 1940 in Madrid. Degree in Economics and Business Administration. Other relevant positions: non-executive vice chairman of Indra Sistemas, S.A. and a non-executive director of Corporación Financiera Alba, S.A. and Cartera Industrial REA, S.A. He is also the president of the board of advisors of Mercapital, S.L. and non executive board member for Grupo Lar Inversiones Inmobiliarias, S.A. He has also been chairman of the Global Board of Directors for Arthur Andersen and director of EMEA and India |
| Mr. Antonio Basagoiti García-Tuñón | Appointments and remuneration | Born in 1942 in Madrid. Graduate in Law. Other relevant positions: former chairman of Unión Fenosa. Also non-executive proprietary vice chairman of Faes Farma, S.A., non-executive director of Pescanova, S.A. and a member of the external advisory board of A.T. Kearney. |
| Mr. Guillermo de la Dehesa | Appointments and remuneration | Born in 1941 in Madrid. Government Commercial Expert and state Economist and office manager at the Bank of Spain’s (on leave). Main activity: international advisor for Goldman Sachs International. Other relevant positions: former secretary of state for Economy, general secretary of Commerce, chief executive officer of Banco Pastor, S.A. He is currently a non-executive director of Campofrío Food Group, S.A., chairman of the Centre for Economic Policy Research (CEPR) of London, a member of the Group of Thirty in Washington, chairman of the board of IE Business School. He also non-executive chairman of AVIVA Grupo Corporativo, S.A. and AVIVA Vida y Pensiones, S.A. de Seguros y Reaseguros. |

(*) Unless otherwise indicated, the main activity of the directors listed in this section is that carried out at the Bank.



| Name or corporate name | Committee proposing | Profile ^(*) |
|----------------------------------|-------------------------------|--|
| Mr. Rodrigo Echenique Gordillo | Appointments and remuneration | Born in 1946 in Madrid. Degree in Law and Economics and State Lawyer. Became a member of the Board in 1988. Other relevant positions: former chief executive officer of Banco Santander, S.A. (1988-1994). |
| Mr. Antonio Escámez Torres | Appointments and remuneration | Born in 1951 in Alicante. Graduate in Law. Other relevant positions: chairman of Banco Santander Foundation, non-executive chairman of Santander Consumer Finance, S.A. and Open Bank, S.A., non-executive vice-chairman of Attijariwafa Bank and non-executive chairman of Arena Communications Network, S.L. |
| Mr. Abel Matutes Juan | Appointments and remuneration | Born in 1941 in Ibiza. Degree in Law and Economics. Main activity: chairman of Grupo de Empresas Matutes. Other relevant positions: He has been minister of Foreign Affairs, and EU Commissioner, holding the positions of Credit and Investment, Financial Engineering and Policy for Small and Medium-Sized Companies (1989), North-South Relations, Mediterranean Policy and Relations with Latin America and Asia (1989), and Transport, Energy and Supply Agency for Euroatom (1993). He is chairman of Fiesta Hotels & Resorts, S.L., non-executive director of FCC Construcción, S.A., and an external member of the supervisory board of TUI, AG. |
| Mr. Luis Ángel Rojo Duque | Appointments and remuneration | Born in 1934 in Madrid. Graduate in Law, Doctorate in Economics and State Economist. He holds honorary doctorates from the universities of Alcalá de Henares and Alicante. Other relevant positions: in the Bank of Spain he was head of the research department, deputy governor and governor. He has been a member of the governing council of the European Central Bank, vice chairman of the European Monetary Institute, a member of the Planning and Development Committee of the United Nations and Treasurer of the International Association of Economics. He is a member of the Royal Academy of Moral and Political Sciences and of the Spanish Royal Academy of Language. |
| Mr. Luis Alberto Salazar-Simpson | Appointments and remuneration | Born in 1940 in Madrid. Graduate in Law and qualified in Treasury and Tax Law. Main activity: chairman of France Telecom España, S.A. |
| Ms. Isabel Tocino Biscarolasaga | Appointments and remuneration | Born in 1949 in Santander. Doctor in Law. She has undertaken graduate studies in business administration at IESE and Harvard. Main activity: Professor at the Complutense University of Madrid. Other relevant positions: former minister for Environment of the Spanish Government, former chairwoman of the European Affairs and of the Foreign Affairs committees of Spanish Congress and former chairwoman for Spain and Portugal and former vice-chairwoman for Europe of Siebel Systems, Inc. At present, she is also an elected member of the Spanish State Council, an external director of Televisión Autonómica de Madrid (Telemadrid), Diagonal Gest, S.L., Kiluva S.A. and Climate Change Capital Ltd. and member of the Royal Academy of Doctors. |

(*) Unless otherwise indicated, the main activity of the directors listed in this section is that carried out at the Bank.

| | |
|---------------------------------------|----|
| Total number of Independent directors | 10 |
| % of the board | 53 |

Other external directors

| Name or corporate name of director | Committee proposing appointment |
|--|---------------------------------|
| Lord Burns (Terence) | Appointments and remuneration |
| Total number of other external directors | 1 |
| % of the board | 5 |

List the reasons why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders:

Lord Burns is an external non-proprietary director as he currently receives remuneration as a member of the board of directors of Group subsidiaries Santander UK plc (formerly called Abbey National plc) and Alliance & Leicester plc. The board of directors, based on a report by the appointments and remuneration committee, deems that he cannot be classified as an independent director.

List any changes in the category of each director which have occurred during the year:

| Name or corporate name of director | Date of change (day/month/year) | Previous category | Current ^(*) category |
|------------------------------------|---------------------------------|-------------------------|---------------------------------|
| Mr. Rodrigo Echenique Gordillo | 01/01/2010 | Other external director | External independent director |

(*) Based on the proposal made by the appointments and remuneration committee at its meeting on 17 March 2010, the board of directors at its meeting on 22 March 2010, confirmed the status of Mr. Rodrigo Echenique Gordillo as an external independent director.

B.1.4 Explain, when applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 5% of the share capital:

| Name or corporate name of the shareholder | Reason |
|--|--|
| Assicurazioni Generali S.p.A. | The criteria to appoint external proprietary directors representing shareholders who hold less than 5% of the capital has been described in section B.1.3. |
| Mr. Javier Botín-Sanz de Sautuola y O'Shea | The criteria to appoint external proprietary directors representing shareholders who hold less than 5% of the capital has been described in section B.1.3. |

Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been entertained.

Yes No

No formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors have been received.

B.1.5 Indicate whether any director has resigned from office before his or her term of office has expired, whether that director has given the board his/her reasons and through which channel. If made in writing to the whole board, list below the reasons given by that director:

| Name of director | Reasons for resignation |
|------------------|-------------------------|
| — | — |

B.1.6 Indicate what powers, if any, have been delegated to the chief executive officer.

| Name or corporate name of director | Brief description |
|--|-------------------------|
| Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos | Executive chairman |
| Mr. Alfredo Sáenz Abad | Chief executive officer |

The executive chairman and the chief executive officer, without prejudice to the statutory status of the hierarchical superiority in the Bank of the chairman, have been delegated the same powers, which are:

All the powers of the board of directors, except for those not delegable by law and those listed below, classified as not delegable in the Rules and Regulations of the Board:

“(a) Approval of the general policies and strategies of the Company, particularly:

- (i) Strategic plans, management targets and annual budget;
- (ii) Dividend and treasury stock policy;
- (iii) General risk management policy;
- (iv) Corporate governance policy;
- (v) Corporate social responsibility policy.

(b) Approval of the policies for the provision of information to and for communication with the shareholders, the markets and the public opinion.

(c) Approval of the financial information that the Company must make public on a periodic basis.

(d) Approval of transactions entailing the acquisition and disposition of substantial assets of the Company and major corporate transactions, when it is the duty of the board.

(e) Approval, within the framework of the provisions of Article 58 of the Bylaws, of the remuneration to which each director is entitled.

(f) Approval of the contracts governing the performance by directors of duties other than those of a mere director and the compensation to which they are entitled for the performance of additional duties.

(g) The appointment, remuneration and, if applicable, removal of the members of the senior management, as well as the definition of the basic terms of their contracts.

(h) Control of management activities and evaluation of managers.

(i) Authorisation for the creation or acquisition of shareholdings in special purpose entities or entities domiciled in countries or territories that are considered to be tax havens.

(j) And those of the board in relation to its composition and functioning, the remuneration and duties of directors, the contracting of technical advisors and board relations with shareholders, markets and the financial auditor.”

B.1.7 List the directors, if any, who hold office as directors or executives in other companies belonging to the listed company's group:

The directors who are managers or directors of other Group companies are:

| Name or corporate name of director | Name or corporate name of the group | Post |
|---|---|--|
| Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos | Santander Investment, S.A. | Chairman ^(*) |
| | Portal Universia, S.A. | Chairman ^(*) |
| | Portal Universia Portugal, Prestação de Serviços de Informática, S.A. | Chairman ^(*) |
| | Universia México, S.A. de C.V. | Chairman ^(*) |
| | Portal Universia Argentina, S.A. | Honorary chairman |
| | Universia Colombia, S.A. | Chairman ^(*) |
| Mr. Alfredo Sáenz Abad | Universia Perú, S.A. | Chairman ^(*) |
| | Universia Puerto Rico, Inc. | Chairman ^(*) |
| | Universia Holding, S.L. | Chairman ^(*) |
| | Banco Banif, S.A. | Chairman ^(*) |
| | Santander Private Banking, s.p.a. | Chairman ^(*) |
| | Mr. Matías Rodríguez Inciarte | Banco Español de Crédito, S.A. |
| Santander Seguros y Reaseguros Compañía Aseguradora, S.A. | | Director ^(*) |
| UCI, S.A. | | Chairman ^(*) |
| Banco Santander Totta, S.A. | | Vice chairman ^(*) |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea | Santander Totta, SGPS, S.A. | Vice chairman ^(*) |
| | Banco Español de Crédito, S.A. | Chairman |
| | Santander Investment, S.A. | Director ^(*) |
| Lord Burns (Terence) | BSN- Banco Santander de Negócios Portugal, S.A. | Director ^(*) |
| | Ingeniería de Software Bancario, S.L. | Chairman ^(*) |
| | Santander UK plc ⁽¹⁾ | Chairman ^(*) |
| Mr. Rodrigo Echenique Gordillo | Alliance 8 Leicester plc | Chairman ^(*) |
| | Santander UK Foundation Limited | Director ^(*) |
| | Banco Banif, S.A. | 2 nd Vice chairman ^(*) |
| | Santander Investment, S.A. | Director ^(*) |
| | Allfunds Bank, S.A. | Vice chairman ^(*) |
| | Banco Santander International | Director ^(*) |
| Mr. Antonio Escámez Torres | Santander Private Real Estate Advisory, S.A. Unipersonal ⁽²⁾ | Director ^(*) |
| | Universia Holding, S.L. | Director ^(*) |
| | Santander Consumer Finance, S.A. | Chairman ^(*) |
| | Open Bank, S.A. ⁽³⁾ | Chairman ^(*) |
| | Grupo Konectanet, S.L. | Representative ⁽⁴⁾ |
| | Mr. Francisco Luzón López | Santander Consumer Finance, S.A. |
| Grupo Financiero Santander, S.A. de C.V. | | Director ^(*) |
| Banco Santander (México), S.A. | | Director ^(*) |
| Institución de Banca Múltiple, Grupo Financiero Santander Casa de Bolsa | | Director ^(*) |
| Santander, S.A. de C.V. | | Director ^(*) |
| Portal Universia, S.A. | | Director ^(*) |
| Banco Santander International | | Director ^(*) |
| Universia Holding, S.L. | | Vice chairman ^(*) |
| Universia México, S.A. de C.V. | | Vice chairman ^(*) |
| Universia Chile, S.A. | | Director ^(*) |
| Servicios Universia | | Director ^(*) |
| Venezuela, SUV, S.A. | | Director ^(*) |
| Portal Universia Portugal - Prestação de Serviços Informáticos, S.A. | | Director ^(*) |
| Universia Perú, S.A. | Director y vice chairman ^(*) | |
| Santander Consumo, S.A. de C.V. SOFOM E.R. | Director ^(*) | |



| Name or corporate name of director | Name or corporate name of the group | Post |
|------------------------------------|--|--|
| Mr. Juan Rodríguez Inciarte | Santander UK plc ⁽¹⁾ Santander Consumer Finance, S.A. Banco Banif, S.A. | Vice chairman ^(*) Director ^(*) Director ^(*) |
| | Alliance & Leicester plc Vista Capital de Expansión, S.A. SGEGR | Director ^(*) Director ^(*) |

(*) Non executive.

(1) Formerly Abbey National plc.

(2) Formerly Banif Inmobiliario, S.A.U.

(3) Formerly Open Bank Santander Consumer, S.A.

(4) Individual who represents Santander Consumer Finance, S.A. on the board and vice chairman of Grupo Konectanet, S.L.

For the purpose of this table, the concept of Group under Article 4 of the Securities Market Act (*Ley del Mercado de Valores*) is used.

B.1.8 List any company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company:

Details relating to the type of position held by the Bank's directors are included.

| Name or corporate name of director | Name of listed company | Post |
|------------------------------------|---|--|
| Mr. Fernando de Asúa Álvarez | Técnicas Reunidas, S.A. | External vice chairman |
| Mr. Matías Rodríguez Inciarte | Financiera Poferrada, S.A., SICAV | External director |
| Mr. Manuel Soto Serrano | Corporación Financiera Alba, S.A. Indra Sistemas, S.A. Cartera Industrial REA, S.A. | External director External vice chairman External director |
| Mr. Antonio Basagoiti García-Tuñón | Pescanova, S.A. Faes Farma, S.A. | External director External vice chairman |
| Mr. Guillermo de la Dehesa Romero | Campofrío Food Group, S.A. | External director |
| Mr. Francisco Luzón López | Industria de Diseño Textil, S.A. | External director |

For the purpose of this table, the concept of Group under Article 4 of the Securities Market Act (*Ley del Mercado de Valores*) is used.

B.1.9 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit:

Yes **X** No **_**

Explanation of the rules

The maximum number of boards to which directors may belong as stipulated in Article 30 of the Rules and Regulations of the Board shall be governed by the provisions of Law 31/1968, of 27 July.

B.1.10 In relation with recommendation 8 of the Unified Code, indicate the company's general policies and strategies that are reserved for approval by the board of directors in plenary session:

| | Yes | No |
|--|----------|----------|
| Investment and financing policy | X | _ |
| Design of the structure of the corporate group | X | _ |
| Corporate governance policy | X | _ |
| Corporate social responsibility policy | X | _ |
| The strategic or business plans, management targets and annual budgets | X | _ |
| Remuneration policy and performance evaluation of senior managers | X | _ |
| Risk control and management, and the periodic monitoring of internal information and control systems | X | _ |
| Dividend policy, as well as the policies and limits applying to treasury stock | X | _ |

Article 3.2 of the Rules and Regulations of the Board stipulates the following:

"Without prejudice to the foregoing, the policy adopted by the Board consists of delegating the day-to-day management of the Company to the executive bodies and the management team and focusing its activity on the general supervisory function, assuming and discharging per se, without the power of delegation, the responsibilities entailed in this function and, in particular, those set forth below:

a) Approval of the general policies and strategies of the Company, particularly:

- (i) Strategic plans, management targets and annual budget;
- (ii) Dividend and treasury stock policy;
- (iii) General risk management policy;
- (iv) Corporate governance policy;
- (v) Corporate social responsibility policy.

(b) Approval of the policies for the provision of information to and for communication with the shareholders, the markets and the public opinion. The board assumes the duty to provide the markets with prompt, accurate and reliable information, especially in connection with the shareholding structure, any substantial amendments to the rules of governance, related party transactions of particular importance and treasury stock.

(c) Approval of the financial information that the Company must make public on a periodic basis.

(d) Approval of transactions entailing the acquisition and disposition of substantial assets of the Company and major corporate transactions, unless such approval must be given by the shareholders at a general shareholders' meeting, pursuant to the provisions of Article 20 of the Bylaws.

(e) Approval, within the framework of the provisions of Article 58 of the Bylaws, of the remuneration to which each director is entitled.

- (f) Approval of the contracts governing the performance by directors of duties other than those of a mere director and the compensation to which they are entitled for the performance of additional duties, whether they are the duties of an executive director or otherwise, other than the duties of supervision and collective decision-making that they discharge in their capacity as mere members of the board.
- (g) The appointment, remuneration and, if applicable, removal of the members of the senior management, as well as the definition of the basic terms of their contracts
- (h) Control of management activities and evaluation of managers
- (i) Authorisation for the creation or acquisition of shareholdings in special purpose entities or entities domiciled in countries or territories that are considered to be tax havens.
- (j) And all others specifically provided for in these rules and regulations.

The powers set forth in paragraphs (c), (d), (e), (f), (g) and (i) may be exercised by the executive committee on an emergency basis, with a subsequent report thereof to the board at the first meeting thereafter held by it."

B.1.11 Complete the following tables on the aggregate remuneration paid to directors during the year:

Note 5 to the Group's financial statements contains and individual breakdown on director remuneration, including that received by executive directors.

Please also see the appointments and remuneration committee report for 2009, which is jointly distributed with the Grupo Santander annual report.

However, the following information conforms to that specified in Circular 4/2007 of the CNMV:

a) In the reporting company:

| Concept | In thousand € |
|---|---------------|
| Fixed remuneration | 10,544 |
| Variable remuneration | 15,240 |
| Bylaw-stipulated compensation (annual allotment) | 4,637 |
| Attendance fees | 1,340 |
| Others, except life insurance premiums | 881 |
| Sub-total | 32,642 |
| Share options and/or other financial instruments ⁽¹⁾ | 2,403 |
| Total | 35,045 |

| Other benefits | In thousand € |
|---|----------------------|
| Advances | — |
| Loans | 7,471 |
| Funds and pension plans: contributions | 4,586 ⁽²⁾ |
| Funds and pension plans: obligations | 230,938 |
| Life insurance premiums | 1,016 |
| Guarantees issued by the Company in favour of directors | 11 |

(1) Amount of deferred variable remuneration received in 2009 in shares delivered under the Plan I-09 approved at the general shareholders' meeting held on 23 June 2007. See section A.3 of this report for more information on this plan.

(2) Pension reversed in 2009 amounting to EUR 4 thousand are not included.

b) For company directors sitting on other governing bodies and/or holding senior management posts within group companies:

| Concept | In thousand € |
|--|---------------|
| Fixed remuneration | — |
| Variable remuneration | — |
| Attendance fees | 78 |
| Bylaw-stipulated compensation | — |
| Share options and/or other financial instruments | — |
| Other | 585 |
| Total | 663 |

| Other benefits | In thousand € |
|---|---------------|
| Advances | — |
| Loans | — |
| Funds and pension plans: contributions | 1,117 |
| Funds and pension plans: obligations | 61,208 |
| Life insurance premiums | — |
| Guarantees issued by the Company in favour of directors | — |

c) Total remuneration by type of director:

| Type of director | By company | By group |
|----------------------|---------------|------------|
| Executives | 31,197 | 42 |
| External proprietary | 263 | — |
| External independent | 3,460 | 36 |
| Other external | 125 | 585 |
| Total: | 35,045 | 663 |

d) Remuneration as a percentage of profit attributable to the parent company:

| | |
|---|--------|
| Total remuneration received by directors (in thousand €) | 35,708 |
| Total remuneration received by directors/profit attributable ^(*) to parent company (%) | 0.399% |

(*) Calculated on the profits attributed to the Group.

B.1.12 List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year:

The most senior management duties of the Company, under the authority of the Company's chairman and the chief executive officer, are vested in the members of the senior management. Therefore, the chairman, the chief executive officer, the other executive directors and the following persons, all of them members of the senior management, form the senior management of the Company.

| Post | Name |
|--|--|
| America | Mr. Marcial Portela Álvarez Mr. Jesús M ^o . Zabalza Lotina |
| Internal audit | Mr. Juan Guitard Marín |
| Global wholesale banking | Mr. Adolfo Lagos Espinosa Mr. Jorge Maortua Ruiz-López |
| Communications, corporate marketing and research | Mr. Juan Manuel Cendoya Méndez de Vigo |
| Finance and investor relations | Mr. José Antonio Álvarez Álvarez |
| Global private banking and asset management | Mr. Javier Marín Romano |
| Financial accounting and control | Mr. José Manuel Tejón Borrajo |
| Human resources | Mr. José Luis Gómez Alciturri |
| Santander Spain Network | Mr. Enrique García Candelas |
| Risk | Mr. Javier Peralta de las Heras Mr. José María Espí Martínez |
| Consumer finance | Ms. Magda Salarich Fernández de Valderrama |
| Santander Totta | Mr. Nuno Manuel da Silva Amado |
| Santander UK | Mr. Antonio Horta Osorio |
| General secretariat | Mr. Ignacio Benjumea Cabeza de Vaca Mr. Jaime Pérez Renovales Mr. César Ortega Gómez |
| Insurance and global direct banking | Mr. Jorge Morán Sánchez |
| Technology and operations | Mr. José María Fuster van Bendegem |

Also, Mr. Ramón Tellaech Bosch, deputy executive vice president of the Bank, is head of the payment means division and José Antonio Villasante Cerro, also deputy executive vice president, is head of the Santander Universities division.

| | |
|--|-----------------------|
| Total remuneration received by senior management (in thousand €) | 74.725 ^(*) |
|--|-----------------------|

(*) Includes the annual remuneration regardless of the number of months of service on the general management team and excludes that which relates to executive management.

B.1.13 Identify, in aggregate terms, any indemnity or “golden parachute” clauses that exist for members of the senior management (including executive directors) of the company or of its group in the event of dismissal or changes in control. Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group:

| | | |
|---|--------------------|------------------------------|
| Number of beneficiaries | 25 | |
| | Board of directors | General shareholders meeting |
| Body authorising clauses | X | |
| | Yes | No |
| Is the general meeting informed of the clauses? | X | |

The Bank has signed contracts with all of its executive directors.

These contracts are of indefinite term. Termination of the employment relationship due to breach of obligations by an executive director or by voluntary act of the director shall not give rise to any financial compensation. If termination occurs for reasons attributable to the Bank or due to the occurrence of objective circumstances, such as those that might affect the organisational or operational attributes of the executive director, at the time of the termination of the relationship with the Bank, if it occurs now, the director will have the right to:

- In the cases of Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos and Mr. Alfredo Sáenz Abad retirement with pension supplement in the form of equity corresponding to their accrued pension rights (EUR 24,642 thousand and EUR 85,740 thousand respectively), with no further pension rights accruing in the future in either case once the consolidation option referred to under Note 5.c of the Group’s 2009 Report has been exercised.

Had Mr. Alfredo Sáenz Abad’s contract been terminated in 2009, he would have been able to choose between retiring or receiving severance pay equivalent to 40% of his fixed annual salary multiplied by the number of years’ service in banking, up to a maximum of 10 times his fixed annual salary. However, Mr. Alfredo Sáenz Abad has waived his right to receive this severance.

- In the cases of Mr. Matías Rodríguez Inciarte and Mr. Francisco Luzón López, early retirement with pension supplement. At 31 December 2009, this supplement would have been EUR 2,507 thousand annually for Matías Rodríguez Inciarte and EUR 2,701 thousand annually for Francisco Luzón López (EUR 2,416 thousand and EUR 2,648 thousand respectively in 2008, and EUR 2,146 thousand and EUR 2,293 thousand respectively in 2007).
- In the case of Ms. Ana Patricia Botín-Sanz de Sautuola y O’Shea, compensation of up to five times the annual fixed salary, as established in the contract on the basis of the termination date. At 31 December 2009, this amount would be EUR 6,472 thousand (EUR 6,345 thousand at 31 December 2008 and EUR 3,399 thousand at 31 December 2007). If the resignation occurs for reasons attributable to the Bank, the director would accept early retirement and receive an annual amount. At 31 December 2009 this amount would be EUR 1,841 thousand annually. These alternatives are mutually exclusive, so that if Ms. Ana Patricia Botín-Sanz de Sautuola y O’Shea chooses to receive the severance payment, she will not be entitled to the pension supplement.
- In the case of Mr. Juan Rodríguez Inciarte, compensation of up to five times the annual fixed salary, as established in the contract on the basis of the termination date. At 31 December 2009, this amount would be EUR 4,936 thousand (EUR 4,792 thousand at 31 December 2008 and EUR 4,652 thousand at 31 December 2007). If the resignation occurs for reasons attributable to the Bank, the director would accept early retirement and receive an annual amount. At 31 December 2009 this amount would be EUR 869 thousand annually (EUR 958 thousand annually at 31 December 2008 and EUR 930 thousand annually at 31 December 2007). These alternatives are mutually exclusive, so that if Mr. Juan Rodríguez Inciarte chooses to receive the severance payment, he will not be entitled to the pension supplement.

In the event that Mr. Matías Rodríguez Inciarte, Mr. Francisco Luzón López, Ms. Ana Patricia Botín-Sanz de Sautuola y O’Shea and Mr. Juan Rodríguez Inciarte take early retirement or retire, they have an entitlement to receive a pension payment –or the amounts charged to the same - in the form of cash or equity – that is, in a single payment– as a lump sum, without prejudice to their right to exercise the options available to them from the age of 60 (see Note 5.c of the Group’s 2009 report).

In addition, other members of the Group's senior management have contracts recognising their right to severance payments in the event of resignation not due to voluntary resignation, retirement, disability or a serious breach of their duties. These payments are recognised as pension fund provisions and similar obligations and as a personnel expense only when the relationship between the Bank and the directors is breached before the normal retirement date.

B.1.14 Describe the procedures for establishing remuneration for board members and the relevant provisions in the bylaws:

1. To describe the process to set the compensation of directors, it is necessary to draw a line between the different compensation schemes set forth in the Bylaws and to provide the text of the rules therein established and of the Rules and Regulations of the Board that are relevant thereto.

Article 58 of the Bylaws stipulates:

"1. The directors shall be entitled to receive compensation for performing the duties entrusted to them by reason of their appointment as mere members of the board of directors by the shareholders at a general shareholders' meeting or by the board itself exercising its power to make interim appointments (co-option) to fill vacancies.

2. The compensation referred to in the preceding paragraph shall be paid as a share in profits and bylaw-mandated compensation; and shall have two components: (a) an annual amount and (b) attendance fees. Attendance fees shall be paid in advance on account of the profits for the fiscal year.

The specific amount payable for the above-mentioned items to each of the directors shall be determined by the board of directors. For such purpose, it shall take into consideration the positions held by each director on the board and their membership in and attendance at the meetings of the various committees.

The aggregate amount of the compensation established in this sub-section shall be equal to one percent of the profit of the Company for the fiscal year, provided, however, that the board may resolve that such percentage be reduced in those years in which it so deems justified.

3. In addition to the compensation systems set forth in the preceding paragraphs, the directors shall be entitled to receive compensation by means of the delivery of shares or option rights thereon, or by any other compensation system referenced to the value of shares, provided the application of such compensation systems is previously approved by the shareholders at the general shareholders' meeting. Such resolution shall determine, as the case may be, the number of shares to be delivered, the exercise price of the options, the value of the shares used as a reference and the duration of such compensation system.

4. Independently of the provisions of the preceding paragraphs, the directors shall also be entitled to receive such other compensation (salaries, incentives, bonuses,

pensions, insurance and severance payments) as, following a proposal made by the appointments and remuneration committee and upon resolution by the board of directors, may be considered appropriate in consideration for the performance of other duties at the Company, whether they are the duties of an executive director or otherwise, other than the duties of supervision and collective decision-making that they discharge in their capacity as members of the board.

5. The Company shall take out liability insurance for its directors on such terms as are customary and commensurate with the circumstances of the Company itself."

Article 28 of the Rules and Regulations of the Board also stipulates:

"1. The directors shall be entitled to receive compensation for performing the duties entrusted to them by reason of their appointment as mere members of the board of directors by the shareholders at a general shareholders' meeting or by the board itself exercising its power to make interim appointments (co-option) to fill vacancies.

2. The compensation referred to in the preceding paragraph shall be paid as a share in profits and bylaw-mandated compensation; and shall have two components: (a) an annual amount and (b) attendance fees. Attendance fees shall be paid in advance on account of the profits for the fiscal year.

The specific amount payable for the above-mentioned items to each of the directors shall be determined by the board of directors within the limits established in sub-section 2 of Article 58 of the Bylaws and after a proposal of the appointments and remuneration committee. For such purpose, it shall take into consideration the positions held by each director on the board and their membership in and attendance at the meetings of the various committees.

3. In addition to the compensation systems set forth in the preceding paragraphs, the directors shall be entitled to receive compensation by means of the delivery of shares or option rights thereon, or by any other compensation system referenced to the value of shares, provided the application of such compensation systems is previously approved by the shareholders at the general shareholders' meeting. Such resolution shall determine, as the case may be, the number of shares to be delivered, the exercise price of the options, the value of the shares used as a reference and the duration of such compensation system.

4. Independently of the provisions of the preceding paragraphs, the directors shall also be entitled to receive such other compensation (salaries, incentives, bonuses, pensions, insurance and severance payments) as, following a proposal made by the appointments and remuneration committee and upon resolution by the board of directors, may be considered appropriate in consideration for the performance of other duties at the Company, whether they are the duties of an executive

director or otherwise, other than the duties of supervision and collective decision-making that they discharge in their capacity as members of the board.

5. *The Company shall maintain civil liability insurance for its directors on such terms as are customary and commensurate with the circumstances of the Company itself.*

6. *The board shall endeavour to ensure that director compensation meets standards of moderation and correspondence to the earnings of the Company. In particular, it shall endeavour to ensure that the compensation of external directors is sufficient to compensate them for the dedication, qualifications and responsibilities required for the performance of their duties."*

2. Article 17.4 f) of the Rules and Regulations of the Board includes, among the competencies of the appointments and remuneration committee, the following:

"f) Propose to the board:

(i) The policy for compensation of directors and the corresponding report, upon the terms of Article 29 of these rules and regulations.

(ii) The policy for compensation of the members of senior management.

(iii) The individual compensation of the directors.

(iv) The individual compensation of the executive directors and, if applicable, external directors, for the performance of duties other than those of a mere director, and other terms of their contracts.

(v) The basic terms of the contracts and compensation of the members of senior management."

3. Based on the foregoing, the remuneration systems for directors and the process to set such compensation are as follows:

(i) Compensation for acting in the position of director as such.

a. Joint share in the income for each fiscal year.

The share in the income for the fiscal year, paid to directors as bylaw stipulated fees comprises an annual amount and attendance fees.

The amount is set in the Bylaws as one percent of the net income of the Bank for the fiscal year, where the directors can agree annually to reduce this percentage. Also funding is first required of all other allocations required by law (for example, allocations to reserves required to comply with the equity rules for credit institutions).

Article 58.2 of the Company's current Bylaws establishes with respect to the compensation item that the one percent of profit, which in the previous Bylaws related only to the annual amount, is now the total limit for the annual amount and the attendance fees.

Concerning this type of remuneration, at the board meeting held on 21 December 2009, following a proposal of the appointments and remuneration committee, the

directors set the bylaw-mandated share of the members of the board in the concept of the annual payment in 2009 as follows:

- EUR 106,326 for each member of the board of directors.
- EUR 213,246 to each member of the executive committee
- EUR 35,640 to the first vice-chairman
- EUR 35,640 to the fourth vice-chairman.
- EUR 49,500 to each member of the audit and compliance committee.
- EUR 29,700 to each member of the appointments and remuneration committee.

In the case of positions that have not been filled for the entire fiscal year, such amounts are paid proportionately.

b. Attendance fees.

At its meeting of 17 December 2009, the appointments and remuneration committee propose to the board to set the amount of the fees for attending the board meetings and those of its committees, excluding the executive committee, to which no attendance fees are paid. The board approved the proposal of the appointments and remuneration committee at its meeting on 21 December 2009.

The amounts are those indicated below:

- Board: EUR 2,540 for resident directors and EUR 2,057 for non-resident directors.
- Committees:
 - (i) Resident directors: risk committee and audit and compliance committee: EUR 1,650; other committees (excluding executive committees) EUR 1,270; and
 - (ii) non-resident directors: EUR 1,335 for the risk committee and the audit and compliance committee and EUR 1,028 for other committees (excluding the executive committee).

(ii) Compensation for the performance of duties in the Company other than the duties of director.

Pursuant to Article 58.4 of the Bylaws and Article 28.4 of the Rules and Regulations of the Board, director compensation may be considered appropriate in consideration for the performance of other duties at the Company, whether they are the duties of an executive director or otherwise, other than the duties of supervision and collective decision-making that they discharge in their capacity as directors.

The various components of this compensation (salaries, incentives, bonuses, pensions, insurance and retirement benefits), are approved by the board of directors at the proposal of the appointments and remuneration committee.

These are detailed in note 5 to the financial statements. They are also contained in the appointments and remuneration committee report.

(iii) Compensation linked to the Company's shares.

In this case, as required by law and the Bylaws, the decision is to be adopted at the annual general meeting, following a proposal made by the board of directors on the basis of a proposal submitted by the appointments and remuneration committee.

The policy of the Group states that only the executive directors can be beneficiaries of compensation systems relating to the provision of shares or options.

The compensation linked to shares for the Bank for 2009 was approved at the annual general meeting of 19 June 2009, as described below.

The shareholders at the 2009 annual general meeting authorised, within the scope of the Banco Santander long-term incentive policy, the fourth cycle of the Performance Shares Plan (Plan I-12), the third cycle of the shares related to mandatory investment plan, and the selective grant of up to 2,478,000 shares (representing 0.030% of the Bank's capital at year-end 2009), establishing a maximum total limit of 26,027,580 shares for distribution in these programmes, equivalent to 0.316% of the Bank's share capital at year-end 2009 (the *Total Limit*).

1. Fourth cycle (Plan I-12) of the performance shares plan

The fourth cycle of the plan is subject to the following rules:

- (i) Beneficiaries: The executive directors, the remaining members of senior management, and such other executives of the Grupo Santander (excluding Banesto) as are determined by the board of directors, or the executive committee by delegation thereof. At 31 December 2009, the number of participants was 6,510.
- (ii) Objectives: The objectives used to determine the number of shares for distribution (the Objectives) are linked to the Total Shareholder Return (TSR):

TSR is deemed to be the difference (expressed as a percentage) between the final value of an investment in ordinary shares in each of the institutions compared and the initial value of the same investment, bearing in mind that any calculation of the final value must take into account dividends or similar items received by the shareholder for this investment during the corresponding period of time as if an investment was made in more shares of the same kind on the first date on which the dividend was payable to shareholders and the average weighted share price on that date. In order to determine the aforementioned initial and final values, the share prices established in item (iii) below will be adopted.

At the end of the cycle, the TSR for Santander and each of the group institutions identified below (the Benchmark Group) will be calculated and listed in decreasing order. The application of the TSR criterion will determine the percentage of shares to distribute, based on the following scale and Santander's relative position within the Benchmark Group:

| Santander's position in the TSR rankings | Percentage shares earned of the maximum |
|--|---|
| 1 st to 5 th | 100.0% |
| 6 th | 82.5% |
| 7 th | 65.0% |
| 8 th | 47.5% |
| 9 th | 30.0% |
| 10 th and over | 0% |

The Benchmark Group initially comprises the following 16 institutions:

| Bank | Country |
|--------------------------------|-------------|
| Itaú Unibanco Banco Múltiplo | Brazil |
| BBVA | Spain |
| BNP Paribas | France |
| Credit Suisse | Switzerland |
| HSBC Holdings | UK |
| ING Group | Netherlands |
| Intesa Sanpaolo | Italy |
| JP Morgan Chase & Co. | USA |
| Mitsubishi UFJ Financial Group | Japan |
| Nordea Bank | Sweden |
| Royal Bank of Canada | Canada |
| Société Générale | France |
| Standard Chartered | UK |
| UBS | Switzerland |
| UniCredit | Italy |
| Wells Fargo & Co. | USA |

The board of directors, or the executive committee by delegation thereof, based on a prior report from the appointments and remuneration committee, shall have the power to adapt, as appropriate, the composition of the Benchmark Group in the event of unforeseen circumstances that affect the entities of which it is initially composed. In such cases, no shares will be earned if Santander falls below the Benchmark Group median (50th percentile); the maximum number of shares will be earned if Santander is within the first quartile (including the 25th percentile) of the Benchmark Group; a maximum of 30% of the shares will be earned at the median (50th percentile); and, at positions between the median (exclusive) and the first quartile (25th percentile exclusive) shares earned will be calculated by linear interpolation.

- (iii) Duration: This fourth cycle covers the years 2009, 2010 and 2011. To calculate the TSR, the daily average weighted volume of the average weighted listing prices for the 15 trading sessions prior to 1 April 2009 (exclusive) (to calculate the initial value) and the 15 trading sessions prior to 1 April 2012 (exclusive) (to calculate the final value) will be used. To receive shares, those qualified must continue to be actively employed by the Group, except in the event of death or disability, through 30 June 2012. Any distribution of shares will be made no later than 31 July 2012, on the date established by the board of directors, or the executive committee by delegation thereof.

The shares will be distributed by the Bank or another Group company, as applicable.

(iv) Maximum number of shares to be distributed:

The maximum number of shares distributed to each of the executive directors will be the following:

| Executive directors | Maximum no. of shares |
|--|-----------------------|
| Mr. Emilio Botín-Sanz de Sautuola | 82,941 |
| Mr. Alfredo Sáenz Abad | 228,445 |
| Mr. Matías Rodríguez Inciarte | 105,520 |
| Mr. Francisco Luzón López | 92,862 |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea | 56,447 |
| Mr. Juan Rodríguez Inciarte | 60,904 |

The number of shares which correspond to director Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea as a beneficiary of this plan is in accordance with the number approved by the shareholders at Banco Santander's general meeting held on 19 June 2009 and at Banesto's general meeting held on 24 February 2010.

The appointments and remuneration committee, on 17 December 2009, reported favourably on the regulations of the fourth cycle of the performance shares plan, which was approved by the executive committee on 21 December 2009.

2. Third cycle of the shares related to mandatory investment plan

The third cycle of this plan is subject to the following rules:

- (i) Beneficiaries: The executive committee, at its meeting of 1 February 2010, determined, by delegation of the board of directors, the 32 persons who are currently the beneficiaries. This group comprises the executive directors and other members of the Bank's senior management, as well as other main executives of Grupo Santander (excluding Banesto).
- (ii) Operation: Beneficiaries must set aside 10% of their 2009 gross annual variable compensation (or bonus) to acquire Bank shares on the market (the Mandatory Investment). Pursuant to the resolution of the shareholders, the Mandatory Investment was made prior to 28 February 2010.

Beneficiaries of the plan will be entitled to receive from the Bank or, as applicable, another Group company, a number of Santander shares equal to those initially acquired through the mandatory investment, i.e., based on a ratio of one share for each share acquired through the mandatory investment, provided that for a period of three years following said mandatory investment, the following conditions are met:

- a) that the shares acquired in the Mandatory Investment are retained;
- b) that the participant continues to belong to the Grupo Santander; and
- c) that none of following circumstances occurs:
 - a poor financial performance by the Group;
 - failure by the beneficiary to comply with the codes of conduct and other internal rules and regulations, in particular with respect to risks, that are applicable to the manager; or

- a material restatement of the Company's financial statements, except where warranted in accordance with a modification of accounting standards.

Subject to a report by the appointments and remuneration committee, the board shall determine (i) the occurrence of the circumstances indicated above and, if they occur (ii) their impact on the number of shares corresponding to each beneficiary, which may be adjusted depending on the circumstances.

- (iii) Duration: This third cycle corresponds to 2010-2012. The Bank will distribute shares, as applicable, between 1 January and 1 April, 2013, on the date specified by the board, or the executive committee by delegation thereof, within a period of one month from the third anniversary of the Mandatory Investment.

The Mandatory Investment of each executive director has been the following:

| Executive directors | Number of shares |
|--|------------------|
| Mr. Emilio Botín-Sanz de Sautuola | 20,515 |
| Mr. Alfredo Sáenz Abad | 49,000 |
| Mr. Matías Rodríguez Inciarte | 25,849 |
| Mr. Francisco Luzón López | 28,434 |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea | 18,446 |
| Mr. Juan Rodríguez Inciarte | 15,142 |

The number of shares held by Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea was approved by the shareholders at the Banesto general shareholders' meeting held on 24 February 2010.

3. Selective share delivery plan

The general shareholders' meeting of 19 June 2009 authorised that, for a period of 12 months from implementation thereof, commitments may be undertaken to deliver up to a maximum of 2,478,000 shares of the Bank (representing 0.030% of the Bank's capital at year-end 2009) to be used selectively as a tool for retaining or hiring executives or employees of the Bank or other Group companies, other than executive directors. The board of directors, or the executive committee by delegation thereof, shall be tasked with deciding when to use this tool.

Furthermore, it must comply with the *Total Limit* indicated at the beginning of section B.1.14.

Each participant shall be required to remain with the Group for a minimum period of three to four years. After meeting the minimum period established in each case, the participant will be entitled to distribution of the shares.

As of the date of this report, the Bank was not obliged to distribute any shares as set forth under this heading at year-end 2009.

The limits authorised by the general shareholders' meetings on 23 June 2007 and 21 June 2008 expired without the obligation to distribute shares.

Indicate whether the board has reserved for plenary approval the following decisions:

| | Yes | No |
|--|-----|----|
| At the proposal of the company's most senior management, the appointment and removal of senior officers, and their compensation clauses. | X | - |
| Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions. | X | - |

In reference to this question, sections e), f) and g) of Article 3.2 of the Rules and Regulations of the Board are particularly pertinent.

Article 3.2 of the Rules and Regulations of the Board

"Without prejudice to the foregoing, the policy adopted by the board consists of delegating the day-to-day management of the Company to the executive bodies and the management team and focusing its activity on the general supervisory function, assuming and discharging per se, without the power of delegation, the responsibilities entailed in this function and, in particular, those set forth below:

(...)

e) Approval, within the framework of the provisions of Article 58 of the Bylaws, of the remuneration to which each director is entitled.

f) Approval of the contracts governing the performance by directors of duties other than those of a mere director and the compensation to which they are entitled for the performance of additional duties, whether they are the duties of an executive director or otherwise, other than the duties of supervision and collective decision-making that they discharge in their capacity as mere members of the board.

g) The appointment, remuneration and, if applicable, removal of the members of the senior management, as well as the definition of the basic terms of their contracts

(...)

The powers set forth in paragraphs (c), (d), (e), (f), (g) and (i) may be exercised by the executive committee on an emergency basis, with a subsequent report thereof to the board at the first meeting thereafter held by it."

B.1.15 Indicate whether the board of directors approves a detailed remuneration policy and specify the points included:

| | |
|-------|------|
| Yes X | No _ |
|-------|------|

| | Sí | No |
|--|----|----|
| The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to | X | - |
| Variable components | X | - |
| The main characteristics of pension systems, including an estimate of their amount of annual equivalent cost | X | - |
| The conditions that the contracts of executive directors exercising executive functions shall respect | X | - |

The Company's Bylaws (Article 59) expressly stipulate that the board of directors shall prepare a report on the compensation policy, where it shall set forth the standards and basis used to determine the compensation of the directors for the last current fiscal year and the current fiscal year, and shall make it available to the shareholders when the ordinary general shareholders' meeting is called.

The submission of the first report on the compensation policy at the 2007 annual general meeting was a pioneering initiative in Spain, and has been continued at subsequent meetings.

The 2010 report will be published as part of the appointments and remuneration committee's 2009 report.

Article 59.1 of the Bylaws

"The board of directors shall, on an annual basis, prepare a report on the compensation policy where it shall set forth the standards and basis used to determine the compensation of the directors for the last current fiscal year and the current fiscal year, and shall make it available to the shareholders when the ordinary general shareholders' meeting is called. The contents of the report shall be governed by the provisions of the rules and regulations of the board."

Article 29 of the Rules and Regulations of the Board

"1. Report on the compensation policy

(a) *The board of directors shall, on an annual basis, prepare a report on the compensation policy where it shall set forth the standards and basis used to determine the compensation of the directors for the last current fiscal year and the current fiscal year, and shall make it available to the shareholders when the ordinary general shareholders' meeting is called.*

(b) *The report shall provide an explanation of the changes in compensation to the directors for the performance of their duties of supervision and collective decision-making.*

(c) *The report shall also contain a separate presentation regarding the policy of compensation for executive directors for duties other than those contemplated in the preceding paragraph, which shall cover at least the following items:*

(i) *Changes in fixed compensation accompanied by an estimate of the approximate overall amount thereof.*

(ii) *Reference parameters and the basis for any short- or long-term variable compensation system (annual or multi-year bonuses or incentives).*

- (iii) Preliminary estimate of the absolute amount of variable compensation to which the proposed compensation plan will give rise.
- (iv) Significance of variable compensation relative to fixed compensation.
- (v) Standards of reference for the accrual of compensation based on the delivery of shares, stock options or compensation linked to share prices.
- (vi) Main features of the benefit systems (supplemental pensions, life insurance and similar items) with an estimate of the amount thereof or equivalent annual cost.
- (vii) Terms of the contracts of the executive directors (duration, prior notice periods, hiring bonuses, compensation for termination of the contract and any other terms).

Information shall also be provided regarding the compensation, if any, to be paid to the external directors for duties other than the duties of a mere director.

- (d) The report shall also disclose the most significant changes in the compensation policy approved for the current fiscal year as compared to the policy applied during the prior fiscal year, and shall include an overall summary of how such compensation policy was put into effect during such fiscal year.
- (e) The report shall also provide information regarding the preparatory work and the decision-making process followed to establish the director compensation policy, including the duties, the composition of the appointments and remuneration committee and, if applicable, the identity of the external advisors whose services have been used to determine the compensation policy.
- (f) The report on compensation policy shall be publicly disclosed through the Company's website no later than the date of the call to the ordinary general shareholders' meeting.
- (g) In the report regarding compensation policy made public in accordance with the provisions of the preceding paragraph, the board shall exclude those items whose disclosure might be prejudicial to the Company's interests.

2. Annual report

In the annual report, the board shall set forth, on an individual basis, the compensation received by each director, specifying the amounts corresponding to each compensation item. It shall also set forth therein, on an individual basis and for each item of compensation, the compensation payable, pursuant to Articles 49 and 58.4 of the bylaws, for the performance of executive duties entrusted to the executive directors of the Company.

Furthermore, the report shall provide, in the form of a table or diagram, a comparison between the changes in aggregate compensation for all of the executive directors during the last fiscal year, differentiating those amounts received for the performance of their duties of supervision

and collective decision-making as members of the board and those corresponding to other duties that they perform as members of the board, and the changes in the Group's consolidated results and the listing price of the Company's shares during the same period."

B.1.16 Indicate whether the board submits a report on the directors' remuneration policy to the advisory vote of the general meeting, as a separate point on the agenda. Explain the points of the report regarding the remuneration policy as approved by the board for forthcoming years, the most significant departures in those policies with respect to that applied during the year in question and a global summary of how the remuneration policy was applied during the year. Describe the role played by the remuneration committee and whether external consultancy services have been procured, including the identity of the external consultants.

| Yes <i>X</i> | No <i>_</i> |
|--------------|-------------|
|--------------|-------------|

Issues covered in the remuneration policy report

The report on the compensation policy of directors shall be included as a separate item on the agenda and for consultation purposes and submitted to a vote by shareholders at the next general meeting, scheduled for 10 and 11 June at first and second call, respectively.

Articles 59.1 of the Bylaws and 29.1. a) of the Rules and Regulations of the Board, transcribed above, state that the board should annually approve the compensation policy. This policy will detail the principles and criteria to be used to determine the compensation policy for the directors, making this available at the annual general meeting.

The report on the compensation policy of the directors for 2010 will also be published as part of the report by the appointments and remuneration committee which is distributed with the Group's annual report.

In this report, there is, as specified in Article 29.1 of the Rules and Regulations of the Board, a description of the criteria used by the appointments and remuneration committee to propose the fixed compensation for 2010 and the variable compensation for 2009 for the chairman and the chief executive officer of the Bank.

The individual breakdown per compensation item for the board of directors, including executives, for 2009 is published in note 5 of the Group's financial statements in the format established by CNMV Circular 4/2007 in sections B.1.11 of this report.

Role of the Remunerations Committee and external advisers Appointments and remuneration committee

The appointments and remuneration committee has drafted a policy contained in the report on compensation policy for the board of directors for 2010. This is expected to be presented to the board of directors for approval at its meeting on 26 April 2010.

External advisers

In all the adoption processes for their respective decisions, the appointments and remuneration committee and the board were able to check the data against those of comparable markets and entities, given the Group's size, characteristics and activities. The appointments and remuneration committee and the board of directors received assistance from Towers Watson, which provided market information and advised them on the design of the Group's compensation policy.

| | Yes | No |
|--|---------------|----------|
| Have external consultancy firms been used? | <i>X</i> | <i>_</i> |
| Identity of external consultants | Towers Watson | |

B.1.17 List any board members who are likewise members of the boards of directors, or executives or employees of companies that own significant holdings in the listed company and/or group companies:

As previously indicated (section A.2. of this report), the Bank does not know of any shareholder with a significant ownership interest. However, it states below some shareholders whose percentage interest has been considered relevant by the board of directors to qualify the directors directly linked to them as proprietary directors.

| Name or corporate name of director | Name or corporate name of significant shareholder | Post ^(*) |
|---|---|---------------------|
| Assicurazioni Generali S.p.A. Mr. Antoine Bernheim | Assicurazioni Generali S.p.A. | Chairman |

(*) Position of representative on the board of directors of the Bank (Mr. Antoine Bernheim) on the board of directors of his own company.

List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the board of directors with significant shareholders and/or their group companies:

| Name or corporate name of the director | Name or corporate name of the significant shareholder (*) | Description of relationship |
|--|--|---|
| Mr. Javier Botín-Sanz de Sautuola y O'Shea | Marcelino Botín Foundation, Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos, Ms. Paloma O'Shea Artiñano, Mr. Jaime Botín-Sanz de Sautuola y García de los Ríos, Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea y Mr. Emilio Botín-Sanz de Sautuola y O'Shea. | Representation on the board of directors of the Bank for the percentage share ownership of those persons detailed in the previous column and of his own |

(*) Significant shareholder: As indicated in section A.2, strictly speaking no significant shareholders exist. However in this box, those shareholders who have a relevant percentage ownership in the capital of the Bank, whether directly, indirectly or by proxy, are identified. This implies, in the opinion of the board of directors, that they, if they are directors, or the directors linked to them, are considered external proprietary directors.

B.1.18 Indicate whether any changes have been made to the regulations of the board of directors during the year:

Yes No

Description of amendments

At its meeting of 23 March 2009, the board of directors, based on prior reports from the audit and compliance committee and the appointments and remuneration committee, from their respective sessions on 17 March, resolved to approve the amendments to the Rules and Regulations of the Board.

The amendments to the previous rules and regulations aimed to adapt certain aspects of its internal rules to the Bylaws approved at the annual general meeting on 21 June 2008.

As of the date of this report, the appointments and remuneration committee and the audit and compliance committee are expected to report on the proposed amendments to the Rules and Regulations of the Board. The amendments aim to reserve for the Committee and the Board the proposal of and decision on, respectively, the compensation of managers who are not senior managers but whose compensation is significant, particularly in terms of variable compensation, and whose activities may have a significant impact on what risks are assumed by the Group, as well as include among the aspects that should be addressed the compensation policy report the importance of deferred variable remuneration with respect to total variable remuneration in the case of executive directors.

The Rules and Regulations of the Board are available on the Group's website (www.santander.com) under Information for shareholders and investors, corporate governance, board of directors.

B.1.19 Indicate the procedures for appointing, re-electing, appraising and removing directors. List the competent bodies and the processes and criteria to be followed for each procedure.

The most significant regulations governing the procedures, criteria and competent bodies for the appointment, re-election and renewal of directors are contained in various provisions of the Spanish Companies Act (*Ley de Sociedades Anónimas*) (Articles 123 to 126, 131, 132, 137 and 138), the Regulations of the Mercantile Registry (143 to 145), the Bank's Bylaws (Articles 20.2. (i), 41, 42, 55 and 56) and the Rules and Regulations of the Board (Articles 6, 7, 17 and 21 to 25). The legislation governing credit institutions is also applicable.

Following is a description of the most relevant features of the framework resulting from all the aforementioned provisions:

Number of directors.

The Bylaws (Article 41.1) provide for a maximum of 22 directors and a minimum of 14 directors, to be specifically determined at the general shareholders' meeting. The Bank's board is currently composed of 19 directors, a number which the board deems adequate to ensure the necessary representation and efficient functioning of the board, compliant with the Rules and Regulations of the Board.

Power to appoint directors.

Responsibility for the appointment and re-election of directors lies with the general shareholders' meeting. Nevertheless, in the event that directors vacate their office during the term for which they were appointed, the board of directors may provisionally designate by co-option another director until the shareholders, at the earliest subsequent general meeting, either confirm or revoke this appointment.

Appointment requisites and restrictions.

It is not necessary to be a shareholder in order to be appointed a director, except when this is legally required in the event of appointment by co-option, as mentioned above. The following persons may not hold directorships: minors who are not emancipated, legally disabled persons, persons considered

incapacitated in accordance with the Bankruptcy Law during the period of incapacitation by firm ruling for crimes against liberty, property the social and economic order, collective security or the Administration of Justice, and crimes of deception, as well as those which based on their position would entail a bar on holding the directorship. Other persons ineligible for directorships are government employees who discharge functions related to the companies' specific activities, judges or magistrates, or others affected by a legal incompatibility. Directors must be persons of renowned commercial and professional integrity, competence and solvency. There is no age limits for directors. The board of directors considers experience a plus, so it considers appropriate that there are directors with experience on the board. The board of directors understands that it is not advisable to limit, as a general recommendation, the number of terms of the board of directors. This decision is left, in each case, to the shareholders.

In the selection of who should be appointed to the position of director, it will be expected that this person will be recognised for their business and professional honorability, competence and solvency, paying special attention, if applicable, to the relevance of their percentage share ownership in the equity of the Bank.

If a director is a body corporate, the natural person representative thereof is subject to compliance with the same requirements as established for natural person directors.

All persons designated as directors must formally agree to fulfil the obligations and duties of their position upon taking office.

Proportional system.

Shares pooled to form an amount of share capital equal to or greater than that which results from dividing the total share capital by the number of board members will carry entitlement to designate, on the legally-stipulated terms, a proportionate number of directors, disregarding fractions.

Term of office.

The term of office of a director is five years, although directors can be re-elected. The directors who have been designated by interim appointment (co-option) to fill vacancies may be ratified in their position at the first general meeting that is held following such designation, in which case they shall vacate office on the date on which their predecessor would have vacated office.

Vacation of office or removal.

Directors shall cease to hold office when the term for which they were appointed elapses, unless they are re-elected, when the general meeting so resolves, or when they resign or place their office at the disposal of the board.

Directors must place their office at the disposal of the board and tender the related notice of resignation if the board, after receiving the report of the appointments and remuneration committee, should deem this appropriate, in those cases in which the directors might have an adverse effect on the functioning of the board or on the Bank's credibility and reputation and, in particular, when they are subject to any incompatibility or prohibition provided for by law that would bar them from holding office.

Furthermore, the directors must, at their earliest convenience, notify the board of any circumstances which might jeopardise the Bank's credibility and reputation and, in particular, of any lawsuits in which they are involved as accused parties.

Lastly, the Rules and Regulations of the Board (Article 23.3) specifically provide that non-executive proprietary directors must tender their resignations, in the appropriate number, when the shareholder they represent disposes of, or significantly reduces, its ownership interest.

Procedure.

The proposals for appointment, re-election and ratification of directors that the board of directors submits for shareholder consideration at the annual general meeting, as well as the decisions adopted by the board of directors regarding appointments by co-option shall be preceded by the corresponding proposal made by the appointments and remuneration committee.

Should the board disregard the proposal made by said committee, it shall substantiate such decision and record the reasons therefore in the minutes.

Directors affected by proposals for appointment, re-election, ratification, removal, separation or withdrawal from office shall abstain from attending at and participating in the debate and voting of the board of directors and of the appointments and remuneration committee.

Criteria applied by the board of directors and the appointments and remuneration committee.

Considering the set of applicable regulations, the recommendations resulting from the Spanish reports on corporate governance and the present situation of the Company and its Group, the appointments and remuneration committee and the board of directors have been applying the following criteria to the processes for the appointment, confirmation and re-election of directors and to the preparation of proposals for that purpose:

- a. First, attention is given to limitations resulting from legal prohibitions and incompatibilities, and from positive requirements (experience, solvency...) applicable to bank directors in Spain
- b. Having complied with these restrictions, a balanced composition of the board of directors is sought. To that effect:
 - (i) A broad majority of external or non-executive directors is sought, but leaving room for an adequate number of executive directors. Currently six of the 19 directors are executive directors.
 - (ii) A significant participation of independent directors is sought among the external directors (presently 10 out of 13 external directors), but at the same time, a board of directors representing a significant percentage of the Company's capital is sought (at 31 December 2009, the directors represented 3.420% of the Company's share capital, and two directors are currently proprietary directors).

In all cases, and in accordance with the Bylaws (Article 42.1) and the Rules and Regulations of the Board, the board of directors shall endeavour to ensure that the external or non-executive directors represent a wide majority over the executive directors and that the former include a reasonable number of independent directors as is currently the case, where external independent directors represent 53% of the board.

(iii) In addition to the foregoing, special importance is given to the experience of directors in all aspects of their professional life, both in public and private sectors, as well as their professional performance in the various geographical areas in which the Group operates.

c. Together with the above general criteria, an evaluation of the work and effective dedication of the director during the director's term in office is specifically taken into account in the re-election or confirmation thereof.

Procedure for the succession of the chairman and the chief executive officer.

Planning for the succession of the main administrators is a key element of good governance within the Bank, in order to ensure an orderly transition in its leadership at all times.

In this regard, Article 24 of the Rules and Regulations of the Board states that:

"In the cases of withdrawal, announcement of renunciation or resignation, disability or death of the members of the board of directors or its committees or withdrawal, announcement of renunciation or resignation of the chairman of the board of directors or of the chief executive director or directors, as well as from other positions on such bodies, at the request of the chairman of the board of directors or in his absence at the request of the highest-ranking vice chairman, the appointments and remuneration committee will be convened in order for such committee to examine and organise the process of succession or replacement in an orderly manner and to present the corresponding proposal to the board of directors. Such proposal shall be communicated to the executive committee and subsequently submitted to the board of directors at the following meeting scheduled to be held by the board's annual calendar of meetings or at such extraordinary meeting as may be called if deemed necessary."

Spanish legislation does not envisage the nominal appointment of successors for cases where a vacancy has arisen. However, Article 44.2 of the Bylaws considers rule for interim replacements, (applicable in the event of absence or impossibility to act or illness), to carry out the duties of the Chairman of the board in the absence of vice chairmen.

On a yearly basis the board determines the number order in relation to the length of service of the directors. As such, at its meeting on 19 June 2009 the board unanimously agreed, for the interim exercising of the duties of chairman in the absence of vice chairmen, to assign the following order of precedence to the current directors:

- 1) Mr. Rodrigo Echenique Gordillo
- 2) Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea
- 3) Mr. Francisco Luzón López
- 4) Assicurazioni Generali S.p.A.
- 5) Mr. Antonio Escámez Torres
- 6) Mr. Luis Alberto Salazar-Simpson Bos
- 7) Mr. Antonio Basagoiti García-Tuñón
- 8) Mr. Guillermo de la Dehesa Romero
- 9) Mr. Abel Matutes Juan
- 10) Mr. Francisco Javier Botín-Sanz de Sautuola y O'Shea
- 11) Lord Burns
- 12) Mr. Luis Ángel Rojo Duque
- 13) Ms. Isabel Tocino Biscarolasaga
- 14) Mr. Juan Rodríguez Inciarte

Article 44.2 of the Bylaws

"The vice chairman or vice chairmen, in the established numerical sequence, and in their absence, the appropriate director according to a numerical sequence established by the board of directors, shall replace the chairman in the event of absence or impossibility to act or illness."

- Self-assessment

In 2009, the appraisal, carried out as in the previous year with the support of Spencer Stuart, and consisting of questionnaires and personal interviews with the directors, has also included this year, in line with the proposal in the Unified Code and the Rules and Regulations of the Board (Article 19.7), a special section for the individual evaluation of the chairman, of the chief executive officer and other directors.

B.1.20 Indicate the cases in which directors must resign.

The Bylaws (Article 56.2) and the Rules and Regulations of the Board (Article 23.2) stipulate directors shall tender their resignation to the board of directors and formally resign from their position if the board, upon the prior report of the appointments and remuneration committee, deems it appropriate, in those cases that might adversely affect the operation of the board or the credit and reputation of the Company and, particularly, when they are prevented by any legal prohibition against or incompatibility with holding such office.

As such, the Rules and Regulations of the Board (Article 23.3) stipulates that proprietary directors must submit their resignations, in the corresponding numbers, when the shareholder that they represent parts with its shareholdings or reduces them in a significant manner.

Article 56.2 of the Bylaws

"Directors must tender their resignation to the board of directors and formally resign from their position if the board of directors, following a report from the appointments and remuneration committee, deems it fit, in those cases in which they may adversely affect the operation of the board or the credit or reputation of the Company and, in particular, when they are involved in any of the circumstances of incompatibility or prohibition provided by law."



Article 23.2 and 3 of the Rules and Regulations of the Board

"2. Directors must tender their resignation to the board of directors and formally resign from their position if the board of directors, following a report from the appointments and remuneration committee, deems it fit, in those cases in which they may adversely affect the operation of the board or the credit or reputation of the Company and, in particular, when they are involved in any of the circumstances of incompatibility or prohibition provided by law.

3. In addition, proprietary directors must submit their resignations, in the corresponding numbers, when the shareholder that they represent parts with its shareholdings or reduces them in a significant manner."

B.1.21 Indicate whether the duties of chief executive officer fall upon the chairman of the board of directors. If so, describe the measures taken to limit the risk of powers being concentrated in a single person:

Yes **X** No

Measures for reducing risk

Pursuant to Article 48.1 of the Bylaws

"The chairman of the board of directors shall have the status of executive chairman of the Bank and shall be considered as the highest executive in the Company, vested with such powers as are required to hold office in such capacity. Considering his particular status, the executive chairman shall have the following powers and duties, among others set forth in these bylaws or in the rules and regulations of the board:

- To ensure that the bylaws are fully complied with and that the resolutions adopted at the general shareholders' meeting and by the board of directors are duly carried out.
- To be responsible for the overall inspection of the Bank and all services thereof.
- To hold discussions with the chief executive officer and the executive vice president in order to inform himself of the progress of the business."

However, it is important to remember that the structure of all the individual and collective bodies of the board is set up so as to allow a balanced interaction between them, including the chairman. The following aspects are of particular relevance:

- The board of directors and its committees (as detailed in section B.2 of this report) have a supervisory and monitoring role over the actions of the chairman and the chief executive officer.
- The first vice chairman, who is an external independent director, presides over the appointments and remuneration committee and acts as a co-ordinator for the external directors.
- The powers vested in the chief executive officers are equal to those vested in the chairman, as has been indicated above (section B.1.6), excluding in both cases those exclusively reserved for the board.
- The chief executive officer is in charge of the daily management of the various business lines and reports to the chairman.

Indicate, and, if necessary, explain whether rules have been established that enable any of the independent directors to convene board meetings or include new items on the agenda, to coordinate and voice the concerns of external directors and oversee the evaluation by the board of directors.

Yes No **X**

Explanation of the rules

The board of directors considers that it is not appropriate to assume the part of recommendation 17 of the Unified Code that advises that an independent director be delegated the right to convene board meetings or include new items on the agenda, as well as to head the process of evaluating the chairman, since, in the opinion of the board, it would run contrary to the principle of board unity and the need to prevent conflicts of powers therein. However, both the Bylaws (Article 46.1 and 2) and the Rules and Regulations of the Board (Article 19.2 and 3) state that the chairman may call board meetings at the request of at least three directors. Any board member may propose the inclusion of any other item not included in the draft agenda proposed by the chairman to the board.

The board of directors, pursuant to Article 19.7 of the Rules and Regulations of the Board, evaluates its performance and that of the committees, the individual performances of its members, including the chairman and the chief executive officer.

Article 46 of the Bylaws

"1. The board shall meet with the frequency required for the proper performance of its duties, and shall be called to meeting by the chairman. The chairman shall call board meetings on his own initiative or at the request of at least three directors.

2. The agenda shall be approved by the board at the meeting itself. Any member of the board may propose the inclusion of any other item not included in the draft agenda proposed by the chairman to the board.

(...)"

Article 19 of the Rules and Regulations of the Board

(...)

"2. El The board shall approve the annual calendar for its meetings, which must be held with the frequency needed to effectively perform its duties, with a minimum of nine meetings. In addition, the board of directors will meet whenever the chairman so wishes to call a meeting, or at the request of at least three directors.

(...)"

3. The agenda shall be approved by the board at the meeting itself. Any member of the board may propose the inclusion of any other item not included in the draft agenda proposed by the chairman to the board.

(...)

7. The operation of the board and of the committees thereof, the quality of its work, and the individual performance of its members, including the chairman and the managing director or directors, shall be evaluated once a year."

B.1.22 Are qualified majorities, other than legal majorities, required for any type of decisions?

Yes No **X**

Describe how resolutions are adopted by the board of directors and specify, at least, the minimum attendance quorum and the type of majority for adopting resolutions:

Adopting resolutions

| Description of resolution | Quorum | Type of Majority |
|---------------------------|--------|------------------|
|---------------------------|--------|------------------|

Article 47.5 (first sentence) of the Bylaws stipulates the following:

"Except in those cases in which a greater majority is specifically required pursuant to a provision of the law, the Bylaws or the Rules and Regulations of the Board, resolutions shall be adopted by an absolute majority of the directors present in person or by proxy."

Article 20.6 of the Rules and Regulations of the Board likewise stipulates the following:

"Except in those cases in which a greater majority is specifically required under the provisions of law, the Bylaws or the Rules and Regulations of the

Board, resolutions shall be adopted by an absolute majority of the directors present in person or by proxy." In the event of a tie, the chairman shall have the tie-breaking vote."

Greater majorities, in accordance with Article 141.2 of the Spanish Companies Act (*Ley de Sociedades Anónimas*), are required for resolutions relating to the appointment of the chairman of the board of directors, as provided in Article 48.3 of the Bylaws and Articles 6.2.a and 8.1 of the Rules and Regulations of the Board, those relating to the appointment of the director or directors to whom delegated powers are entrusted, to the permanent delegation of powers to the executive committee and to the appointment of the members thereof, as provided in Articles 49.2, 51.2 and 52.4 of the Bylaws, and 10.2, 14.3 and 4 and 15.2 of the Rules and Regulations of the Board.

Said rules establish the following:

Article 48.3 of the Bylaws:

"The chairman shall be appointed to hold office for an indefinite period and shall require the favourable vote of two-thirds of the members of the board."

Article 49.2 of the Bylaws:

"The assignment to the chairman and to any other member of the board of executive standing powers, either general or relating to a specific sector, other than the supervisory and collective decision-making powers inherent in the position of director may be made by organic delegation, by means of general powers of attorney or through other types of agreements and shall be approved by a two-thirds majority of the board. The members of the board to whom such powers are delegated shall be deemed to be executive directors.

The resolution whereby such powers are assigned or delegated shall define the scope of the powers granted to the executive director, the compensation to be received, and all other terms and conditions of the relationship, which shall be included in the respective contract."

Article 51.2 of the Bylaws:

"Any permanent delegation of powers to the executive committee and all resolutions adopted for the appointment of its members shall require the favourable vote of not less than two-thirds of the members of the board of directors."

Article 52.4 of the Bylaws:

"The delegation of powers to the risk committee and the resolutions appointing the members thereof shall require the affirmative vote of not less than two-thirds of the members of the board."

Article 6.2.a) of the Rules and Regulations of the Board:

"The following shall be considered executive directors: the chairman, the chief executive director(s), and all other directors who perform management duties within the Company or the Group and do not limit their activity to the duties of supervision and collective decision-making falling upon the directors, including, in all events, those directors who, through the delegation of their powers, stable proxy-granting, or a contractual, employment or services relationship with the Company other than that inherent in their mere capacity as directors, have any decision-making capacity in connection with any part of the business of the Company or the Group."

Article 8.1 of the Rules and Regulations of the Board:

"The chairman of the board of directors shall be chosen from amongst the members of this management decision-making body, shall have the status of executive chairman of the Bank and shall be deemed to hold the highest-ranking position in the Company. Accordingly, there shall be delegated to him all such powers as may be delegated pursuant to the provisions of law, the Bylaws and these rules and regulations, and he shall have the duty to lead the management team of the Company, at all times in accordance with the decisions made and the standards established by the shareholders at the general shareholders' meeting and by the board of directors, each within their respective spheres of action."

Article 10.2 of the Rules and Regulations of the Board:

"The assignment to the chairman or to the chief executive director(s) and to any other member of the board of executive standing powers, either general or relating to a specific sector, other than the supervisory and collective decision-making powers inherent in the position of director, may be made by organic delegation, by means of general powers of attorney or through other types of agreements, and shall be approved by a two-thirds majority of the board. The members of the board to whom such powers are delegated shall be deemed to be executive directors.

The resolution whereby such powers are assigned or delegated shall define

the scope of the powers granted to the executive director, the compensation to be received, and all other terms and conditions of the relationship, which shall be included in the respective contract."

Article 14.3 and 4 of the Rules and Regulations of the Board:

"3. Any permanent delegation of powers to the executive committee and all resolutions adopted for the appointment of its members shall require the favourable vote of not less than two-thirds of the members of the board of directors.

4. The permanent delegation of powers by the board of directors to the executive committee shall include all of the powers of the board, except for those which cannot legally be delegated or which may not be delegated pursuant to the provisions of the bylaws or of these rules and regulations."

Article 15.2 of the Rules and Regulations of the Board:

"The delegation of powers to the risk committee and the resolutions appointing the members thereof shall require the affirmative vote of not less than two-thirds of the members of the board."

The minimum quorum is defined in Article 47.1 of the Bylaws and Article 20.1 of the Rules and Regulations of the Board.

Article 47.1 of the Bylaws:

"1. Meetings of the board shall be validly held when more than one-half of its members are present in person or by proxy."

Article 20.1 of the Rules and Regulations of the Board:

"Meetings of the board shall be validly held when more than one-half of its members are present in person or by proxy. The directors shall endeavour to ensure that absences are reduced to cases of absolute necessity."

B.1.23 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed chairman.

Yes No

Description of the requirements

—

B.1.24 Indicate whether the chairman has the casting vote:

Yes No

Business to which the casting vote applies

According to Article 47.5 of the Bylaws and Article 20.6 of the Rules and Regulations of the Board, the chairman has the casting vote to settle tied votes.

Article 47.5 of the Bylaws and 20.6 of the Rules and Regulations of the Board

"Except in those cases in which a greater majority is specifically required pursuant to a provision of the law, the bylaws or the rules and regulations of the board, resolutions shall be adopted by an absolute majority of the directors present in person or by proxy. The chairman shall have a tie-breaking vote."

B.1.25 Indicate whether the bylaws or the regulations of the board of directors set any age limit for directors:

Yes No

| | |
|---|---|
| Age limit for the chairman | — |
| Age limit for the chief executive officer | — |
| Age limit for the directors | — |

B.1.26 Indicate whether the bylaws or the regulations of the board of directors set a limited term of office for independent directors:

Yes No

| | |
|-----------------------------------|---|
| Maximum number of years in office | — |
|-----------------------------------|---|

The board of directors did not deem it prudent to incorporate recommendation 29 of the Unified Code. This limits the maximum number of years in office for an independent director to 12 years. The board would then have to do without the contributions, qualifications and experience of those independent directors, considered in the best interests of the Bank, or deprive them of their status as independent, even though their continued service does not warrant such.

The board of directors attaches great value to the experience of its directors, for which reason it does not deem it advisable to limit their terms of office as a general recommendation. This decision must be left in each case to the general shareholders' meeting.

In any event, at 31 December 2008, the average length of service on the board of directors for external independent directors was 9.7 years.

B.1.27 If there are few or no female directors, explain the reasons and describe the initiatives adopted to remedy this situation.

| |
|--|
| Explanation of reasons and initiatives |
| This does not apply since there are several female directors sitting on the board of directors. |
| Currently the board of directors of Banco Santander contains two women out of a total of 19 members, representing 11%, which compares very favourably with other Spanish listed companies. |

In particular, indicate whether the appointments and remuneration committee has established procedures to ensure that selection processes are not subject to implicit bias hindering the selection of female directors and the deliberately search for female candidates who meet the required profile.

Yes No

| |
|--|
| Indicate the main procedures |
| The selection procedure for directors followed by Banco Santander does not contain any specific bias which would impede the inclusion of women on its board. |

The appointments and remuneration committee, in accordance with Article 17.4 a) of the Rules and Regulations of the Board, establishes and reviews the standards to be followed in order to determine the composition of the board and select those persons who are to be put forward as directors.

Among these criteria, and in line with the commitment of the Bank to provide equal opportunities for men and women, both the appointments and remuneration committee and the board of directors are aware of the benefits

of appointing women to the board of directors with the necessary abilities, dedication and skills suited to the job.

As such, it is useful to note that of the last two appointments to the board, one was Ms. Isabel Tocino Biscarolasaga. Her appointment was approved by the board at its meeting on 26 March 2007, at the proposal of the appointments and remuneration committee.

The annual general meeting of 23 June 2007, voted in favour of her appointment, as shown by the fact that 98.5% of votes were cast in favour.

It is also worth noting that the female director Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea has been a member of the Banco Santander board of directors since 2004.

B.1.28 Indicate whether there are any formal processes for granting proxies at board meetings. If so, give brief details.

Article 47 sections 1 and 2 of the Bylaws states:

- "1. Meetings of the board shall be validly held when more than one-half of its members are present in person or by proxy.
2. When unable to attend in person, the directors may grant a proxy to another director, for each meeting and in writing, in order that the latter shall represent them at the meeting for all purposes."

Furthermore, Article 20.1 and 2 of the Rules and Regulations of the Board states that:

- "1. Meetings of the board shall be validly held when more than one-half of its members are present in person or by proxy. The directors shall endeavour to ensure that absences are reduced to cases of absolute necessity.
2. When directors cannot attend personally, they may grant a proxy to any other director, for each meeting and in writing, in order that the latter shall represent them at the meeting for all purposes. A director may hold more than one proxy. The proxy shall be granted with instructions."

B.1.29 Indicate the number of board meetings held during the year and how many times the board has met without the chairman's attendance. Likewise, indicate the number of times, if any, the board has met in the absence of its chairman:

| | |
|--|--------|
| Number of board meetings | Eleven |
| Number of board meetings held in the absence of its chairman | 0 |

Indicate how many meetings of the various board committees were held during the year:

The meetings held during the year by the various committees of the board, including committees with and without delegated powers, are detailed below:

| | |
|--|----|
| Number of meetings of the executive committee | 56 |
| Number of meetings of the delegated risks committee | 99 |
| Number of meetings of the audit and compliance committee | 11 |
| Number of meetings of the appointments and remuneration committee | 8 |
| Number of meetings of the international committee | 2 |
| Number of meetings of the technology, productivity and quality committee | 2 |

B.1.30 Indicate the number of board meetings held during the year without the attendance of all members. Non-attendance should also include proxies granted without specific instructions:

| | |
|--|-----|
| Number of non-attendances by directors during the year | 1 |
| % of non-attendances of the total votes cast during the year | 0,5 |

During 2009, there were 17 cases when a director failed to attend a board meeting.

That said, in the case of proxies, the heading to this section clearly states that only cases where a proxy has not been made with specific instructions are counted.

Under this definition, the number of non-attendances was one, although in that case the absent director granted a proxy without specific instructions.

The percentage indicated in the second box of 0.5% was calculated considering as total votes the maximum number of shares in attendance (i.e. had all 209 directors attended the board meetings) and as non-attendance absence where not proxies with specific instructions were granted (one).

Below is an individual breakdown of the attendance at all board and committee meetings during 2009.

| Directors | Board | Committees | | | | | |
|--|--------|-----------------|--------|----------------------|-------------------------------|--------------------------------------|---------------|
| | | Decision-making | | Informative | | | |
| | | Executive | Risk | Audit and compliance | Appointments and remuneration | Technology, productivity and quality | International |
| <i>Average attendance:</i> | 91.87% | 91.96% | 89.49% | 92.73% | 87.50% | 100.00% | 100.00% |
| <i>Individual attendance:</i> | | | | | | | |
| Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos | 11/11 | 50/56 | — | — | — | 2/2 | 2/2 |
| Mr. Fernando de Asúa Álvarez | 11/11 | 52/56 | 95/99 | 11/11 | 8/8 | 2/2 | — |
| Mr. Alfredo Sáenz Abad | 11/11 | 54/56 | — | — | — | 2/2 | 2/2 |
| Mr. Matías Rodríguez Inciarte | 11/11 | 56/56 | 98/99 | — | — | — | — |
| Mr. Manuel Soto Serrano | 11/11 | — | — | 11/11 | 8/8 | 2/2 | — |
| Assicurazioni Generali S.p.A. ⁽¹⁾ | 5/11 | — | — | — | — | — | — |
| Mr. Antonio Basagoiti García-Tuñón | 11/11 | 55/56 | 94/99 | — | — | 2/2 | — |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea | 11/11 | 50/56 | — | — | — | 2/2 | 2/2 |
| Mr. Fco. Javier Botín-Sanz de Sautuola y O'Shea | 10/11 | — | — | — | — | — | — |
| Lord Burns (Terence) | 9/11 | — | — | — | — | — | — |
| Mr. Guillermo de la Dehesa Romero | 11/11 | 52/56 | — | — | 7/8 | — | 2/2 |
| Mr. Rodrigo Echenique Gordillo | 11/11 | 47/56 | — | — | 6/8 | — | 2/2 |
| Mr. Antonio Escámez Torres | 10/11 | 54/56 | 92/99 | — | — | 2/2 | 2/2 |
| Mr. Francisco Luzón López | 11/11 | 45/56 | — | — | — | — | 2/2 |
| Mr. Abel Matutes Juan | 9/11 | — | — | 8/11 | — | — | 2/2 |
| Mr. Juan Rodríguez Inciarte | 11/11 | — | 64/99 | — | — | — | — |
| Mr. Luis Ángel Rojo Duque | 6/11 | — | — | 10/11 | 6/8 | — | — |
| Mr. Luis Alberto Salazar-Simpson Bos | 11/11 | — | — | 11/11 | — | 2/2 | — |
| Ms. Isabel Tocino Biscarolasaga | 11/11 | — | — | — | — | — | — |

Note: the denominator refers to the number of meetings held during the period of the year in which they served as director or member of the relevant committee.

(1) Represented on the Santander board of directors by Mr. Antoine Bernheim.



On average, each one of the directors has dedicated approximately 65 hours to board meetings. In addition, those who are members of the executive committee have dedicated approximately 285 hours, those members of the risk committee 250 hours, of the audit and compliance committee approximately 55 hours, of the appointments and remuneration committee 28 hours, of the international committee four hours and of the technology, productivity and quality committee four hours.

In accordance with the Rules and Regulations of the Board, any director may attend and participate but not vote at the meetings of any committees of the board of directors of which he or she is not a member, by invitation of the chairman of the board of directors and of the chairman of the respective committee, after having requested such attendance from the chairman of the board. In addition, all members of the board who are not also members of the executive committee may attend the meetings of the latter at least twice a year, for which purpose they shall be called by the chairman.

In 2009, there was regular attendance at executive committee meetings by directors who are not members thereof. Each of the independent external directors who are not members of the committee attended 14 meetings on average, and one of the two external proprietary directors was present at 9 meetings out of a total of 56 held that year.

B.1.31 Indicate whether the individual and consolidated financial statements submitted for approval by the board are certified previously:

| | |
|--------------|------|
| Yes X | No _ |
|--------------|------|

Indicate, if applicable, the person(s) who certified the company's individual and consolidated financial statements for preparation by the board:

| Name | Post |
|-------------------------------|------------------------------|
| Mr. José Manuel Tejón Borrajo | Head of financial accounting |

B.1.32 Explain the mechanisms, if any, established by the board of directors to prevent the individual and consolidated financial statements it prepares from being submitted to the general shareholders' meeting with a qualified audit report.

The mechanisms adopted for such purpose (contemplated in Articles 16.1, 2, 3 and 4 c), e), g), h) i) and j) and 35.1 and 5 of the Rules and Regulations of the Board and Article 62.3 of the Bylaws) can be summarised as follows:

- Strict processes for gathering the data necessary for the financial statements and for the preparation thereof by the services of the Company and the Group, all in accordance with legal requirements and generally accepted accounting principles.
 - Review by the audit and compliance committee of the financial statements prepared by the services of the Company and of the Group. The audit and compliance committee is a body specialised in this area and comprises solely external directors. This committee serves as the normal channel of communication between the board and the audit firm.
- In reference to the annual financial statements and management report for 2009, which will be submitted at the annual general meeting in 2010, these have been certified by the Head of financial accounting of the Group and the audit and compliance committee, at its meeting held on 17 March 2010, following its review, showed its agreement and issued a favourable report for its preparation by the board at the meeting held on 22 March 2010.
- In addition, during 2009, and in particular at the meetings held on 22 April, 15 July and 21 October 2009 and 20 January 2010, the audit and compliance committee favourably reported the quarterly financial statements for 31 March, 30 June, 30 September and 31 December 2009, respectively. This was prior to its approval by the board and dissemination to the relevant markets and supervisory bodies. In the Group's unaudited financial reports it is expressly noted that the committee has ensured that the financial information is prepared in accordance with the same principles and practices applied to the annual consolidated financial statements.
- The audit and compliance committee has reported favourably on the interim consolidated and condensed financial statements for the first and second halves of 2009. These have been audited and prepared in accordance with the accounting principles and policies established under International Accounting Standard (IAS) 34 Interim financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements, and in accordance with Article 12 of Royal Decree 1362/2007.
- Regular meetings with the auditor, both by the board of directors (twice in 2009) and by the audit and compliance committee. During 2009, the auditor attended the 11 meetings held by the committee, which allowed enough time to unearth any possible differences in the accounting criteria employed.
 - In the event of a discrepancy, when the board believes that its criteria should take precedence, it shall provide a public explanation of the content and scope of the discrepancy.
- The relevant sections of the Rules and Regulations of the Board and Bylaws relating to these mechanisms are set forth below:
- Article 62.3 of the Bylaws:**
"The board of directors shall use its best efforts to prepare the accounts such that there is no room for qualifications by the auditor. However, when the board believes that its opinion must prevail, it shall provide a public explanation, through the chairman of the audit and compliance committee, of the content and scope of the discrepancy, and shall also endeavour to ensure that the auditor likewise discloses its considerations in this regard."

Article 16.1, 2, 3 and 4 c), e), g), h), i) and j) of the Rules and Regulations of the board regarding the audit and compliance committee.

- "1. The audit and compliance committee shall consist of a minimum of three directors and a maximum of seven, all of whom shall be external or non-executive, with independent directors having majority representation.*
- 2. The members of the audit and compliance committee shall be appointed by the board of directors, taking into account the directors' knowledge, aptitude and experience in the areas of accounting, auditing or risk management.*
- 3. The audit and compliance committee must at all times be chaired by an independent director, who must also have the necessary knowledge and experience in accountancy, auditing and risk management. The chairman of the audit and compliance committee shall be replaced every four years, and may be re-elected after the passage of one year from the end of his preceding term.*
- 4. The audit and compliance committee shall have the following duties:*
- (...)
- c) Review the accounts of the Company and the Group, monitor compliance with legal requirements and the proper application of generally accepted accounting principles and report on the proposals for alterations to the accounting principles and standards suggested by management.*
- (...)
- e) Know the process for gathering financial information and for the internal control systems. In particular, the audit and compliance committee shall:*
- (i) Supervise the process of preparing and the integrity of the financial information relating to the Company and the Group, reviewing compliance with regulatory requirements, the proper demarcation of the scope of consolidation and the correct application of accounting standards; and*
- (ii) Periodically review the systems for the internal monitoring and management of risks, so that the principal risks are identified, managed and properly disclosed.*
- (...)
- g) Serve as a channel of communication between the board and the auditor, assess the results of each audit and the response of the management team to its recommendations, and act as a mediator in the event of disagreement between the board and the auditor regarding the principles and standards to be applied in the preparation of the financial statements. Specifically, it shall endeavour to ensure that the statements ultimately drawn up by the board are submitted to the shareholders at the general shareholders' meeting without any qualifications or reservations in the auditor's report.*
- h) Supervise the fulfilment of the audit contract, endeavouring to ensure that the opinion on the annual financial statements and the main contents of the*

auditor's report are set forth in a clear and accurate fashion.

- i) Ensure the independence of the auditor, by taking notice of those circumstances or issues that might risk such independence and any others related to the development of the auditing procedure, as well as receive information and maintain such communication with the auditor as is provided for in legislation regarding the auditing of financial statements and in technical auditing regulations. And, specifically, verify the percentage represented by the fees paid for any and all reasons of the total income of the audit firm, and the length of service of the partner who leads the audit team in the provision of such services to the Company. The annual report shall set forth the fees paid to the audit firm, including information relating to fees paid for professional services other than audit work. Furthermore, the committee shall ensure that the Company publicly communicates a change of auditor and accompanies such communication with a declaration regarding the possible existence of disagreements with the outgoing auditor and, if any, regarding the content thereof and, in the event of the resignation of the auditor, the committee shall examine the circumstances causing it.*
- j) Report to the board, in advance of the adoption by it of the corresponding decisions, regarding:*
- (i) The financial information that the Company must periodically make public, ensuring that such information is prepared in accordance with the same principles and practices applicable to the annual financial statements.*
- (ii) The creation or acquisition of equity interests in special purpose entities or entities domiciled in countries or territories that are considered to be tax havens."*

Articles 35.1 and 5 of the Rules and Regulations of the Board on relations with the auditor.

"1. All relations between the board of directors and the auditor shall be channelled through the audit and compliance committee.

Notwithstanding the foregoing, the auditor shall attend the meetings of the board of directors twice a year in order to submit its report and permit all the directors to have access to as much information as possible regarding the content and conclusions of the auditor's reports relating to the Company and the Group.

(...)

- 5. The board of directors shall use its best efforts to prepare the accounts such that there is no room for qualifications by the auditor. However, when the board believes that its opinion must prevail, it shall provide a public explanation, through the chairman of the audit and compliance committee, of the content and scope of the discrepancy, and shall also endeavour to ensure that the auditor likewise discloses its considerations in this regard."*

No reservations or qualifications have been made to the individual financial statements of the Company or to the consolidated financial statements of the Group over the last three fiscal years.



B.1.33 Is the secretary to the board also a director?

Yes No X

To perform the duties of the Bank's general secretary, it is not necessary to be a director, and the current secretary is not one.

B.1.34 Explain the procedures for appointing and removing the secretary to the board, indicating whether his/her appointment and removal have been notified by the appointments committee and approved by the board sitting in plenary session.**Appointment and removal procedure**

The procedure for the appointment and removal of the secretary of the board is described in Article 17.4 d) of the Rules and Regulations of the Board.

Article 17.4 d) of the Rules and Regulations of the Board

"The appointments and remuneration committee shall have the following duties:

(...)

d) Report on proposals for appointment or withdrawal of the secretary of the board, prior to submission thereof to the board."

| | Yes | No |
|--|-----|----|
| Does the appointments committee report on appointments? | X | — |
| Does the appointments committee report on dismissals? | X | — |
| Do appointments have to be approved by the board in plenary session? | X | — |
| Do dismissals have to be approved by the board in plenary session? | X | — |

Is the secretary to the board entrusted in particular with the task of overseeing corporate governance recommendations?

Yes X No

Notes

This is common practice at the Bank and is expressly contemplated in Articles 45.2 of the Bylaws and 11.3 of the Rules and Regulations of the Board.

Article 45.2 of the Bylaws:

"The secretary shall ensure the formal and substantive legality of all action taken by the board, ensure observance of the good governance recommendations adopted by the company and ensure that governance procedures and rules are observed and regularly reviewed."

Article 11.3 of the Rules and Regulations of the Board:

"The secretary shall at all times ensure the formal and substantive legality of all action taken by the board, shall endeavour to ensure the good governance recommendations assumed by the Company are followed, and shall ensure observance and periodic review of the procedures and rules of governance."

B.1.35 Indicate the mechanisms, if any, established by the Company to preserve the independence of the auditors, of financial analysts, of investment banks and of rating agencies.**a. Auditor**

Deloitte, S.L. was the auditor for the individual and consolidated accounts for the Grupo Santander in 2009.

Article 35 of the Rules and Regulations of the Board governing relations with the external auditor includes several sections (1 to 4) on this subject. Such sections provide as follows:

"1. All relations between the board of directors and the auditor shall be channelled through the audit and compliance committee.

Notwithstanding the foregoing, the auditor shall attend the meetings of the board of directors twice a year in order to submit its report and permit all the directors to have access to as much information as possible regarding the content and conclusions of the auditor's reports relating to the Company and the Group.

2. The board of directors shall not hire audit firms in which the fees intended to be paid to them, for all and any services, are equal to more than two percent of the total income thereof during the last fiscal year.

3. No services shall be contracted with the audit firm, other than audit services proper, which might risk the independence of such firm.

4. The board of directors shall make public the overall amount of fees paid by the Company to the audit firm for services other than auditing."

The amounts invoiced to the Group by Deloitte during 2009 were as follows:

– Audit work and related services invoiced work carried out on a like-for-like basis (i.e. assuming the companies that comprised the Grupo Santander at the beginning of 2009) amounted to EUR 22.9 million (EUR 28.6 million in 2008), while the amount charged to companies added to the Group in 2009 was EUR 7.7 million.

The breakdown is as follows: i) audit of the annual financial statements, assuming the same consolidation scope in 2009 (EUR 14.6 million in 2009 and EUR 18.3 million in 2008); ii) annual audits of companies added to the Group in 2009 (EUR 5 million), iii) audit of internal control in compliance with the Sarbanes-Oxley Act and the calculation of regulatory capital (Basel) (EUR 4.7 million in 2009 and EUR 5.9 million in 2008); and iv) other reports required by legal and tax regulations enacted by the national supervisory bodies of the countries where the Group operates, other than the Sarbanes-Oxley Act (EUR 3.6 million in 2009 and EUR 4.5 million in 2008), all considering the same consolidation scope (EUR 2.7 million euros corresponding to companies added to the Group in 2009).

– In addition, the amounts invoiced for audits of purchases and other corporate transactions (due diligence) amounted to EUR 3.7 million in 2009 (EUR 3.8 million in 2008).

– Finally, the amounts invoiced for non-audit services, which last year were mainly related to securitisation processes, tax consultation and financial studies, came to EUR 4.7 million in 2009 (EUR 5.3 million in 2008).

The services contracted with the external auditors comply with the independence requirements prescribed by Law 44/2002 of November 22, on Measures to Reform the Financial System, as well as the Sarbanes – Oxley Act of 2002 and do not include any work that might be incompatible with the role of auditor.

The audit and compliance committee believes that there are no objective grounds for doubting the independence of our financial auditor. For such purposes, and with respect to the criteria established by the O'Malley Panel and other relevant international documents intended to ensure the effectiveness of external auditing services, the audit and compliance committee has verified:

1. The ratio between the amount invoiced by the main auditor for items other than auditing (EUR 4.7 million in 2009) and the fees for audits of annual financial statements and other legally required reports plus due diligences for acquisitions and other corporate transactions, amounted to 0.14 in 2009 (0.16 and 0.18 in 2008 and 2007, respectively).

By way of reference, and in accordance with available information on the main British and North American financial institutions whose shares are listed on organised markets, the average fees paid by such institutions to their auditors during fiscal year 2008 for non-audit services were in the range of 0.5 times the fees paid for audit services.

2. The relative significance of the fees paid by the Group to the audit firm in comparison to the total fees received by the latter.

The Group has adopted the policy not to hire audit firms in which such ratio is greater than 2%. In the case of Deloitte's international organisation, this ratio comes in below 0.13% of its total revenue. In Spain, the ratio is less than 1.4% of the revenue of the main auditor.

b. Financial analysts

The department for investor relations and analysts channels communication with the institutional shareholders and financial analysts that cover Santander's activities. Every care is taken, in accordance with Article 32.2 of the Rules and Regulations of the Board, that institutional shareholders do not receive any information that might place them in a privileged or advantageous position vis-à-vis the other shareholders.

c. Investment banks and rating agencies.

With respect to investment banks and rating agencies, the Company believes that it is not appropriate in this report to describe the mechanisms for preserving their independence, as it believes that a description of such mechanisms should be provided by the entities themselves, and not the listed company referred to herein.

B.1.36 Indicate whether the company has changed its external audit firm during the year. If so, identify the new audit firm and the previous firm:

Yes No

B.1.37 Indicate whether the audit firm performs other non-audit work for the company and/or its Group. If so, state the amount of fees received for such work and the percentage they represent of the fees billed to the company and/or its Group:

Yes No

| | Company | Group | Total |
|--|---------|--------|--------|
| Amount of other non-audit work (in thousand €) | 605 | 4,075 | 4,680 |
| Amount of other non-audit work as a % of total amount billed by audit firm | 12.72% | 11.90% | 12.00% |

B.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the chairman of the audit committee to explain the content and scope of those reservations or qualifications.

Yes No

Explanation of the reasons

—

B.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its Group. Likewise, indicate how many years the current firm has been auditing the accounts as a percentage of the total number of years over which the financial statements have been audited:

| | Company ^(*) | Group ^(*) |
|-----------------------------|------------------------|----------------------|
| Number of consecutive years | 8 | 8 |

| | Company ^(*) | Group ^(*) |
|--|------------------------|----------------------|
| No. of years audited by current audit firm/No. of years the company has been audited (%) | 28.6% | 29.6% |

(*) The audit firms that audit the Company and almost all Group companies formed part of the Andersen firm until 2001.

B.1.40 List any equity holdings of the members of the company's board of directors in other companies with the same, similar or complementary types of activity to that which constitutes the corporate purpose of the company and/or its group, and which have been reported to the company. Likewise, list the posts or duties they hold in such companies:

This section contains a list of the interests of the Company's directors in the capital of companies that engage in banking, financing or lending. The managerial or administrative functions of the directors in such companies are also specified as and when applicable.

The roles that directors may take in companies that form part of the Group, as detailed in section B.1.7 above, are not included, nor are the positions they hold in the Bank itself.

The following table includes only interests of more than 0.1% in the capital of the company in question.

For more information see note 5 to the Group's financial statements for 2009.

| Name or corporate name of director | Corporate name of the company in question | % shareholding | Post or duties |
|--|---|----------------|----------------|
| Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos | Bankinter, S.A. | 0.70% | — |
| Assicurazioni Generali S.p.A. ⁽¹⁾ | Commerzbank, AG | 9.21% | — |
| | Intesa Sanpaolo ⁽²⁾ | 4.83% | — |
| | Mediobanca - Banca di Credito Finanziario S.p.A. ⁽³⁾ | 2.00% | — |
| | Bank Leumi le-Israel B.M. | 1.39% | — |
| | Erste Bank AG | 1.02% | — |
| | UniCredito Italiano S.p.A. | 0.88% | — |
| | Banca Monte dei Paschi di Siena S.p.A. | 0.44% | — |
| | Crédit Agricole | 0.34% | — |
| | Société Générale | 0.28% | — |
| | Banco Bilbao Vizcaya Argentaria, S.A. | 0.20% | — |
| | Deutsche Bank, A.G. | 0.15% | — |
| Banesto | 0.11% | — | |

(1) In the case of Assicurazioni Generali S.p.A., the table does not provide all interests where this director holds more than 0.1% of the share capital. For further information on the interests of Assicurazioni Generali S.p.A, please refer to their annual report or visit their website (www.generali.com).

(2) Mr. Antoine Bernheim is vice chairman of the supervisory board of Intesa Sanpaolo.

(3) Company in which the representative of Assicurazioni Generali S.p.A. on the board of directors, Mr. Antoine Bernheim, is director. In these companies, Mr. Bernheim is a non-executive director.

B.1.41 Indicate and give details of any procedures through which directors may receive external advice.

Yes No

Details of the procedure

The Rules and Regulations of the Board (Article 27) expressly recognise that directors and the audit and compliance and appointments and remuneration committees are entitled to be assisted by experts in the performance of their duties and thus are entitled to ask the board to hire external advisors, at the Bank's cost, to deal with specific issues of special significance or complexity arising during the performance of their duties. The board may only reject the request with good reason.

Article 27 of the Rules and Regulations of the Board reads as follows:

- "1. In order to be assisted in the performance of their duties, the directors and the audit and compliance and appointments and remuneration committees may address a request to the general secretary for the hiring of legal, accounting, financial, or other expert advisors, whose services shall be paid for by the Company. The assignment must deal with specific issues of special significance or complexity arising during the performance of their duties.*
- 2. The hiring decision lies with the board of directors, which may dismiss the request if the board considers:*
- a) That the hiring is not necessary for the proper performance of the duties entrusted to the directors;*
 - b) That the cost thereof is not reasonable in light of the significance of the issues; or*
 - c) That the technical assistance sought may be adequately provided by the Company's own technical experts."*

B.1.42. Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies:

Yes **X** No

Details of the procedure

Article 19.2, 3 and 4 of the Rules and Regulations of the Board provides that the announcement of its meetings must be sent 15 days in advance by the secretary to the board, or in the absence thereof, by the vice secretary, who shall also send to the directors, at least four days prior to the board meeting in question, the draft agenda proposed by the chairman – which remains subject to approval by the directors at the meeting – in addition to any required information and documentation (normally three days prior to the board meeting).

The information provided to the directors prior to the meetings is prepared specifically for the purpose of preparing for these meetings and is intended for such purpose. In the opinion of the board, such information is complete and is sent sufficiently in advance.

In addition, the Rules and Regulations of the Board expressly vest directors with the right to request and obtain information regarding any aspect of the Company and its subsidiaries, whether domestic or foreign, as well as the right of inspection, which allows them to examine the books, files, documents and any other records of corporate transactions, and to inspect the premises and facilities of such companies.

Directors have the right to request and obtain, through the secretary, such information and advice as deemed necessary for the performance of their duties.

Article 19.2, 3 and 4 of the Rules and Regulations of the Board reads as follows:

"2. The board shall approve the annual calendar for its meetings, which must be held with the frequency needed to effectively perform its duties, with a minimum of nine meetings. In addition, the board of directors will meet whenever the chairman so wishes to call a meeting, or at the request of at least three directors.

The meetings shall, in all events, be called by the secretary or, in the absence thereof, the vice secretary, in compliance with the orders received from the chairman; notice of the call to meeting shall be sent 15 days in advance and in writing (which includes notice by fax or by electronic and data telecommunication means).

The draft agenda proposed by the chairman shall be sent at least 4 days prior to the meeting of the board by the same means provided for in the preceding paragraph. The information to be presented at the meeting of the board shall be provided to the directors reasonably in advance thereof.

When a meeting that is not contemplated in the annual calendar is called, notice of the call shall be given as early as possible. In such case, notice may also be given by telephone, and neither the time periods nor the formalities set forth in the preceding paragraphs with respect to the meetings contemplated in the annual calendar shall apply.

3. The agenda shall be approved by the board at the meeting itself. Any member of the board may propose the inclusion of any other item not included in the draft agenda proposed by the chairman to the board.

4. In the course of the meeting and/or subsequently thereto, the directors shall be provided with all such information or clarifications as they deem fit in connection with the items on the agenda. In addition, any director shall have the right to request and obtain such information and advice as is necessary for the performance of his duties; the exercise of this right shall be channelled through the secretary of the board."

In addition, and as explained in the preceding section, the Rules and Regulations of the Board expressly recognise the right of directors, the audit and compliance committee and the appointments and remuneration committee to be assisted by experts in the performance of their duties. Thus, directors may ask the board to hire external advisors, at the Company's cost, to deal with specific issues of special significance or complexity arising during the performance of their duties. Such request may only be rejected by the board with good reason.

Lastly, in accordance with the Rules and Regulations of the Board, any director may attend and participate but not vote at the meetings of any committees of the board of directors of which he or she is not a member, by invitation of the chairman of the board of directors and of the chairman of the respective committee, after having requested such attendance from the chairman of the board. Likewise, all members of the board who are not also members of the executive committee may attend the meetings of the latter at least twice a year, for which purpose they shall be called by the chairman.

B.1.43 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be:

Yes **X** No

Details of the rules

As part of the duty of loyalty of the directors, Article 30 of the Rules and Regulations of the Board establishes the obligation of directors to report any circumstances that might harm the good name or reputation of the Bank.

In addition, when these circumstances arise, Articles 56.2 of the Bylaws and 23.2 of the Rules and Regulations of the Board establish that directors must tender their resignation to the board and formally resign from their position if the board, following a report from the appointments and remuneration committee, deems this appropriate.

Finally, Article 23.4 of the Rules and Regulations of the Board states that when a director withdraws from such director's position, due to resignation or for other reasons, prior to the end of the director's term of office, such director shall explain the reasons therefore in a letter that shall be sent to the other members of the board. Disclosure thereof shall also be made in the annual corporate governance report.

Article 30 of the Rules and Regulations of the Board

"The director shall fulfil all the duties and obligations which are inherent in his position as such and which are provided for by Law, the Bylaws, the rules and regulations for the general shareholders' meeting and the rules and regulations of the board of directors, including the following (...)

- Duty of loyalty:

(...)

(iv) The directors must notify the board, as soon as possible, of those circumstances affecting them that might prejudice the credit or reputation of the Company, and particularly the criminal cases with which they are charged. (...)"

Article 56.2 of the Bylaws

"Directors must tender their resignation to the board of directors and formally resign from their position if the board of directors, following a report from the appointments and remuneration committee, deems it fit, in those cases in which they may adversely affect the operation of the board or the credit or reputation of the Company and, in particular, when they are involved in any of the circumstances of incompatibility or prohibition provided by law."

Article 23.2 and 4 of the Rules and Regulations of the Board:

23.2

"Directors must tender their resignation to the board of directors and formally resign from their position if the board of directors, following a report from the appointments and remuneration committee, deems it fit, in those cases in which they may adversely affect the operation of the board or the credit or reputation of the Company and, in particular, when they are involved in any of the circumstances of incompatibility or prohibition provided by law."

23.4

"When a director withdraws from such director's position, due to resignation or for other reasons, prior to the end of the director's term, such director shall explain the reasons therefore in a letter that shall be sent to the other members of the board. Disclosure thereof shall also be made in the annual corporate governance report."

B.1.44 Indicate whether any director has notified the company that he/she has been indicted or tried for any of the offences set forth in Article 124 of the Spanish Companies Act (Ley de Sociedades Anónimas):

Yes **X** No _

| Name of director | Charge | Notes |
|------------------------|-----------|-------|
| Mr. Alfredo Sáenz Abad | See below | |

Article 30 of the Rules and Regulations of the Board states that directors must notify the board, as soon as possible, of those circumstances affecting them that might prejudice the credit or reputation of the Company, and particularly the criminal cases with which they are charged.

At the board meeting held on 26 March 2007, the general secretary reported on the progress of Preliminary Investigation 3266/1995 in relation to the criminal proceedings for malicious accusations brought before the court of first instance number 20 of Barcelona affecting Alfredo Sáenz Abad. The proceedings stem from a criminal complaint regarding concealment of property brought by Banesto against the current claimants. The claim was eventually dismissed. The current claimants initiated three proceedings: one for bribery, which was shelved, and two for malicious accusation, of which one was not accepted for consideration, while the other did go to trial. The latter was ultimately dismissed by the Provincial Court of Barcelona on 28 October 2004. After lodging an appeal before the court of cassation, and despite the fact that the Public Prosecutor of the Supreme Court challenged the appeal on the grounds that no crime had been committed, the appeal was accepted for consideration and subsequently upheld on 29 May 2006.

After the case was heard, a conviction was handed down on 28 December, against which Mr. Sáenz and Banesto have appealed to be overturned. Accordingly, the ruling is not firm.

Indicate whether the board of directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office.

Yes **X** No _

| Decision | Explanation |
|-----------------------|--|
| To continue in office | The board, at its meeting of 22 March 2010, based on a prior report from the appointments and remuneration committee dated 17 March 2010, agreed that the case does not conflict with the circumstances set out in Articles 56.2 of the Bylaws and 23.2 of the Rules and Regulations of the Board. |

B.2 Committees of the board of directors

B.2.1 Give details of all the committees of the board of directors and their members:

Executive committee

| Name | Post ⁽¹⁾ |
|--|---------------------|
| Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos | Chairman |
| Mr. Fernando de Asúa Álvarez | Member |
| Mr. Alfredo Sáenz Abad | Member |
| Mr. Matías Rodríguez Inciarte | Member |
| Mr. Antonio Basagoiti García-Tuñón | Member |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea | Member |
| Mr. Guillermo de la Dehesa Romero | Member |
| Mr. Rodrigo Echenique Gordillo | Member |
| Mr. Antonio Escámez Torres | Member |
| Mr. Francisco Luzón López | Member |
| Mr. Ignacio Benjumea Cabeza de Vaca | Secretary |

(1) Post in committee.

Risk committee

| Name | Post ⁽¹⁾ |
|-------------------------------------|---------------------|
| Mr. Matías Rodríguez Inciarte | Chairman |
| Mr. Fernando de Asúa Álvarez | Vice chairman |
| Mr. Antonio Basagoiti García-Tuñón | Member |
| Mr. Antonio Escámez Torres | Member |
| Mr. Juan Rodríguez Inciarte | Member |
| Mr. Ignacio Benjumea Cabeza de Vaca | Secretary |

(1) Post in committee.

Audit and compliance committee

| Name | Post ⁽¹⁾ |
|--------------------------------------|---------------------|
| Mr. Luis Angel Rojo Duque | Chairman |
| Mr. Fernando de Asúa Álvarez | Member |
| Mr. Abel Matutes Juan | Member |
| Mr. Luis Alberto Salazar-Simpson Bos | Member |
| Mr. Manuel Soto Serrano | Member |
| Mr. Ignacio Benjumea Cabeza de Vaca | Secretary |

(1) Post in committee.

Appointments and remuneration committee

| Name | Post ⁽¹⁾ |
|-------------------------------------|---------------------|
| Mr. Fernando de Asúa Álvarez | Chairman |
| Mr. Guillermo de la Dehesa Romero | Member |
| Mr. Rodrigo Echenique Gordillo | Member |
| Mr. Luis Ángel Rojo Duque | Member |
| Mr. Manuel Soto Serrano | Member |
| Mr. Ignacio Benjumea Cabeza de Vaca | Secretary |

(1) Post in committee.

International committee

| Name | Post ⁽¹⁾ |
|--|---------------------|
| Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos | Chairman |
| Mr. Alfredo Sáenz Abad | Member |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea | Member |
| Mr. Guillermo de la Dehesa Romero | Member |
| Mr. Rodrigo Echenique Gordillo | Member |
| Mr. Antonio Escámez Torres | Member |
| Mr. Francisco Luzón López | Member |
| Mr. Abel Matutes Juan | Member |
| Mr. Ignacio Benjumea Cabeza de Vaca | Secretary |

(1) Post in committee.

Technology, productivity and quality committee

| Name | Post ⁽¹⁾ |
|--|---------------------|
| Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos | Chairman |
| Mr. Alfredo Sáenz Abad | Member |
| Mr. Manuel Soto Serrano | Member |
| Mr. Antonio Basagoiti García-Tuñón | Member |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea | Member |
| Mr. Fernando de Asúa Álvarez | Member |
| Mr. Antonio Escámez Torres | Member |
| Mr. Luis Alberto Salazar-Simpson Bos | Member |
| Mr. Ignacio Benjumea Cabeza de Vaca | Secretary |

(1) Post in committee.

The number of meetings held by the board of directors and its committees during 2009, and the individual attendance of the directors, have been detailed in sections B.1.29. and B.1.30 respectively of this report.

B.2.2 Indicate whether the audit committee is responsible for the following:

| | Yes | No |
|--|-----|----|
| To supervise the preparation process and monitor the integrity of the financial information on the company and, if applicable, the group, and to verify compliance with regulatory requirements, the appropriate boundaries of the scope of consolidation and the correct application of accounting principles. | X | |
| Periodically review the systems for the internal monitoring and management of risks, so that the principal risks are identified, managed and properly disclosed. | | X |
| Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports. | X | |
| To establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they may detect within the company with potentially serious implications for the firm, in particular financial or accounting irregularities. | | X |
| To submit to the Board proposals for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of its engagement. | | X |
| To receive regular information from the external auditor on the progress and findings of the audit plan and to check that senior management are acting on its recommendations. | X | |
| To ensure the independence of the external auditor. | X | |
| In the case of groups, the committee urges the group auditor to take on the auditing of all component companies. | | X |

The functions of the audit and compliance committee are described in Article 16.4 of the Rules and Regulations of the Board. Sections b), c), d), e), f), g), h), i), j) and m) are of particular relevance in this regard.

The audit and compliance committee report, which is published along with the annual report, describes the activities carried out by the committee in 2009.

Article 16.4 of the Rules and Regulations of the Board

"The audit and compliance committee shall have the following duties:

(...)

b) Propose the appointment of the auditor, as well as the conditions under which such auditor will be hired, the scope of its professional duties and, if applicable, the revocation or non-renewal of its appointment. The committee shall favour the Group's auditor also assuming responsibility for auditing the companies making up the Group.

c) Review the accounts of the Company and the Group, monitor compliance with legal requirements and the proper application of generally accepted accounting principles and report on the proposals for alterations to the accounting principles and standards suggested by management.

d) Supervise the internal audit services, and particularly:

- i) Proposing the selection, appointment and withdrawal of the party responsible for internal audit;
- ii) Reviewing the annual working plan for internal audit and the annual activities report;
- iii) Ensuring the independence and effectiveness of the internal audit function;
- iv) Proposing the budget for this service;
- v) Receiving periodic information regarding the activities thereof; and
- vi) Verifying that senior management takes into account the conclusions and recommendations of its reports.

e) Know the process for gathering financial information and for the internal control systems. In particular, the audit and compliance committee shall:

- i) Supervise the process of preparing and the integrity of the financial information relating to the Company and the Group, reviewing compliance with regulatory requirements, the proper demarcation of the scope of consolidation and the correct application of accounting standards; and
- ii) Periodically review the systems for the internal monitoring and management of risks, so that the principal risks are identified, managed and properly disclosed.

f) Report on, review and supervise the risk control policy established in accordance with the provisions of these rules and regulations.

g) Serve as a channel of communication between the board and the auditor, assess the results of each audit and the response of the management team to its recommendations, and act as a mediator in the event of disagreement between the board and the auditor regarding the principles and standards to be applied in the preparation of the financial statements. Specifically, it shall endeavour to ensure that the statements ultimately drawn up by the board are submitted to the shareholders at the general shareholders' meeting without any qualifications or reservations in the auditor's report.

h) Supervise the fulfilment of the audit contract, endeavouring to ensure that the opinion on the annual financial statements and the main contents of the auditor's report are set forth in a clear and accurate fashion.

- i) Ensure the independence of the auditor, by taking notice of those circumstances or issues that might risk such independence and any others related to the development of the auditing procedure, as well as receive information and maintain such communication with the auditor as is provided for in legislation regarding the auditing of financial statements and in technical auditing regulations. And, specifically, verify the percentage represented by the fees paid for any and all reasons of the total income of the audit firm, and the length of service of the partner who leads the audit team in the provision of such services to the Company. The annual report shall set forth the fees paid to the audit firm, including information relating to fees paid for professional services other than audit work. Furthermore, the committee shall ensure that the Company publicly communicates a change of auditor and accompanies such communication with a declaration regarding the possible existence of disagreements with the outgoing auditor and, if any, regarding the content thereof and, in the event of the resignation of the auditor, the committee shall examine the circumstances causing it.
- j) Report to the board, in advance of the adoption by it of the corresponding decisions, regarding:
- i) The financial information that the Company must periodically make public, ensuring that such information is prepared in accordance with the same principles and practices applicable to the annual financial statements.
 - ii) The creation or acquisition of equity interests in special purpose entities or entities domiciled in countries or territories that are considered to be tax havens.
- (...)
- m) Know and, if applicable, respond to the initiatives, suggestions or complaints put forward or raised by the shareholders regarding the area of authority of this committee and which are submitted to it by the office of the general secretary of the Company. The committee shall also:
- i) Receive, deal with and keep a record of the claims received by the Bank on matters related to the process for gathering financial information, auditing and internal controls.
 - ii) Receive on a confidential and anonymous basis possible communications from Group employees who express their concern on possible questionable practices in the areas of accounting or auditing.
- (...)"

B.2.3 Describe the organisational and operational rules and responsibilities attributed to each of the board committees.

1. Executive committee:

The executive committee is governed by Article 51 of the Company's Bylaws and Article 14 of the Rules and Regulations of the Board. All the powers of the board of directors have been permanently delegated to the executive committee, except those which may not be legally delegated and the following:

- a) Approval of the general policies and strategies of the Company, particularly:
 - (i) Strategic plans, management targets and annual budget;
 - (ii) Dividend and treasury stock policy;
 - (iii) General risk management policy;
 - (iv) Corporate governance policy;
 - (v) Corporate social responsibility policy.
- b) Approval of the policies for the provision of information to and for communication with the shareholders, the markets and the public opinion. The board assumes the duty to provide the markets with prompt, accurate and reliable information, especially in connection with the shareholding structure, any substantial amendments to the rules of governance, related party transactions of particular importance and treasury stock.
- c) Control of management activities and evaluation of managers
- d) And those of the board in relation to its composition and functioning, the remuneration and duties of directors, the contracting of technical advisors and board relations with shareholders, markets and the financial auditor.

The board believes that the composition of this committee is well balanced, given that it is made up of ten directors, five of which are executive directors and five of which are external independent directors.

The executive committee submits to the board any matters that fall within the exclusive jurisdiction of the latter. It also reports to the board on any matters or decisions it has adopted at its meetings and furnishes board members with copies of the minutes for such meetings.

Article 3 of the Rules and Regulations of the Board states that the following powers of the board may be exercised by the executive committee when required on the grounds of urgency, with a subsequent report thereof to the board at the immediately following board meeting:

- a) Approval of the financial information that the Company must make public on a periodic basis.
- b) Approval of transactions entailing the acquisition and disposal of substantial assets of the Company and major corporate transactions, unless such approval must be given by the shareholders at a general shareholders' meeting, pursuant to the provisions of Article 20 of the Bylaws.
- c) Approval, within the framework of the provisions of Article 58 of the Bylaws, of the remuneration to which each director is entitled.
- d) Approval of the contracts governing the performance by directors of duties other than those of a mere director and the compensation to which they are entitled for the performance of additional duties, whether they are the duties of an executive director or otherwise, other than the duties of supervision and collective decision-making that they discharge in their capacity as mere members of the board.
- e) The appointment, remuneration and, if applicable, removal of the members of the senior management, as well as the definition of the basic terms of their contracts.

- f) Authorisation for the creation or acquisition of shareholdings in special purpose entities or entities domiciled in countries or territories that are considered to be tax havens.

2. Risk committee:

The risk committee is governed by Article 52 of the Bylaws and Article 15 of the Rules and Regulations of the Board.

It currently comprises five directors, of which two are executive directors and three are external independent directors.

Its chairman is a vice chairman with executive duties in accordance with the Rules and Regulations of the Board (article 15.1).

Article 15.1 of the Rules and Regulations of the Board

"The risk committee shall be composed of a minimum of four and a maximum of six directors. The chairmanship of the committee shall be held by a vice chairman with executive duties.

(...)"

The committee has been permanently delegated the following powers of the board of directors:

- "a) Decide on the granting of loans, the opening of credit accounts and risk operations in general, as well as the modification, transfer and cancellation thereof, and on global risk management (country, interest rate, credit, market, operational, treasury and derivatives risk), as well as determining and approving the general and specific conditions applicable to discounts, loans, deposits, guarantees and all types of banking operations.*
- b) Establish, change, subrogate and terminate lease agreements for all kinds of personal and real assets, upon the terms and conditions that it may freely determine, as well as acquire the underlying assets of such financial leasing, with no limit on amount or volume.*
- c) Create, modify and cancel all manner of sureties, bonds and any other guarantees before all kinds of natural persons, bodies corporate and public or private entities and bodies, in particular for the purposes of the Public Administration Contracts Act (Ley de Contratos de las Administraciones Públicas) and consolidating legislation, subject to the terms and conditions it deems appropriate, thereby establishing the necessary deposits in cash or securities, with entitlement to bind the Company, even jointly and severally with the main debtor, therefore waiving the benefits of discussion and division, all the foregoing on its own behalf in order to secure the obligations of third parties, whether natural persons or legal entities, with no limitation whatsoever on the amount thereof."*

It has the following duties pursuant to Article 15.3 of the Rules and Regulations of the Board:

- "a) To propose to the board the Group's risk policy, which must particularly identify:*
- (i) The various types of risk (operational, technological, financial, legal and reputational, among others) that*

the Company faces, including, among financial and economic risks, contingent liabilities and others which are off-balance sheet;

- (ii) The information and internal monitoring systems that will be used to monitor and manage such risks;*
- (iii) The setting of the risk level that the Company deems acceptable;*
- (iv) The planned measures to mitigate the impact of identified risks, in the event that they materialise.*
- b) To systematically review risk exposure among principal customers, economic sectors, geographic areas and risk types.*
- c) To be aware of and to update, if appropriate, management tools, improvement initiatives, advancement of projects and any other relevant activity relating to risk control, specifically including the nature and performance of internal risk models as well as the results of internal validations thereof.*
- d) To assess and monitor any observations made by supervisory authorities in furtherance of their duties.*
- e) To ensure that the activities of the Group are consistent with the previously decided risk tolerance level and to delegate to lower-level committees or managers the powers to assume risks.*
- f) To conclude transactions that exceed the powers delegated to lower decision-making bodies, and determine the overall limits of pre-classifications in favour of economic groups or with respect to exposures by classes of risks."*

The Risk management section of the 2009 annual report (pages 136 to 195) includes a thorough explanation of the risk-control systems of the Bank and its Group.

3. Audit and compliance committee:

- The audit and compliance committee of the Bank was originally created in 1986 as an audit committee, although its functions and duties have changed significantly since then.
- The committee is regulated by additional provision eighteen of the Securities Market Act and Articles 53 of the Bylaws and 16 of the Rules and Regulations of the Board. In addition, Articles 27 and 35 of the regulations contain a specific regulation relating to specific aspects of its activities.
- The audit and compliance committee must comprise a minimum of three and a maximum of seven directors, all external and non-executive, with independent directors having majority representation. Currently, the five directors making up the audit and compliance committee are external independent directors.
- The members of the audit and compliance committee are decided by the board of directors, taking into account the knowledge, skills and experience in accountancy, auditing and risk management of the directors.
- The audit and compliance committee must at all times be chaired by an independent director, who must also have the necessary knowledge and experience in accountancy, auditing and risk management.

- The chairman of the audit and compliance committee is Mr. Luis Ángel Rojo Duque.

It has the following duties pursuant to Article 16.4 of the Rules and Regulations of the Board:

- “a) Have its chairman and/or secretary report to the shareholders at the general shareholders’ meeting with respect to matters raised therein by shareholders regarding its powers.*
- b) Propose the appointment of the auditor, as well as the conditions under which such auditor will be hired, the scope of its professional duties and, if applicable, the revocation or non-renewal of its appointment. The committee shall favour the Group’s auditor also assuming responsibility for auditing the companies making up the Group.*
- c) Review the accounts of the Company and the Group, monitor compliance with legal requirements and the proper application of generally accepted accounting principles and report on the proposals for alterations to the accounting principles and standards suggested by management.*
- d) Supervise the internal audit services, and particularly:*
- (i) Proposing the selection, appointment and withdrawal of the party responsible for internal audit;*
 - (ii) Reviewing the annual working plan for internal audit and the annual activities report;*
 - (iii) Ensuring the independence and effectiveness of the internal audit function;*
 - (iv) Proposing the budget for this service;*
 - (v) Receiving periodic information regarding the activities thereof; and*
 - (vi) Verifying that senior management takes into account the conclusions and recommendations of its reports.*
- e) Know the process for gathering financial information and for the internal control systems. In particular, the audit and compliance committee shall:*
- (i) Supervise the process of preparing and the integrity of the financial information relating to the Company and the Group, reviewing compliance with regulatory requirements, the proper demarcation of the scope of consolidation and the correct application of accounting standards; and*
 - (ii) Periodically review the systems for the internal monitoring and management of risks, so that the principal risks are identified, managed and properly disclosed.*
- f) Report on, review and supervise the risk control policy established in accordance with the provisions of these rules and regulations.*
- g) Serve as a channel of communication between the board and the auditor, assess the results of each audit and the response of the management team to its recommendations, and act as a mediator in the event of disagreement between the board and the auditor regarding the principles and standards to be applied in the preparation of the financial statements. Specifically, it shall endeavour to ensure that the statements ultimately drawn up by the board are submitted to the shareholders at the general shareholders’ meeting without any qualifications or reservations in the auditor’s report.*
- h) Supervise the fulfilment of the audit contract, endeavouring to ensure that the opinion on the annual financial statements and the main contents of the auditor’s report are set forth in a clear and accurate fashion.*
- i) Ensure the independence of the auditor, by taking notice of those circumstances or issues that might risk such independence and any others related to the development of the auditing procedure, as well as receive information and maintain such communication with the auditor as is provided for in legislation regarding the auditing of financial statements and in technical auditing regulations. And, specifically, verify the percentage represented by the fees paid for any and all reasons of the total income of the audit firm, and the length of service of the partner who leads the audit team in the provision of such services to the Company. The annual report shall set forth the fees paid to the audit firm, including information relating to fees paid for professional services other than audit work. Furthermore, the committee shall ensure that the Company publicly communicates a change of auditor and accompanies such communication with a declaration regarding the possible existence of disagreements with the outgoing auditor and, if any, regarding the content thereof and, in the event of the resignation of the auditor, the committee shall examine the circumstances causing it.*
- j) Report to the board, in advance of the adoption by it of the corresponding decisions, regarding:*
- (i) The financial information that the Company must periodically make public, ensuring that such information is prepared in accordance with the same principles and practices applicable to the annual financial statements.*
 - (ii) The creation or acquisition of equity interests in special purpose entities or entities domiciled in countries or territories that are considered to be tax havens.*
- k) Supervise the observance of the code of conduct of the Group in the securities markets, the manuals and procedures for the prevention of money laundering and, in general, the rules of governance and compliance in effect in the Company, and make such proposals as are deemed necessary for the improvement thereof. In particular, the committee shall have the duty to receive information and, if applicable, issue a report on disciplinary penalties to be imposed upon members of senior management.*
- l) Review compliance with such courses of action and measures as result from the reports issued or the inspection proceedings carried out by the administrative authorities having functions of supervision and control.*
- m) Know and, if applicable, respond to the initiatives, suggestions or complaints put forward or raised by the shareholders regarding the area of authority of this committee and which are submitted to it by the office of the general secretary of the Company. The committee shall also:*

- (i) Receive, deal with and keep a record of the claims received by the Bank on matters related to the process for gathering financial information, auditing and internal controls.*
- (ii) Receive on a confidential and anonymous basis possible communications from Group employees who express their concern on possible questionable practices in the areas of accounting or auditing.*
- n) Report on any proposed amendments to these rules and regulations prior to the approval thereof by the board of directors.*
- o) Evaluate at least one a year, its operation and the quality of its work.*
- p) And others specifically provided for in these rules and regulations."*

One of its meetings shall be devoted to evaluating the efficiency of and compliance with the rules and procedures for governance of the Bank and preparing the information that the board is required to approve and include as part of its yearly public documentation.

4. Appointments and remuneration committee:

- The appointments and remuneration committee is another specialised committee of the board, without delegated duties. It is charged with reporting and formulating proposals within the scope of its powers.
- Article 54 of the Bylaws includes a basic rule for the appointments and remuneration committee, which the Rules and Regulations of the Board consolidated and expands. Article 17 of the Rules and Regulations of the board defines the composition, duties and powers of this committee. In addition, Articles 21, 23, 24, 27, 28, 29, 30 and 33 of the regulations contain a specific ruling on certain aspects of their activities.
- The appointments and remuneration committee must be made up of a minimum of three and a maximum of seven directors, all external and non-executive, with a majority representation of independent directors, and with one of these independent directors being its chairman. It is currently made up exclusively of external independent directors.
- The members of the appointments and remuneration committee are designated by the board, taking into consideration the knowledge, skills and experience of the directors and the requirements of said committee.
- During 2009, no members of the appointments and remuneration committee were executive directors, members of the senior management, or Bank employees. Similarly, no executive director or member of the senior management of the Bank has belonged to the board (or a remuneration committee) of any company that has employed members of the appointments and remuneration committee.

It has the following duties pursuant to Article 17.4 of the Rules and Regulations of the Board:

- "a) Establish and review the standards to be followed in order to determine the composition of the board and select those persons who will be proposed to serve as directors. In particular, the appointments and remuneration committee:*
 - (i) Shall evaluate the competencies, knowledge and experience required of directors.*
 - (ii) Shall specify the duties and the aptitudes needed of the candidates to fill each vacancy, evaluating the time and dedication needed for them to properly carry out their commitments.*
 - (iii) Shall receive for consideration the proposals of potential candidates to fill vacancies that might be made by the directors.*
- b) Prepare, by following standards of objectiveness and conformance to the corporate interests, the proposals for appointment, re-election and ratification of directors provided for in section 2 of Article 21 of these rules and regulations, as well as the proposals for appointment of the members of each of the committees of the board of directors. Likewise, it shall prepare, by following the same aforementioned standards, the proposals for the appointment of positions on the board of directors and its committees.*
- c) Annually verify the classification of each director (as executive, proprietary, independent or other) for the purpose of their confirmation or review at the annual general Meeting and in the annual corporate governance report.*
- d) Report on proposals for appointment or withdrawal of the secretary of the board, prior to submission thereof to the board.*
- e) Report on appointments and withdrawals of the members of senior management.*
- f) Propose to the board:*
 - (i) The policy for compensation of directors and the corresponding report, upon the terms of Article 29 of these rules and regulations.*
 - (ii) The policy for compensation of the members of senior management.*
 - (iii) The individual compensation of the directors.*
 - (iv) The individual compensation of the executive directors and, if applicable, external directors, for the performance of duties other than those of a mere director, and other terms of their contracts.*
 - (v) The basic terms of the contracts and compensation of the members of senior management.*
- g) Ensure compliance with the policy established by the Company for compensation of the directors and the members of senior management.*
- h) Periodically review the compensation programmes, assessing the appropriateness and yield thereof and endeavouring to ensure that the compensation of directors shall conform to standards of moderation and correspondence to the earnings of the Company.*

- i) Ensure the transparency of such compensation and the inclusion in the annual report and in the annual corporate governance report of information regarding the compensation of directors and, for such purposes, submit to the board any and all information that may be appropriate.
- j) Ensure compliance by the directors with the duties prescribed in Article 30 of these rules and regulations, prepare the reports provided for herein and receive information, and, if applicable, prepare a report on the measures to be adopted with respect to the directors in the event of non-compliance with the abovementioned duties or with the code of conduct of the Group in the securities markets.
- k) Examine the information sent by the directors regarding their other professional obligations and assess whether such obligations might interfere with the dedication required of directors for the effective performance of their work.
- l) Evaluate, at least once a year, its operation and the quality of its work.
- m) Report on the process of evaluation of the board and of the members thereof.
- n) And others specifically provided for in these rules and regulations."

5. International committee:

The International committee (to which reference is made in Article 13 of the Rules and Regulations of the Board) is responsible for monitoring the progress of the Group's strategy and the activities, markets and countries in which the Group wishes to operate through direct investments or through the deployment of specific business. The committee is informed of the commercial initiatives and strategies of the various Group units and of any new projects presented to it. It also reviews the progress of financial investments and business as well as the international economic climate so that it can make, where appropriate, suitable proposals to correct country risk limits, their structure and returns and their allocation by business and/or unit.

The committee is made up of eight directors, four executive directors and four external independent directors.

6. Technology, productivity and quality committee:

The technology, productivity and quality committee is also dealt with in Article 13 of the Rules and Regulations of the Board, and is responsible for studying and reporting on the plans and actions relating to information and application programming systems, investments in computer equipment, design of operational processes to improve productivity, and programmes to improve service quality and measurement procedures, as well as programs relating to resources and costs.

It is made up of eight directors, three executive and five external independent directors.

B.2.4 Identify any advisory or consulting powers and, where applicable, the powers delegated to each of the committees:

| Committee name | Brief description |
|--|-------------------|
| Executive committee | See above |
| Risk committee | See above |
| Audit and compliance committee | See above |
| Appointments and remuneration committee | See above |
| International committee | See above |
| Technology, productivity and quality committee | See above |

B.2.5 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted and whether any amendments have been made during the year. Also indicate whether an annual report on the activities of each committee has been prepared voluntarily.

There are no specific regulations on board committees, because the regulations that govern them are contained, as mentioned in section B.2.3. above, in the Rules and Regulations of the Board. The executive committee, the risk committee, the audit and compliance committee and the appointments and remuneration committee are regulated by both the Bylaws and the Rules and Regulations of the Board.

In addition, the audit and compliance committee and the appointments and remuneration committee prepare their own reports, which are published along with Grupo Santander's annual report.

Audit and compliance committee report.

The audit and compliance committee issued its first activities report in 2003.

The 2009 audit and compliance report addresses the following issues in detail:

- Its regulation functioning, duties, composition and the attendance of its members at the committee meetings held in 2009.
- Activities performed in 2009, grouped in accordance with the core duties of the committee:
 - Financial information
 - Financial auditor
 - Internal control systems of the Group
 - Internal audit
 - Compliance
 - Corporate governance
 - Information to the board and to shareholders at the annual general meeting, and assessment of the effectiveness of and compliance with the Bank's governance rules and procedures.
- Assessment by the committee of the performance of its duties in 2009.

Report of the appointments and remuneration committee.
Since 2004, the appointments and remuneration committee has been publishing a yearly activities report, which has included a report on the remuneration policy for directors since 2006.

The 2009 report addresses the following issues in detail:

- a) Regulation, functioning, duties, composition and the attendance of its members at the committee meetings held in 2009.
- b) Report on the compensation policy of directors.
- c) Activities performed in 2009:
 - Appointment of members of the board and board committees
 - Yearly assessment of the category of the directors
 - Participation in the board self-assessment process
 - New Rules and Regulations of the Board.
 - Appointment and remuneration of members of the senior management who do not sit on the board of directors
 - Civil liability insurance
 - Training
 - Related party transactions
 - Institutional documentation
 - Self-assessment
- d) Assessment by the committee of the performance of its duties in 2009.

B.2.6 Indicate whether the composition of the executive committee reflects the participation within the board of the different types of directors:

| | |
|--------------|------|
| Yes X | No _ |
|--------------|------|

If the answer is no, explain the composition of the executive committee

The executive committee is a core mechanism of corporate governance for both the Bank and its Group.

Given the nature of the executive committee as a collective decision-making body, precedence is given to the efficiency criteria set forth in Article 14.2 of the Rules and Regulations of the Board, meaning that the committee includes five executive directors, without overlooking the need to incorporate external and particularly independent directors, and while ensuring that the composition thereof reflects board guidelines insofar as possible.

Considered balanced by the board of directors, the executive committee is made up of 10 directors, five of whom are executive and five external independent. Accordingly, the percentage of independent directors on such committee is 50%, while on the board of directors this climbs to 53%.

Article 14.1 and 2 of the Rules and Regulations of the Board stipulates that:

"1. The executive committee shall consist of a minimum of five and a maximum of twelve directors. The chairman of the board of directors shall also be the chairman of the executive committee.

2. The board of directors shall endeavour to ensure that the size of and types of directors making up the executive committee shall conform to standards of efficiency and reflect the guidelines followed in determining the composition of the board."

C. Related-party transactions

C.1 Indicate whether the board plenary sessions have reserved the right to approve, based on a favourable report from the audit committee or any other committee responsible for this task, transactions which the company carries out with directors, significant shareholders or representatives on the board, or related parties:

| | |
|--------------|------|
| Yes X | No _ |
|--------------|------|

In relation to the indicated powers of the board, Article 30 of its Rules and Regulations states that:

"The directors must notify the board of any direct or indirect conflict with the interests of the Company in which they may be involved. If the conflict arises from a transaction with the Company, the director shall not be allowed to conduct it unless the board, following a report from the appointments and remuneration committee, approves such transaction. In the event of conflict, the director involved shall not participate in the deliberations and decisions on the transaction to which the conflict refers. In all events, the situations of conflict in which the Company directors are involved shall be reported in the annual corporate governance report."

C.2 List any relevant transactions entailing a transfer of assets or liabilities between the company or its group companies and the significant shareholders in the company:

As indicated above (see section A.2), the Company is not aware of the existence of significant shareholders and accordingly, there is no information regarding transactions therewith.

C.3 List any relevant transactions entailing a transfer of assets or liabilities between the company or its group companies, and the company's managers or directors:

No director, no other member of the Bank's senior management, no person represented by a director or a member of the Bank's senior management, nor any company where they are directors, members of the senior management or significant shareholders or any other person who has entered into a concerted action or acting carried out any transactions with the Bank that were not ordinary or relevant, to the Bank's knowledge, whereby the Bank, in accordance with Order EHA/3050/2004 of 15 September regarding the information that companies issuing securities admitted for trading on official secondary markets should provide in connection with related-party transactions in their interim reports.

Below, the direct risks of the Group with the directors of the Bank in terms of loans, credit and guarantees at 31 December 2009 are shown. The conditions of these transactions are equivalent to those carried out in market conditions or with corresponding payments in kind.

All these transactions are part of the ordinary course of business of the Bank or the company of the Group with whom the transaction was made.

| Name or corporate name of director or senior manager | Name or corporate name of the company or its group company | Nature of the relationship | Type of transaction | Amount (thousand €) |
|--|--|----------------------------|---------------------|---------------------|
| Mr. Alfredo Sáenz Abad | Banco Santander, S.A. | Debtor | Financing | 16 |
| Mr. Matías Rodríguez Inciarte | Banco Santander, S.A. | Debtor | Financing | 7 |
| | Banco Santander, S.A. | Debtor | Guarantees | 10 |
| Mr. Antonio Basagoiti García-Tuñón | Banco Santander, S.A. | Debtor | Financing | 47 |
| | Banco Santander, S.A. | Debtor | Guarantees | 1 |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea | Banco Español de Crédito, S.A. | Debtor | Financing | 3 |
| Mr. Javier Botín-Sanz de Sautuola y O'Shea | Banco Santander, S.A. | Debtor | Financing | 2 |
| Mr. Rodrigo Echenique Gordillo | Banco Santander, S.A. | Debtor | Financing | 9 |
| Mr. Antonio Escámez Torres | Banco Banif, S.A. | Debtor | Financing | 1,488 |
| Mr. Francisco Luzón López | Banco Banif, S.A. | Debtor | Financing | 4,965 |
| | Banco Santander, S.A. | Debtor | Financing | 39 |
| Mr. Juan Rodríguez Inciarte | Banco Santander, S.A. | Debtor | Financing | 418 |
| | Open Bank, S.A. | Debtor | Financing | 3 |
| Mr. Luis Alberto Salazar-Simpson Bos | Banco Banif, S.A. | Debtor | Financing | 431 |
| | Banco Español de Crédito, S.A. | Debtor | Financing | 3 |
| Ms. Isabel Tocino Biscarolasaga | Banco Español de Crédito, S.A. | Debtor | Financing | 40 |

C.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities:

There have been no transactions with such characteristics

| Corporate name of the group company | Brief description of the transaction | Amount (thousand €) |
|-------------------------------------|--------------------------------------|---------------------|
| — | — | — |

C.5 Identify, where appropriate, any conflicts of interest affecting company directors pursuant to Article 127 of the Spanish Companies Act (Ley de Sociedades Anónimas).

Yes No

No conflict of interest has arisen as described under Article 127 of the Spanish Companies Act (Ley de Sociedades Anónimas).

During fiscal year 2009, there have been 48 cases where directors, including those in senior management, have abstained from participating in meetings or voting on resolutions of the board of directors or its committees.

The breakdown of the 48 cases is as follows: on 28 occasions this was to approve compensation terms, or the terms and conditions of the contractual relationship of the executive and other terms and conditions of the contractual relationship of the executive directors with the Bank; on nine occasions this involved proposals of appointments and re-elections; on six occasions when debating proposals of financing of related companies of directors; and on the annual review of the nature of directors carried out by the appointment and remuneration committee, in line with article 6.3 of the Rules and Regulations of the Board, at its meeting of 17 March de 2009.

C.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

• **Directors.**

In the case of the Company's directors, conflict of interest situations are governed by Article 30 of the Rules and Regulations of the Board, which stipulates that director must notify the board of any direct or indirect conflict with the interests of the Company in which they may be involved. If the conflict arises from a transaction with the Company, the director shall not be allowed to conduct it unless the board, following a report from the appointments and remuneration committee, approves such transaction. In the event of conflict, the director involved shall not participate in the deliberations and decisions on the transaction to which the conflict refers.

• **Mechanisms used to detect, determine and resolve conflicts of interests with members of senior management who are not directors.**

The mechanisms used to detect conflicts of interest are essentially based on the obligation to declare any such conflict-of-interest by the persons subject to the code of conduct in securities markets.

This code, which may be found on the Group's corporate website (www.santander.com), governs the obligation to declare conflicts of interest under Section I, Chapter III, Letter A (Statement of Personal Situation). Specifically relevant are sections 12 and 13 of the code, the texts of which are set forth below:

"12. General statement of linkages

Subjected Persons should present a statement to compliance management detailing their linkages. Such statement should be constantly updated.

13. Situations of possible conflict

Subjected Persons should notify compliance management of any situation in which a conflict of interest could occur, from the point of view of an impartial and unbiased observer and with respect to a specific act, service or operation, owing to the linkages of such Subjected Person or because of any other reason or circumstance. director."

Title 1, chapter III, letter B (Conduct in the event of conflicts of interest) of the code of conduct in securities markets regulates the actions of subjected persons in conflicts of interest based on the principle of avoiding conflicts of interests. Point 14 of the code states:

"Subjected Persons shall endeavour to avoid conflicts of interests, both their own and those of the Group, and if affected personally by such conflicts, shall abstain from deciding (or where applicable, issuing) their vote in situations where such conflicts."

Regarding the rules to be applied in resolving conflicts of interest, section 15 of the code provides that the following shall be borne in mind:

"15.1 In the event of a conflict between the Group and a customer, the safeguarding of the latter's interests.

15.2 In the event of a conflict between Subjected Persons and the Group, the loyal obligation of the former.

15.3 In the event of a conflict between customers, the affected persons will be notified, and the services or operations where the conflict is present may only be implemented if the affected parties agree. The favouring of any affected party shall be avoided."

Decision-making bodies that regulate and resolve conflicts of interest:

• **Directors.**

These matters are the responsibility of the board of directors.

• **Senior management.**

The provisions contained in Section I, Chapter III, letter B (Conduct in the event of a conflict of interest), section 15, establishes the following decision-making bodies:

"Conflicts of interest shall be resolved by the person holding maximum responsibility for the Inside Area so affected. If several areas are affected, the resolution shall be made by the immediately senior officer of all such areas, or if none of the foregoing rules are applicable, by whomsoever compliance management may decide. In the event of any doubt, compliance management should be consulted."

C.7 Is more than one Group company listed in Spain?

Yes **X** No

Identify the listed subsidiaries in Spain:

Listed subsidiary companies
Banco Español de Crédito, S.A.

Indicate if the areas of activity and future business relations between them have been publicly defined in detail, as well as the listed subsidiaries with other companies in the group:

Yes **X** No

Define the possible business relationship between the listed subsidiary company and the other companies in the group

The document Framework for the Relationship between Santander and Banesto, which can be found on the Group's website (www.santander.com), establishes the rules defining the framework for the relationship between Banco Santander as the dominant company and its listed subsidiary, Banesto. This is in line with recommendation 2 of the Unified Code. These rules define the respective areas of activity and possible business relationships, as well as the mechanisms in place to resolve any potential cases of conflict of interest. To this end, it establishes that any intergroup transaction between Santander and Banesto must be agreed under reasonable market terms taking into consideration the nature of the transaction, volumes and other relevant circumstances which may impact.

Identify the mechanisms in place to resolve potential conflicts of interest between the listed subsidiary and the other companies in the group:

Mechanisms to resolve potential conflicts of interest

Conflicts of interest are regulated by chapter VI of the document Framework for the Relationship between Santander and Banesto (Conflict management. Regulations of the Relationship).

Under this document, intra-group operations are understood to mean ordinary or extraordinary commercial operations, between a Grupo Santander company (including Santander) and a Grupo Banesto company (including Banesto).

The mechanisms in place to resolve conflicts of interest as set out in the Framework for the Relationship between Santander and Banesto are the following:

"10. Members of the board.

Persons who hold executive positions in Santander or Banesto and also form part of the board of another institution shall participate in the debates and decisions of the latter avoiding the appearance of any conflict of interests arising from their dual status, or if this is not possible, abstaining whenever such conflicts arise.

In any event, they shall act as contemplated in the corporate code of conduct for securities markets.

11. Yearly reporting.

In the annual report and the annual report on corporate governance (and where applicable, in the periodic public information), in accordance with the regulations applicable to each of such documents, information will be included on intra-group operations as related party transactions.

12. Communications.

The parties designate their respective heads of compliance as the persons through whom they will make the ordinary communications that are necessary in executing the rules contained herein."

No intra-group operations between Santander and Banesto took place in 2009 that have not been removed in the consolidation process and that do not form part of the daily operations of the Company and the companies within the Group in relation to its purpose and conditions.

D. Risk control systems

D.1 Give a general description of risk policy in the company and/or its group, detailing and evaluating the risks covered by the system, together with evidence that the system is appropriate for the profile of each type of risk.

The Risk management section in the Group's 2009 annual report (pages 136 to 195) includes detailed information on this subject.

D.2 Indicate whether the company or Group has been exposed to different types of risk (operational, technological, financial, legal, reputational, fiscal...) during the year:

Yes **X** No

If so, indicate the circumstances and whether the established control systems worked adequately:

| Risks occurring in the year | Circumstances responsible for this occurrence | Operation of control systems |
|-----------------------------|---|------------------------------|
| — | — | — |

The Risk management section in the Group's 2009 annual report (pages 136 to 195) includes detailed information on this subject.

D.3 Indicate whether there is a committee or other governing body in charge of establishing and supervising these control systems.

Yes **X** No

If so, please explain its duties.

| Name of the Committee or Body | Description of duties |
|-------------------------------|-----------------------|
| | |

• Governing body and its duties:

Article 3.2 of the Rules and Regulations of the Board expressly states that management of the general risk policy is part of the general supervisory duties of the board, and, as such is identified as an integral part of its mission.

Among the committees of the board, the most relevant to this area is the risk committee, whose duties and functions, regulated under Article 15 of the Rules and Regulations of the Board, are detailed in section B.2.3.2 of this form.

The Group's Risk Policy is orientated toward maintaining a predictable and medium to low risk profile, both in terms of credit risk and market risk.

D.4 Identify and describe the processes for compliance with the regulations applicable to the company and/or its Group.

Compliance risk is the risk of the Company and/or its Group receiving a sanction, economic or other, or exposure to other types of disciplinary measures by supervisors as a result of failing to comply with the law, regulations, rules, self-regulation standards of the organisation and applicable codes of conduct.

The audit and compliance committee reports the compliance function on an ongoing basis to the board. The chief compliance officer took part in all 11 meetings held by the committee in 2009.

The compliance committee, which monitors the compliance policy, held five meetings in 2009.

Corporate framework for compliance.

The new corporate framework strengthens the compliance function in the Group as a global control area.

The corporate framework, still being rolled out, addresses reputational issues related to the sale of products and services, regulatory compliance and the prevention of money laundering with a risk management focus, understanding that risks could have an adverse impact on the results of the Bank's operations, its capital or expectations regarding the Bank and its business.

At its meeting of 22 April 2009, the audit and compliance committee was informed of the corporate framework for the compliance function, which was approved by the Bank's executive committee at its meeting of 3 August 2009.

New products and framework for control and monitoring of the Markets in Financial Instruments Directive (MiFID).

Since 1999, the Group's compliance area has been developing the processes related to the approval of new products and services offered to customers through the global new products committee, which held 15 meetings in 2009 at which 170 products or product families were reviewed.

Also in 2009, some 115 products were analysed according to the procedures manual for the sale of financial products to retail customers.

MiFID and its transposition into Spanish legislation basically regulates the organisation of companies providing investment services, the protection of clients and investors, as well as markets and alternative ways of marketing products.

At its meeting of 21 October 2009, the audit and compliance committee was informed of the progress made during the year within the scope of MiFID control and monitoring implemented at the Bank in 2008.

Project to modify the Group's general code of conduct.

The compliance area presented the audit and compliance committee, at its meeting of 18 November 2009, a proposal to amend the Group's general code of conduct. The committee assessed this proposal and submitted it to the board, which issued its approval at its meeting of 21 December 2009.

Among the principal amendments are the inclusion of a new title II, stating the organization's ethical principles that must guide all actions of employees.

Prevention of money laundering.

During 2009 the head of compliance informed the audit and compliance committee of the situation regarding the prevention of money laundering.

As for reporting suspicious transactions in Spain, at its meetings on 20 May and 23 September 2009, the audit and compliance committee was informed that the Executive Service of the Bank of Spain for the Prevention of Money Laundering (SEPBLAC for its initials in Spanish) had awarded Santander an overall classification of good in terms of the content of the notifications of suspicious transactions sent in 2008. Only a small percentage of notifications sent by the Group are filed as they are not considered relevant by this Service.

The Group's money-laundering prevention policies and systems are applied globally and at the corporate level, reaching 41 countries, 72 banks and branch offices and 142 subsidiaries. The Group's prevention of money laundering and financing of terrorism employees more than 365 full-time staff, in addition to employees that share time with other functions.

At that meeting of the audit and compliance committee of 23 September, the central money laundering prevention department presented its targets for 2010, while Deloitte issued its recommendations in its role as external expert on prevention, reviewing this function in accordance with the requirements of Royal Decree 925/1995 and the provisions of Ministerial Order EHA/2444/2007, dated 31 July, regulating the structure and minimum content of the independent expert's report.

Measures proposed by the supervisory authorities.

The committee is responsible for reviewing compliance with such courses of action and measures as result from the reports issued or the inspection proceedings carried out by the administrative authorities having functions of supervision and control.

In 2009, the audit and compliance committee had access to the reports issued by supervisory authorities both in Spain and in other countries where the Group does business. In addition, this committee received regular monitoring reports on the main issues, verifying the proper implementation of the proposed measures.

Off-shore entities.

The audit and compliance committee knows the Group's policy of not creating or acquiring shares in special purpose vehicles or entities domiciled in countries or territories considered tax havens without the prior express authorisation of the board, subject to a report by the committee—or, when reasons of urgency so advise, of the executive committee, with a subsequent report thereof to the board, pursuant to the provisions of article 3 of the Rules and Regulations of the Board—and in all cases following an analysis of the specific circumstances surrounding any such authorisation and the rationale for the timeliness thereof.

The audit and compliance committee is kept timely informed by the various areas responsible for these matters of the activities carried out and the results obtained by the Group's off-shore branches and companies, and supervises the internal control exercised over such entities, in accordance with the recommendations of the Bank of Spain contained in the Report on Banking Supervision in Spain for 2003.

At its meetings held on 18 February and 18 November 2009, and 17 February 2010, the audit and compliance committee received detailed information on the actions taken by the Group in fiscal years 2008 and 2009 as part of its policy to reduce the number of entities in tax havens.

The audit and compliance committee was informed that the internal audit division had reviewed all these entities in 2009 and that compliance management, in turn, had reported as necessary in accordance with the regulations on the prevention of money laundering.

The conclusions of the internal audit division are satisfactory, and those of compliance management show the reduced risk of money laundering present in off-shore units as a whole. Both the internal audit division and compliance management have formulated some recommendations for improvements, indicating the timeframe for their implementation.

Also, the financial statements of the Group's off-shore units are audited by companies belonging to the Deloitte group.

The audit and compliance committee was also informed that, in accordance with the Bank of Spain, disclosure provided in the notes to the financial statements regarding off-shore units shall not include those domiciled in off-shore territories that are tax residents in the UK or US and subject to their rules regarding the exchange of tax information.

In conclusion, the committee has a positive opinion regarding compliance by the Group with the principles arising from the Report on Banking Supervision in Spain for 2003, especially in connection with the involvement of the management decision making bodies of the parent company, the identification of the activities conducted by each off-shore entity and the results obtained, control by the parent company over off-shore activities, and transparency of the annual financial statements, with detailed information on such entities being provided in the annual report.

E. General shareholders' meetings

E.1 Indicate the quorum required for constitution of the general shareholders' meeting established in the company's bylaws. Describe how it differs from the system of minimum quorums established in the Spanish Companies Act (*Ley de Sociedades Anónimas*).

| | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
|---------------------------------|--|--|
| | Quorum % other than that established in Article 102 of the Spanish Companies Act (<i>Ley de Sociedades Anónimas</i>) | Quorum % other than that established in Article 103 of the Spanish Companies Act (<i>Ley de Sociedades Anónimas</i>) |
| Quorum required for first call | — | — |
| Quorum required for second call | — | — |
| Description of the differences | | |
| There are none | | |

The quorum required to hold a valid general shareholders' meeting established in the Bylaws (Article 25) and in the Rules and Regulations for the general shareholders' meeting (Article 12) is the same as provided under the Spanish Companies Act.

Therefore, the provisions of Articles 102, 103.1 and 103.2, first sentence, of the Companies Act apply, the text of which is as follows:

"Article 102. Quorum.

1. The general shareholders' meeting shall be validly established on first call if the shareholders present in person or by proxy hold at least twenty-five percent of the subscribed share capital carrying the right to vote. The bylaws may increase the quorum required.
2. On second call, the meeting shall be validly established regardless of the capital in attendance, unless the bylaws establish a particular quorum, which shall be lower than the quorum established or required by Law for first meetings upon first call.

Article 103. Quorum. Special cases.

1. If the shareholders in ordinary or extraordinary meetings are called upon to deliberate on capital increases or decreases or any other amendments to the bylaws, the issuance of debentures, the disapplication of pre-emptive subscription rights to new shares, as well as on the transformation, merger, spin-off or global transfer of assets and liabilities, or the relocation of the registered office to a foreign country, the required quorum on first call shall be met by the attendance or representation of shareholders representing at least fifty percent of the subscribed share capital with the right to vote.
2. At second call, shareholders representing twenty-five percent of the share capital shall suffice.

(...)"

E.2 Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework set forth in the Spanish Companies Act (Ley de Sociedades Anónimas):

Yes No

Describe how they differ from the rules established under the Spanish Companies Act (Ley de Sociedades Anónimas).

| | Majority other than that established in Article 103.2 of the Spanish Companies Act (Ley de Sociedades Anónimas) for the cases described in Article 103.1 | Other majorities |
|--|--|------------------|
| % established for the adoption of agreements | — | — |

Describe the difference
There are none

The rules governing the adoption of corporate resolutions by the shareholders at the general shareholders' meeting do not differ from the rules provided by the Spanish Companies Act, as set forth in Article 35 of the Bylaws and Article 23.1 of the Rules and Regulations for the general shareholders' meeting.

Therefore, Articles 93.1 and 103.2, second sentence, of the Spanish Companies Act apply, the text of which is as follows:

“Article 93. General shareholders' meeting.

1. The shareholders acting at a duly called general meeting shall decide by majority the matters validly proposed at the meeting.

Article 103.2 Quorum. Special cases.

(...)

(2nd sentence). When shareholders representing less than fifty percent of the subscribed capital with voting rights are present at the meeting, the resolutions referred to in the preceding section may only be adopted with the affirmative vote of two-thirds of the capital present in person or represented by proxy at the meeting.”

E.3 List all shareholders' rights regarding the general shareholders' meetings other than those established under the Spanish Companies Act (Ley de Sociedades Anónimas).

The rights granted to the shareholders by the Bylaws and the Rules and Regulations for the general shareholders' meeting with respect to general shareholders' meetings are the same rights as provided in the Spanish Companies Act.

E.4 Indicate the measures, if any, adopted to encourage participation by shareholders at general meetings.

The board of directors expressly encourages the informed participation of shareholders at general shareholders' meetings, as evidenced by Article 31.3 of their rules and regulations, pursuant to which:

“The board of directors shall encourage the informed participation of the shareholders at the general shareholders' meetings and shall adopt such measures as may be appropriate to make it easier for the shareholders acting at a general shareholders' meeting to effectively exercise the powers conferred upon them by Law and the Bylaws.

In particular, the board of directors shall make available to the shareholders, prior to the general shareholders' meeting, all such information as may be legally required. The board, acting through the general secretary, shall respond in writing to those requests which, in the exercise of the right to receive information as contemplated by law, the shareholders may submit in writing to the board as much in advance of the general shareholders' meeting as may be requisite.

In addition, the board shall, by means of its chairman or, if applicable and if so decided by the chairman, by means of the chairman of the audit and compliance committee, any director, the general secretary or, if appropriate, any employee or expert in the issues, respond, when it is admissible under the provisions of Law, the Bylaws or the regulations for the general shareholders' meeting, to any questions that the shareholders may pose verbally during the course of the general shareholders' meeting in connection with the matters included in the agenda. When it is impossible to satisfy the shareholder's right at such time, the requested information shall, if appropriate, be provided in writing within seven days following the end of the general shareholders' meeting.

Furthermore, the board of directors shall maintain and make available to the shareholders an updated website of the Company, with due observance of the applicable regulations, where all such information as is required under legal or bylaw provisions or regulations may be accessed.”

Measures adopted to foster the informed participation of the shareholders.

Amongst the measures adopted by the Bank to foster informed participation of shareholders in the general shareholders' meetings are the following, all of which are set out in our internal regulations:

- Attendance at the general shareholders' meetings being the holder of only one share.
- No system of share blocking to identify those persons with the right to attend the general shareholders' meeting. The only requirement is to have any number of shares registered in the name of the shareholders five days prior to the day on which the general shareholders' meeting is to be held.
- Remote attendance using data transmission means, and the exercising of voting rights via post, in person or electronically.
- Notice shall be given at least one month prior to the date set for the meeting.
- Publication on the Group's website of all the relevant information, including the proposals and the resolutions that are to be submitted to the general shareholders' meeting, from the date that the meeting is called.
- Shareholders representing at least five (5%) percent of the share capital may request the publication of a supplement to the call to meeting including one or more items in the agenda. Such supplement shall also be accessible on the Bank's website.
- The possibility that the shareholders can exercise their right to information via email, by writing to the email address junta.accionistas@santander.com from the date the call to meeting is issued.
- Separate voting on issues such as the appointment of directors and Articles or groups of Articles that are materially different in the case of amendments to the Company Bylaws or the Rules and Regulations for the General Shareholders' Meeting.
- Fractional voting for financial intermediaries.
- Delegation to any person, whether or not they are a shareholder.
- Presence of a notary public to prepare the minutes of the General Shareholders' Meeting.

Information to shareholders and communication with them.

On occasion of the 2009 annual general meeting, the chairman re-sent a letter to all the shareholders inviting them to propose issues to be discussed at the meeting, without prejudice to their rights to receive information and make proposals.

A total of 923 letters and emails were received and duly answered.

The exercising of the legal right to information is detailed in Article 31 of the Bylaws and Articles 7 and 18 of the Rules and Regulations for the general shareholders' meeting.

Shareholders can contact the Bank regarding general matters via post or email, as well as via the shareholders' designated telephone service.

During 2009, there were 628 meetings with investors and a permanent channel of communication was maintained with analysts and ratings agencies, entailing personal contact with more than 1,300 investors/analysts. For the second year running, the department for investor relations and analysts was chosen by both investors (buy side) and analysts (sell side) as the best IR Team in Europe's financial sector, according to a survey conducted by specialist magazine Institutional Investor. Between September and October, the department participated actively (attending more than 100 meetings with investors) in the rights issue carried out successfully at the subsidiary in Brazil. The department also continued with its activity of informing the main investors and analysts of the Group's corporate social responsibility policies.

Meanwhile, the shareholders office is in charge of handling relations with the Bank's more than 3 million non-institutional shareholders worldwide. It creates the global loyalty programmes and is in charge of rolling out the products and services reserved exclusively for shareholders.

The shareholders office has various channels of communication with non-institutional shareholders.

Finally, in compliance with the CNMV recommendations on meetings with analysts and investors, calls to meeting for these meetings are published in advance along with the necessary documentation.

E.5 Indicate whether the general shareholders' meeting is presided by the chairman of the board of directors. List the measures, if any, adopted to guarantee the independence and correct operation of the general shareholders' meeting:

Yes **X** No

Details of measures

The Company Bylaws (Article 29.2) and the Rules and Regulations for the general shareholders' meeting (Article 13.2) state that the chairman of the board of directors or, in his absence, the vice chairman serving in his stead pursuant to Article 44, and in the absence of both the chairman and the vice chairman, the director designated by the board of directors, shall preside over general shareholders' meetings. Likewise, should there be no designated director, the meeting shall be presided over by a shareholder appointed by all the shareholders present at the meeting.

Measures adopted to ensure independence and proper operation of the general shareholders' meeting:

At the annual general meeting of 21 June 2003, shareholders approved the Rules and Regulations for the General Shareholders' Meeting. Thereafter, Law 26/2003, of 17 July became effective, which amended Law 24/1988, of 28 July on the Securities Market and the revised text of the Companies Law, approved by Royal Decree 1564/1989 of 22 December, in order to reinforce the transparency of the listed companies. At the annual general meeting held on 19 June 2004, the shareholders approved, upon the proposal of the board of directors, new regulations that incorporate the new features incorporated by such Law.

The Rules and Regulations for the General Shareholders' Meeting, which include a detailed set of measures ensuring the independence and proper operation of the general shareholders' meeting, may be found on the website of the Group at the address specified in E.6 below.

Among the specific measures implemented by the Company to improve the operation of the general shareholders' meeting, some of the most noteworthy are those implemented in 2004 including voting and proxy-granting by electronic procedures (Internet) and postal voting.

In addition, since the 2005 annual general meeting, the Bank's shareholders are able to participate remotely via data transmission means.

A detailed description of the votes cast for the two general shareholders' meeting held on 26 January and 19 June 2009, as a percentage of the Company's share capital using the abovementioned voting and proxy procedures is included in E.7 of this Report.

E.6 Indicate the amendments, if any, made to the General Shareholders' Meeting Regulations during the year.

No amendments were made in 2009 to the Rules and Regulations for the General Shareholders' Meeting.

These regulations can be found on the corporate website (www.santander.com), in the main menu under Information for shareholders and investors, in the corporate governance sub-menu under Rules and Regulations for the General Shareholders' Meeting.

E.7 Indicate the attendance figures for the general shareholders' meetings held during the year.

The following table brings together attendance data related to the two meeting which were held during 2009: an extraordinary general shareholders' meeting held on 26 January and an ordinary general shareholders' meeting held on 19 June.

| Attendance data | | | | |
|-------------------------|-----------------------|------------------------|------------------------|---------|
| Date of general meeting | % attending in person | % by proxy | % remote voting | Total |
| 26/01/2009 | 0.237% ⁽¹⁾ | 31.843% ⁽²⁾ | 15.885% ⁽³⁾ | 47.965% |
| 19/06/2009 | 0.312% ⁽⁴⁾ | 35.824% ⁽⁵⁾ | 18.491% ⁽⁶⁾ | 54.627% |

(1) Of the percentage specified (0.237%), 0.0004% corresponds to the capital represented by proxies granted via Internet.

(2) The percentage of capital represented by proxies granted via Internet was 0.014%.

(3) Of the percentage specified (15.885%), 15.881% corresponds to postal votes and 0.004% to electronic votes.

(4) Of the percentage specified (0.312%), 0.001% corresponds to the capital represented by proxies granted via Internet.

(5) The percentage of capital represented by proxies granted via Internet was 0.017%.

(6) Of the percentage specified (18.491%), 18.487% corresponds to postal votes and 0.004% to electronic votes.

E.8 Briefly indicate the resolutions adopted at the general shareholders' meetings held during the year and the percentage of votes with which each resolution was adopted.

Below is a description of the resolutions adopted by the shareholders at the general shareholders' meetings held on 26 January and 19 June 2009 and the percentage of votes by which each of such resolutions was passed.

The complete text of these resolutions can be found on the Group's website (www.santander.com).

Extraordinary shareholders' meeting of 26 January 2009
votes

| | For | Against | Abstention | Blank |
|---|---------|---------|------------|--------|
| 1. Capital increase in the nominal amount of 88,703,857.50 euros by means of the issuance of 177,407,715 new ordinary shares having a par value of one-half (0.5) euro each and an issuance premium to be determined by the board of directors or, by delegation, the executive committee, in accordance with the provisions of Section 159.1.c) in fine of the Spanish Companies Act (<i>Ley de Sociedades Anónimas</i>) no later than on the date of implementation of the resolution, for an amount that in all events shall be between a minimum of 7.56 euros and a maximum of 8.25 euros per share. The new shares shall be fully subscribed and paid up by means of in kind contributions consisting of ordinary shares of the US company Sovereign Bancorp Inc. (or the company that succeeds or replaces it as a result of the relocation of that company to the state of Virginia). Total elimination of the pre-emptive rights held by the shareholders and holders of convertible bonds and express provision for the possibility of an incomplete subscription. Option, under the provisions of Chapter VIII of Title VII and the second Additional Provision of the Restated Text of the Corporate Income Tax Law (<i>Ley del Impuesto sobre Sociedades</i>) approved by Royal Legislative Decree 4/2004, for the special rules therein provided with respect to the capital increase by means of the in kind contribution of all the ordinary shares of said company. Delegation of powers to the board of directors, with authorisation to the board to delegate in turn to the executive committee, in order to set the terms of the increase as to all matters not provided for by the shareholders at this general meeting, perform the acts needed for the execution thereof, redraft the text of sub-sections 1 and 2 of Article 5 of the Bylaws to reflect the new amount of share capital, execute whatsoever public or private documents are necessary to carry out the increase and, with respect to the in kind contribution of the shares of Sovereign Bancorp Inc. or the company that succeeds or replaces it as a result of the relocation), exercise the option for the special tax rules provided for under Chapter VIII of Title VII and the second Additional Provision of the Restated Text of the Corporate Income Tax Law approved by Royal Legislative Decree 4/2004. Application to the applicable domestic and foreign agencies to admit the new shares to trading on the Madrid, Barcelona, Bilbao, and Valencia Stock Exchanges through the Stock Exchange Interconnection System (Continuous Market) and the foreign stock exchanges on which the shares of Banco Santander are listed (London, Milan, Lisbon, Buenos Aires, Mexico, and, through ADSs, New York), in the manner required by each of them. | 96.932% | 0.558% | 2.495% | 0.015% |
| 2. Authorisation of the delivery of 100 shares of the Bank to each employee of the Abbey National plc. subgroup (now Santander UK plc) from Bradford & Bingley plc., as a special bonus within the framework of the acquisition of the Bradford & Bingley plc. group's distribution channels and retail deposits. | 96.810% | 0.546% | 2.629% | 0.015% |
| 3. Authorisation for the board of directors to interpret, rectify, supplement, execute and further develop the resolutions adopted by the shareholders at the general meeting, as well as to delegate the powers it receives from the shareholders acting at the general meeting, and grant of powers to convert such resolutions into notarial instruments. | 97.439% | 0.151% | 2.391% | 0.018% |

Annual Shareholders' Meeting Of 19 June 2009

votes

| | For | Against | Abstention | Blank |
|---|---------|---------|------------|--------|
| 1. Examination and approval, if deemed appropriate, of the annual accounts (balance sheet, profit and loss statement, statements of changes in net assets and cash flows, and notes) and of the corporate management of Banco Santander, S.A. and its consolidated Group, all with respect to the Fiscal Year ended 31 December 2008. | 97.314% | 0.438% | 2.236% | 0.012% |
| 2. Application of results from Fiscal Year 2008. | 98.477% | 0.055% | 1.456% | 0.012% |
| 3. Board of Directors: appointment, re-election and ratification of directors. | | | | |
| Three A.- Re-election of Mr. Matías Rodríguez Inciarte. | 93.855% | 4.426% | 1.705% | 0.015% |
| Three B.- Re-election of Mr. Manuel Soto Serrano. | 97.703% | 0.789% | 1.493% | 0.015% |
| Three C.- Re-election of Mr. Guillermo de la Dehesa Romero. | 97.698% | 0.791% | 1.496% | 0.015% |
| Three D.- Re-election of Mr. Abel Matutes Juan. | 97.694% | 0.799% | 1.493% | 0.014% |
| 4. Re-election of the Auditor of Accounts for Fiscal Year 2009. | 97.694% | 0.556% | 1.737% | 0.013% |
| 5. Authorisation for the Bank and its subsidiaries to acquire their own stock pursuant to the provisions of Section 75 and the first additional provision of the Business Corporations Law (<i>Ley de Sociedades Anónimas</i>), depriving of effect to the extent of the unused amount the authorization granted by the shareholders at the annual general shareholders' meeting held on June 21, 2008. | 98.046% | 0.447% | 1.491% | 0.016% |
| 6. Delegation to the board of directors of the power to carry out the resolution to be adopted by the shareholders at the meeting to increase the share capital, pursuant to the provisions of Section 153.1a) of the Business Corporations Law, depriving of effect the authorization granted by the shareholders at such general meeting on 21 June 2008. | 97.455% | 1.056% | 1.475% | 0.014% |
| 7. Authorisation to the board of directors, pursuant to the provisions of Article 153.1.b) of the Business Corporations Law, to increase the share capital on one or more occasions and at any time, within a term of three years, by means of monetary contributions and in the maximum nominal amount of 2,038,901,430.50 euros, all on such terms and conditions as it deems appropriate, depriving of effect the authorization granted by the shareholders by means of Resolution One II) at the extraordinary general shareholders' meeting of July 27, 2007 to the extent of the unused amount. Delegation of the power to exclude pre-emptive rights provided for in Section 159.2 of the Business Corporations Law. | 86.910% | 11.499% | 1.574% | 0.017% |
| 8. Increase of the share capital in such amount as may be determined pursuant to the resolution by means of the issuance of new ordinary shares having a par value of one-half (0.5) euro each, without an issuance premium, of the same class and series as those that are currently outstanding, with a charge to voluntary reserves set up with unappropriated earnings. Express provision for the possibility of incomplete allocation. Delegation of powers to the board of directors, with authority to, in turn, delegate such powers to the executive committee, to set the terms and conditions of the increase in all matters not contemplated by the shareholders at this general shareholders' meeting, to carry out all actions required for implementation thereof, to amend the text of paragraphs 1 and 2 of Article 5 of the Bylaws to reflect the new amount of the share capital and to execute such public and private documents as may be necessary to carry out the increase. Application to the appropriate domestic and foreign authorities for admission to trading of the new shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through Spain's Electronic Trading System (Continuous Market) and on the foreign Stock Exchanges on which the shares of Banco Santander are traded (Lisbon, London, Milan, Buenos Aires, Mexico and, through ADSs, on the New York Stock Exchange) in the manner required by each of such Exchanges. | 98.051% | 0.424% | 1.509% | 0.016% |
| 9. Delegation to the board of directors of the power to issue simple fixed-income securities or debt instruments of a similar nature (including bonds, promissory notes or warrants), as well as fixed income securities convertible into and/or exchangeable for shares of the Company. Delegation to the board of directors of the power to issue simple fixed-income securities or debt instruments of a similar nature (including bonds, promissory notes or warrants), as well as fixed income securities convertible into and/or exchangeable for shares of the Company. Deprive of effect the delegation of powers approved by resolution Nine II) of the annual general shareholders' meeting of June 21, 2008. | 89.667% | 8.803% | 1.512% | 0.018% |
| 10. Incentive policy: | | | | |
| – Ten A.- In connection with the long-term Incentive Policy approved by the board of directors, approval of new cycles and plan for the delivery of Santander shares for implementation by the Bank and by companies of the Grupo Santander and linked to certain permanence requirements or to changes in total shareholder return. | 97.246% | 0.963% | 1.772% | 0.019% |
| – Ten B.- Approval of an incentive plan for employees of Abbey National plc. (currently Santander UK plc.) and other companies of the Group in the United Kingdom by means of options to shares of the Bank linked to the contribution of periodic monetary amounts and to certain permanence requirements. | 97.632% | 0.820% | 1.531% | 0.017% |
| – Ten C.- Authorisation of the delivery of 100 shares of the Bank to each employee of the Sovereign subgroup. | 97.783% | 0.653% | 1.545% | 0.019% |
| 11. Authorisation to the board of directors to interpret, remedy, supplement, carry out and further develop the resolutions adopted by the shareholders at the meeting, as well as to delegate the powers received from the shareholders at the meeting, and grant of powers to convert such resolutions into notarial instruments. | 98.190% | 0.140% | 1.655% | 0.016% |



E.9 Indicate whether the bylaws impose any minimum requirement on the number of shares needed to attend the general shareholders' meetings:

Yes No

Number of shares required to attend the general shareholders' meeting
One share

The annual general meeting held on 19 June 2004, approved an amendment to the Bylaws to allow shareholders with any number of shares to attend the general shareholders' meeting.

The first paragraph of Article 26.1 of the current Bylaws states the following:

"The holders of any number of shares registered in their name in the respective book entry registry five days prior to the date on which the general shareholders' meeting is to be held and who are current in the payment of capital calls shall be entitled to attend general shareholders' meetings."

E.10 Indicate and explain the policies pursued by the company with reference to proxy voting at the general shareholders' meeting.

The proxy card expressly sets forth all the items on the agenda and requests the proxy-holder's vote on each of such items. The identity of the proxy-holder shall also be requested.

In order to ensure the exercise of voting rights, the cards provide that:

- If the proxy has not been granted to a specific person, it shall be deemed to be granted to the chairman of the board.
- If no voting instructions have been provided, it shall be deemed that the vote is in favour of the proposal of the board of directors.

In addition, pursuant to Article 114 of the Securities Market Act, as amended by Law 26/2003, of 17 July, on the Transparency of Listed Companies, the proxy cards used at the general meetings of 19 June 2004 and 21 October 2004 (the only meetings held by the Company as of this date after Law 26/2003 was enacted) provide that if the shareholder's representative has a conflict of interest in the voting for any of the proposals –whether or not included in the agenda- submitted at the general shareholders' meeting, the proxy would be deemed to be granted to the general secretary of the Company in his capacity as a shareholder with the right to attend.

The annual general meeting held on 17 June 2006 approved the amendment of the Articles in the Bylaws and the Rules and Regulations for the general shareholders' meeting to allow the delegation of a vote to a non-shareholder. This right is recognised in Article 27.1 of the Bylaws and in the first paragraph in Article 8 of the Rules and Regulations for the general shareholders' meeting, stating:

Article 27.1 of the Bylaws (first sentence)

"All shareholders having the right to attend the meeting may be represented at a general shareholders' meeting by giving their proxy to another person, even if such person is not a shareholder."

Article 8 of the Rules and Regulations for the General Shareholders' Meeting (first paragraph, first sentence)

"Without prejudice to the provisions of the bylaws, the right to attend the general shareholders' meeting may be delegated to any individual or legal person."

In the case of remote representation, the rules described in Article 27.5, 6, 7 and 8 of Bylaws apply, stating:

Articles 27.5, 6, 7 and 8 of the Bylaws

"5. When a proxy is granted or notified to the Company by remote means of communication, it shall only be deemed valid if the grant is made:

- a) by hand-delivery or postal correspondence, sending the Company the duly signed and completed attendance and proxy card, or by other written means that, in the judgment of the board of directors recorded in a resolution adopted for such purpose, allows for due confirmation of the identity of the shareholder granting the proxy and of the representative being appointed, or
- b) by electronic correspondence or communication with the Company, including an electronic copy of the attendance and proxy card; such electronic copy shall specify the representation being granted and the identity of the party represented, and shall include the electronic signature or other form of identification of the shareholder being represented, in accordance with the conditions set by the board of directors recorded in a resolution adopted for such purpose in order to ensure that this system of representation includes adequate assurances regarding authenticity and the identity of the shareholder represented.

6. In order to be valid, a proxy granted or notified by any of the foregoing means of remote communication must be received by the Company before midnight of the third day prior to the date the shareholders' meeting is to be held on first call. In the resolution approving the call to the meeting in question, the board of directors may reduce the required notice period, disseminating this information in the same manner as it disseminates the announcement of the call to meeting. Pursuant to the provisions of Article 34.5 below, the board may further develop the foregoing provisions regarding proxies granted by remote means of communication.

7. A proxy is always revocable. Attendance at the shareholders' meeting, whether physically or by casting a distance vote, shall entail the revocation of any proxy that may have been granted, regardless of the date thereof. A proxy shall also be rendered void by any transfer of shares of which the Company becomes aware.

8. *The proxy may include items which, even if not included in the agenda, may be discussed at the shareholders' meeting because the law so permits. If the proxy does not include such items, it shall be deemed that the shareholder granting the proxy instructs his representative to abstain when such items are put to the vote."*

E.11 Indicate whether the company is aware of the policy of institutional investors on whether or not to participate in the company's decision-making processes.

Yes No

Describe the policy

E.12 Indicate the address and mode of accessing corporate governance content on your company's website.

In compliance with the resolution adopted by the Company's board of directors at its meeting of 23 January 2004, all the information required by Article 117 of the Securities Market Law, as amended by Law 26/2003, of 17 July on the Transparency of Listed Companies, and by Order ECO/3722/2003, can be easily found in the Information for Shareholders and Investors section of the main menu of Grupo Santander's website (www.santander.com).

The corporate web presents its content in specific sections for institution investors and for shareholders, which is mostly available in Spanish, English and Portuguese.

The following can be found on this website:

- The Company's Bylaws
- The Rules and Regulations for the General Shareholders' Meeting
- The Rules and Regulations of the Board of Directors
- The professional career history and other information on the directors, as proposed under recommendation 28 of the Unified Code
- The annual report
- The annual corporate governance report
- The code of conduct in securities markets
- The general code of conduct
- Sustainability report
- Reports from the audit and compliance committee and the appointments and remuneration committee
- The framework of the relationship between Santander and Banesto established under recommendation 2 of the Unified Code.

From the date of publication, the call to the general shareholders' meeting for 2010 can be consulted on the website. This shall include information on the meeting with the proposals for agreement and the mechanisms for exercising the right to information, delegation or voting, with an explanation of how to use data transmission means.

F. Degree of compliance with corporate governance recommendations

Indicate the degree of the company's compliance with Corporate Governance recommendations.

Should the company not comply with any of them, explain the recommendations, standards, practices or criteria the company applies.

This section details the degree of compliance by the Entity with the recommendations contained in the Report of the Special Working Group on the Good Governance of Listed Companies, approved by the CNMV on 22 May 2006 (the Unified Code), analysing each of the recommendations and including text from the Company Bylaws and the Rules and Regulations for the general shareholder's meeting and the board of directors as applicable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See sections:

A.9., B.1.22., B.1.23. E.1. and E.2.

Compliant Explain

In agreement with Articles 26.1 (first paragraph) and 35.2 of the Bylaws, there are no restrictions on the rights to vote, nor the acquisition or transfer of share in the capital of the Bank.

Article 26.1 (first paragraph) of the Bylaws

"The holders of any number of shares registered in their name in the respective book entry registry five days prior to the date on which the general shareholders' meeting is to be held and who are current in the payment of capital calls shall be entitled to attend general shareholders' meetings."

Article 35.2 of the Bylaws

"The attendees at the general shareholders' meeting shall have one vote for each share which they hold or represent. Non-voting shares shall have the right to vote in the specific cases laid down in the Business Corporations Law."



2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;**
b) The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

| | |
|--------------------|-----------------------|
| Compliant X | Partially compliant _ |
| Explain _ | Not applicable _ |

The board of directors of the Bank has taken on this recommendation defining, through a group of regulations, the framework for the relationship between Banco Santander, as the dominant company, and Banesto, their respective areas of activities and possible business relationships, as well as the mechanisms in place to resolve any potential conflict of interest. These regulations can be found on the Group's website (www.santander.com).

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the general shareholders' meeting for approval or ratification. In particular:

a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;

b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

c) Operations that effectively add up to the company's liquidation.

| | |
|--------------------|-----------------------|
| Compliant X | Partially compliant _ |
| Explain _ | |

The Bank's organic regulations expressly recognise the authority of the general shareholders' meeting to take decisions regarding certain operations of special relevance. Article 20.2 of the Bylaws and Article 2.2 of the Rules and Regulations for the General Shareholders' Meeting reserve the right to approve the subsidiarisation or contribution to subsidiaries of the operating assets of the Company, thus turning the Company into a mere holding company, to approve, if applicable, the acquisition or disposition of assets whenever, because of the quality and

volume because they entail an actual change of the corporate purpose or, to agree operations whose effect would be tantamount to the liquidation of the Bank.

Article 20.2 of the Bylaws

"The general shareholders' meeting has the power to decide on all matters assigned to it by the law or the bylaws. Specifically and merely by way of example, it has the following powers:

(...)

(ix) *To approve the subsidiarisation or contribution to subsidiaries of the operating assets of the Company, thus turning the Company into a mere holding company;*

(x) *To approve, if applicable, the acquisition or disposition of assets whenever, because of the quality and volume thereof, they entail an actual change of the corporate purpose; and*

(xi) *Resolutions approving transactions that would have an effect equivalent to the liquidation of the Company."*

Article 2.2 of the Rules and Regulations for the General Shareholders' Meeting

"Pursuant to the provisions of the Bylaws, the shareholders at a general shareholders' meeting may adopt resolutions on any matter pertaining to the Company, with the following powers being specifically reserved to them:

(...)

X. *To approve the subsidiarisation or contribution to subsidiaries of the operating assets of the Company, thus turning the Company into a mere holding company;*

XI. *Approval, if appropriate, of the acquisition or transfer of assets when, due to the quality or volume thereof, such acquisition or transfer entails an effective change in the corporate purpose.*

XII. *Resolutions approving transactions that would have an effect equivalent to the liquidation of the Company."*

4. Detailed proposals of the resolutions to be adopted at the general shareholders' meeting, including the information stated in recommendation 28, should be made available at the same time as the publication of the meeting notice.

| | |
|--------------------|-----------|
| Compliant X | Explain _ |
|--------------------|-----------|

The Bank makes public the information referred to in recommendation 4 via its corporate website (www.santander.com). This information is available from the date the shareholders' meeting is announced until it is held.

Article 6.1 of the Rules and Regulations for the General Shareholders' Meeting

"In addition to what is required by provisions of law or the bylaws, beginning on the date of the publication of the call to the general shareholders' meeting, the Company shall

publish on its website the text of all resolutions proposed by the board of directors with respect to the agenda items, unless the proposals are not required by Law or the bylaws to be made available to the shareholders as of the date of the call to meeting and the board of directors deems that there are justified grounds for not doing so.”

Furthermore, when there is a supplement to the call to meeting, the Company shall, starting on the date of publication thereof, also publish on its website the text of the proposals to which such supplement refers and which have been provided to the Company.”

5. Separate votes should be taken at the general shareholders’ meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

a) The appointment or ratification of directors, with separate voting on each candidate;

b) Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different.

See section E.8

| | |
|--------------------|-----------------------|
| Compliant X | Partially compliant _ |
| Explain _ | |

The Rules and Regulations for the General Shareholders’ Meeting (Article 21.2) regulate the practice of separate voting in the appointment of each director, and in the event of amendments to the Bylaws or Rules and Regulations for the General Shareholders’ Meeting, each article or group or articles that are substantially independent.

Since 2005, the appointment, ratification and reelection of every director have been subject to a separate vote at the general shareholders’ meeting.

Article 21.2 of the Rules and Regulations for the General Shareholders’ Meeting

“When various proposals are included under a single item of the agenda, they shall be voted upon separately. When various proposals are included under a single item of the agenda, they shall be voted upon separately. As an exception, all those proposals made that are configured as unitary or indivisible, such as those relating to the approval of a complete text of the bylaws or the Rules and Regulations for the General Shareholders’ Meeting, shall be voted on as a whole.”

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

See section: E.4

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| Compliant X | Explain _ |
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Fractional voting is also possible, as has previously occurred, at the next general shareholders’ meeting so that financial intermediaries are legitimately considered shareholders but are acting on behalf of various customers to issue their votes according to instructions.

Article 22 of the Rules and Regulations for the General Shareholders’ Meeting expressly discusses this practice.

Article 22 of the Rules and Regulations for the General Shareholders’ Meeting

“Financial intermediaries that appear to have standing as shareholders in the book entry registries may divide their vote when required to carry out the voting instructions received from the various customers. In other cases, fractional voting shall apply when, in the opinion of the chairman of the meeting, it is required for good reason.”

7. The board of directors should perform its duties with unity of purpose and independent judgement, granting all shareholders the same treatment. It should be guided at all times by the company’s best interest and, as such, strive to maximise its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

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| Compliant X | Partially compliant _ |
| Explain _ | |

The board of directors acknowledges the principles set out in recommendation 7 in the performance of its duties.

Article 40 of the Bylaws and 5 of the Rules and Regulations of the Board

“1. The board of directors and its delegated decision-making bodies shall exercise their powers and, in general, perform their duties with a view to maximising the value of the company in the interest of the shareholders.

2. Additionally, the board shall ensure that the Company faithfully complies with applicable law, respects the uses and good practices of the industries or countries where it carries out its activities and observes the additional principles of social responsibility that it has voluntarily accepted”.



8. The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:

a) The company's general policies and strategies, and in particular:

- i) The strategic or business plan, management targets and annual budgets;**
- ii) Investment and financing policy;**
- iii) Design of the structure of the corporate group;**
- iv) Corporate governance policy;**
- v) Corporate social responsibility policy;**
- vi) Remuneration and evaluation of senior officers;**
- vii) Risk control and management, and the periodic monitoring of internal information and control systems;**
- viii) Dividend policy, as well as the policies and limits applying to treasury stock.**

See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

- i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.**

See section: B.1.14

- ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.**

See section: B.1.14

- iii) The financial information that all listed companies must periodically disclose.**

- iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the general shareholders' meeting;**

- v) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.**

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

- 1st. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;**
- 2nd. They are carried out at market rates, generally set by the person supplying the goods or services;**
- 3rd. Their amount is no more than 1% of the company's annual revenues.**

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the audit committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the executive committee in urgent cases and later ratified by the full board.

See sections: C.1 and C.6

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| Compliant X | Partially compliant _ |
| Explain _ | |

Article 3.2 of the Rules and Regulations of the Board

"Without prejudice to the foregoing, the policy adopted by the board consists of delegating the day-to-day management of the Company to the executive bodies and the management team and focusing its activity on the general supervisory function, assuming and discharging per se, without the power of delegation, the responsibilities entailed in this function and, in particular, those set forth below:

a) Approval of the general policies and strategies of the Company, particularly:

- (i) Strategic plans, management targets and annual budget;
- (ii) Dividend and treasury stock policy;
- (iii) General risk management policy;
- (iv) Corporate governance policy;
- (v) Corporate social responsibility policy.

b) Approval of the policies for the provision of information to and for communication with the shareholders, the markets and the public opinion. The board assumes the duty to provide the markets with prompt, accurate and reliable information, especially in connection with the shareholding structure, any substantial amendments to the rules of governance, related party transactions of particular importance and treasury stock.

- c) Approval of the financial information that the Company must make public on a periodic basis.
- d) Approval of transactions entailing the acquisition and disposition of substantial assets of the Company and major corporate transactions, unless such approval must be given by the shareholders at a general shareholders' meeting, pursuant to the provisions of Article 20 of the Bylaws.
- e) Approval, within the framework of the provisions of Article 58 of the Bylaws, of the remuneration to which each director is entitled.
- f) Approval of the contracts governing the performance by directors of duties other than those of a mere director and the compensation to which they are entitled for the performance of additional duties, whether they are the duties of an executive director or otherwise, other than the duties of supervision and collective decision-making that they discharge in their capacity as mere members of the board.
- g) The appointment, remuneration and, if applicable, removal of the members of the senior management, as well as the definition of the basic terms of their contracts.
- h) Control of management activities and evaluation of managers.
- i) Authorisation for the creation or acquisition of shareholdings in special purpose entities or entities domiciled in countries or territories that are considered to be tax havens.
- j) And all others specifically provided for in these rules and regulations.

The powers set forth in paragraphs (c), (d), (e), (f), (g) and (i) may be exercised by the executive committee on an emergency basis, with a subsequent report thereof to the board at the first meeting thereafter held by it."

For letter c) of this recommendation, see section C.3. of this report.

9. In the interests of maximum effectiveness and participation, the board of directors should ideally comprise no fewer than five and no more than fifteen members.

See section: B.1.1

Compliant _ Explain X

Not fully compliant.

In 2006, the general shareholders' meeting agreed to modify the bylaws, reducing the maximum number of directors from 30 to 22. The minimum was kept at 14.

The board of directors considers the current number – 19 – to be adequate in terms of the Group's size, complexity and geographical diversity.

It considers that regulation of the duties of the board of directors, as members and within its committees, of delegation, supervision, advisory services, reporting and proposals, guarantees its efficiency and the due participation of its members.

10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: A.2, A.3, B.1.3 and B.1.14

Compliant X Partially compliant _
Explain _

Articles 42.1 of the Bylaws and 6.1 of the Rules and Regulations of the Board stipulate that shareholders at the general shareholders' meeting shall endeavour to ensure that the board of directors is made up such that external or non-executive directors represent a large majority over executive directors.

The board has a large majority of external directors. Of the 19 directors currently sitting on the board of directors, six are executive and 13 are external. Of the 13 external directors, 10 are independent, two are proprietary and one is, in the opinion of the board, neither proprietary nor independent.

The board of directors considers the current number 19 to be adequate in terms of the size, complexity and geographical diversity of the Group.

Article 42.1 of the Bylaws

"The shareholders at the general shareholders' meeting shall endeavour to ensure that the board of directors is made up such that external or non-executive directors represent a large majority over executive directors, and that a reasonable number of the former are independent directors. The shareholders at the general shareholders' meeting shall likewise endeavour to ensure that independent directors represent at least one-third of the total number of directors."

Article 6.1 of the Rules and Regulations of the Board

"In exercising its powers to make proposals at the general shareholders' meeting and to designate directors by interim appointment (co-option) to fill vacancies, the board of directors shall endeavour to ensure that the external or non-executive directors represent a wide majority over the executive directors and that the former include a reasonable number of independent directors. In addition, the board of directors shall endeavour the number of independent directors to represent at least one-third of all directors."

11. In the event that some external director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior officers, or its shareholders.

See section: B.1.3

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| Compliant X | Partially compliant _ |
| Explain _ | |

In accordance with Article 6.3 of the Rules and Regulations of the Board, the appointments and remuneration committee has reviewed the nature of each director at its meeting held on 17 March 2010.

Of these, for the reasons outlined in Section B.1.3. of this report, director Lord Burns must be mentioned under recommendation 11.

Article 6.3 of the Rules and Regulations of the Board

“The board shall specify the condition of each director at the general shareholders’ meeting wherein the appointment thereof is to be made or ratified. Furthermore, such condition shall be reviewed on an annual basis by the board of directors, after prior verification by the appointments and remuneration committee, and disclosed in the annual corporate governance report.”

12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company’s capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

- 1. In large capitalisation companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.***
- 2. In companies with a plurality of shareholders represented on the board but not otherwise related.***

See sections: B.1.3, A.2 and A.3

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| Compliant X | Explain _ |
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Banco Santander considers that it has complied with recommendation 12, in terms of strict proportionality, with the Bank satisfying the two conditions stated in the Code.

- a) Banco Santander is a large cap company (EUR 95,043 million as listed on the Spanish Stock Exchanges at 31 December 2009) where there are no shareholder interests legally considered significant, but there are shareholders with share packs of a high absolute value.

- b) Since 2002, the criteria that the appointments and remuneration committee and the board of directors at Banco Santander have followed is that the percentage of capital that a shareholder must hold in order to be considered an external proprietary directors is 1% of the capital of the Bank.
- c) In the case of Banco Santander there are no links between the two shareholders represented on the board:
- Assicurazioni Generali S.p.A., which represents its own percentage interest (1.139% of the Bank’s share capital at 31 December 2009).
 - Mr. Javier Botín-Sanz de Sautuola y O’Shea, who represents the interests of the Fundación Marcelino Botín Foundation, Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos, Ms. Ana Patricia Botín-Sanz de Sautuola y O’Shea, Mr. Emilio Botín-Sanz de Sautuola y O’Shea, Mr. Jaime Botín-Sanz de Sautuola y García de los Ríos, Ms. Paloma O’Shea Artiñano and his own (in total, 2.146% of the Bank’s share capital at 31 December 2009).

The report from the Special Working Group on Good Governance for Listed Companies was in favour of the presence of proprietary directors in large cap companies and where there are no links between the shareholders represented, concluding from the recommendation that: “the inclusion of more small proprietary directors may favour reciprocal control and, as such, redound to the benefit of dispersed capital.”

The fact that in the Company proprietary directors constitute 15.4% of external directors, when they represent 3.3% of the Bank’s capital does not, in the opinion of the Bank imply non-compliance with recommendation 12 for introducing an element of disproportion.

A distortion or slant on the proportional make-up of the board is inevitable if two circumstances are taken into account that are in the spirit, and if not the tenor of this recommendation, as follows:

- (i) that the minimum of over weighting possible is that which allows a significant shareholders to attribute a proprietary director; and
- (ii) in the case of a shareholder with a percentage interest of less than 3% but of high absolute value –in our case the investment in shares reported by the two proprietary directors at 31 December 2009 were worth more than EUR 2,000 million in the case of Mr. Javier Botín-Sanz de Sautuola y O’Shea and EUR 1,000 million in the case of Assicurazioni Generali S.p.A.– it must be possible, in agreement with the recommendation for the Company to designate this person as a proprietary director. The recommendation states just this: in large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested. By applying the recommendation in question, the disproportion between the different categories of director would always be of a certain size, although for the recommendation to make sense, this disproportion may not exceed the extent to which the requirements of strict proportionality may be relaxed. Therefore, the greater the number of unrelated significant shareholders on the board, the more pronounced this disproportion will be.

13. The number of independent directors should represent at least one third of all board members.

See section: B.1.3

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| Compliant X | Explain _ |
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Articles 42.1 of the Bylaws and 6.1 of the Rules and Regulations of the Board stipulate that the board must seek to ensure that the number of independent directors represents at least one third of the directors.

At present, of the 19 directors, 10 are external independent directors (53% of its members).

See the transcript of Articles 42.1 of the Bylaws and 6.1 of the Rules and Regulations of the Board under recommendation 10 above.

14. The nature of each director should be explained to the general meeting of shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's annual corporate governance report, after verification by the appointments committee. The said report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: B.1.3 and B.1.14

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| Compliant X | Partially compliant _ |
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| Explain _ |
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The board will outline, in accordance with Article 6.3 of its rules and regulations, and as it has been doing up until now, the condition of the directors whose reappointment or ratification will be subject to the approval at the 2010 annual general meeting which is scheduled to take place on 10 and 11 June.

As also stated in the Article, the appointments and remuneration committee proceeded to review the condition of the remaining directors at its meeting on 17 March 2010. This proposal was submitted to the board of directors and approved at its meeting on 22 March 2010.

Section B.1.3 of the report describes the nature of each director and the criteria followed by the board to appoint shareholders as external proprietary directors, with a percentage interest in the capital of the Bank higher than 1% and lower than 5%.

No formal requests to be appointed to the board of directors have been received from shareholders with an equal or larger percentage interest in the Bank than the current proprietary directors.

See the transcript of Article 6.3 of the Rules and Regulations of the Board under recommendation 11 above.

Article 17.4 c) of the Rules and Regulations of the Board

"The appointments and remuneration committee shall have the following duties:

(...)

c) Annually verify the classification of each director (as executive, proprietary, independent or other) for the purpose of their confirmation or review at the annual general meeting and in the annual corporate governance report."

15. When women directors are few or non existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the appointment committee should take steps to ensure that:

a) The process of filling board vacancies has no implicit bias against women candidates;

b) The company makes a conscious effort to include women with the target profile among the candidates for board places.

See sections: B.1.2, B.1.27 and B.2.3

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| Compliant _ | Partially compliant _ |
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| Explain _ | Not applicable X |
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16. The chairman, as the person responsible for the proper operation of the board of directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.

See section: B.1.42

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| Compliant X | Partially compliant _ |
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| Explain _ |
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It is established practice of the Bank that the chairman of the board assume responsibility for the duties contained in this recommendation. This practice is outlined in Article 43.2 of the Bylaws and the third and fourth sections of Article 8 of the Rules and Regulations of the Board.

Article 43.2 of the Bylaws

“The chairman of the board shall call board of directors’ meetings and direct debate thereat.”

Articles 8.3 and 4 of the Rules and Regulations of the Board:

8.3 *“The chairman shall endeavour to ensure that the directors receive sufficient information prior to the meetings, and shall direct debate at the meetings of the board.”*

8.4 *“The chairman shall organise and coordinate a periodic evaluation of the board with the chairman of the audit and compliance and appointments and remuneration committees.”*

The self-evaluation in 2009, carried out, as in previous years, with the support of Spencer Stuart, based on a questionnaire and personal interviews with the directors, has included an additional feature this year. In line with the proposal of the Unified Code and Article 19.7 of the Rules and Regulations of the Board, there is now a special section for the evaluation of the chairman, the chief executive officer and the other directors.

Article 19.7 of the Rules and Regulations of the Board

“The operation of the board and of the committees thereof, the quality of its work, and the individual performance of its members, including the chairman and the chief executive officer(s), or directors, shall be evaluated once a year.”

17. When a company's chairman is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new items on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the chairman.

See sections: B.1.21

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| Compliant _ | Partially compliant _ |
| Explain X | Not applicable _ |

Not fully compliant.

The Bylaws stipulate that the chairman of the board of directors shall have the status of executive chairman of the Bank and shall be considered as the highest executive in the Company (Article 48.1).

However, there is not a concentration of power at the Bank focussed on one person. Under the terms expressed in recommendation 17, there is a clear separation of duties between the executive chairman, the chief executive officer, the board of directors and its committees.

The chairman of the board of directors is the highest executive in the Bank (Articles 48.1 and 8.1 Bylaws and the Rules and Regulations of the Board, respectively) and as a result has been delegated all powers legally delegable, the Bylaws and the Rules and Regulations of the Board, overseeing the management

team of the Bank in accordance with the decisions and criteria set by the general shareholders’ meeting and the board of directors in their respective areas of competence.

For his part, the chief executive officer, by delegation and reporting to the board of directors and the chairman, as the highest executive in the Bank, runs of the business and exercises the executive duties of the Company.

The structure and the individuals making up the board are configured in such a way so as to allow a balanced interaction between all members, included the chairman. The following aspects are of particular relevance:

- The board and its committees exercise duties of supervision and control over the actions of the chairman as well as the chief executive officer.
- The first vice chairman, who is an external independent director, presides over the appointments and remuneration committee and acts as a co-ordinator for the external directors.
- The authorisations that the chief executive officer has are equal to that of the chairman, excluding in both cases those that are exclusively reserved for the board of directors.

As a result, the board believes that it has established sufficient measures to ensure the balanced structure of the corporate governance of the Bank. The Bank has opted for an executive chairman, deemed to best suit the Bank’s particular circumstances. It believes that it has substantially adopted recommendation 17 even if the part of the recommendation, relating to vesting an independent director with the ability to request a call to meeting or to include points in the order of the day for the board of directors, as well as that of overseeing the evaluation of the chairman, since, in the opinion of the board, it would be in contrary to the principle of unity within the board of directors.

However, all the Bylaws, as well as the Rules and Regulations of the Board state that the chairman may call a meeting at the request of at least three directors, and that each director may propose the inclusion of new items in the agenda which the chairman submits to the board – Article 46.1 and 2 of the Bylaws and 19.2 and 3 of the Rules and Regulations of the Board.

Article 46.1 and 2 of the Bylaws

46.1 *“The board shall meet with the frequency required for the proper performance of its duties, and shall be called to meeting by the chairman. The chairman shall call board meetings on his own initiative or at the request of at least three directors.”*

46.2 *“The agenda shall be approved by the board at the meeting itself. Any member of the board may propose the inclusion of any other item not included in the draft agenda proposed by the chairman to the board.”*

Article 48.1 of the Bylaws

"The chairman of the board of directors shall have the status of executive chairman of the Bank and shall be considered as the highest executive in the Company, vested with such powers as are required to hold office in such capacity. Considering his particular status, the executive chairman shall have the following powers and duties, among others set forth in these bylaws or in the rules and regulations of the board:

- a) *To ensure that the bylaws are fully complied with and that the resolutions adopted at the general shareholders' meeting and by the board of directors are duly carried out.*
- b) *To be responsible for the overall inspection of the Bank and all services thereof.*
- c) *To hold discussions with the chief executive officer and the executive vice presidents in order to inform himself of the progress of the business."*

Article 8.1 of the Rules and Regulations of the Board

"The chairman of the board of directors shall be chosen from amongst the members of this management decision-making body, shall have the status of executive chairman of the Bank and shall be deemed to hold the highest-ranking position in the Company. Accordingly, there shall be delegated to him all such powers as may be delegated pursuant to the provisions of law, the Bylaws and these rules and regulations, and he shall have the duty to lead the management team of the Company, at all times in accordance with the decisions made and the standards established by the shareholders at the general shareholders' meeting and by the board of directors, each within their respective spheres of action."

Article 9 (third paragraph) of the Rules and Regulations of the Board

"The vice chairman, or one of them, if there are several, must have the status of independent director and shall act as a coordinator for the directors within that category and the other external directors."

Articles 19.2 and 3 of the Rules and Regulations of the Board

19.2 *"The board shall approve the annual calendar for its meetings, which must be held with the frequency needed to effectively perform its duties, with a minimum of nine meetings. In addition, the board of directors will meet whenever the chairman so wishes to call a meeting, or at the request of at least three directors.*

(...)"

19.3 *"The agenda shall be approved by the board at the meeting itself. Any member of the board may propose the inclusion of any other item not included in the draft agenda proposed by the chairman to the board."*

18. The secretary should take care to ensure that the board's actions:

- a) **Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;**
- b) **Comply with the company bylaws and the regulations of the general shareholders' meeting, the board of directors and others;**
- c) **Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.**

In order to safeguard the independence, impartiality and professionalism of the secretary, his or her appointment and removal should be proposed by the appointments committee and approved by a full board meeting; the relevant appointment and removal procedures being spelled out in the board's regulation.

See section: B.1.34

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| Compliant X | Partially compliant _ |
| Explain _ | |

The Bylaws (Article 45.2) and the Rules and Regulations of the Board (Article 11.3) specifically incorporate the duties mentioned under this recommendation into the duties of the secretary of the board.

The procedure followed for the appointment of the secretary, which recommendation 18 refers to, is stated in Article 17.4.d) of the Rules and Regulations of the Board.

Article 45.2 of the Bylaws

"The secretary shall ensure the formal and substantive legality of all action taken by the board, ensure observance of the good governance recommendations adopted by the company and ensure that governance procedures and rules are observed and regularly reviewed."

Article 11.3 of the Rules and Regulations of the Board

"The secretary shall at all times ensure the formal and substantive legality of all action taken by the board, shall endeavour to ensure the good governance recommendations assumed by the Company are followed, and shall ensure observance and periodic review of the procedures and rules of governance."

Article 17.4 d) of the Rules and Regulations of the Board

“The appointments and remuneration committee shall have the following duties:

(...)

d) Report on proposals for appointment or withdrawal of the secretary of the board, prior to submission thereof to the board.”

19. The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: B.1.29

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| Compliant X | Partially compliant _ |
| Explain _ | |

The Rules and Regulations of the Board (Article 19.2) establishes the minimum number of annual ordinary meetings at nine. In addition, as indicated previously, the board of directors will meet whenever the chairman so wishes to call a meeting, or at the request of at least three directors.

During 2009, the board met on 11 occasions.

In 2009, the board has had continual and complete knowledge of the work of the different areas of business of the Group through eight management reports and six risk reports, presented, respectively, by the chief executive officer and the third vice chairman heading the risk division, as part of the eleven meetings held throughout the year. In addition, the board has analysed thoroughly the businesses in Latin America, particularly in Brazil, Santander Consumer, Sovereign and Banesto, while discussing other issues that fall under its scope of supervision, such as the Group’s image and reputation, the sale of products and services, the definition of the Group’s structure and off-shore centres, sustainability and Santander Universities. It has also been informed of the conclusions of the Group’s internal and external audits and the matters addressed at the markets committees.

In addition to the ordinary meetings, for the fourth consecutive year, the board has held a meeting to discuss the Group’s strategy. In 2009 this took place on 18 and 19 September. The agenda was divided into three sections:

- Positioning of Santander in a global financial and economic environment.
- Management priorities by business unit for 2010.
- Regulatory framework, capital, liquidity and the Group’s business portfolio.

See the transcript of Article 19.2 of the Rules and Regulations of the Board under recommendation 17 above.

20. Director absences should be kept to the bare minimum and quantified in the annual corporate governance report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: B.1.29 and B.1.30

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| Compliant X | Partially compliant _ |
| Explain _ | |

In accordance with Articles 20.1 and 2 of the Rules and Regulations of the Board, the directors must seek to reduce absences to a bare minimum, and if absent they must delegate their vote with instructions.

The average level of attendance at the meetings of the board of directors in 2009 was 91.9%.

The number of meetings held in 2009 by the board of directors and its committees, and individual attendance of the directors as well as an estimate of the time dedicated to committee meetings by the directors is detailed in sections B.1.29. and B.1.30 of this report.

Article 20.1 and 2 of the Rules and Regulations of the Board:

“1. Meetings of the board shall be validly held when more than one-half of its members are present in person or by proxy. The directors shall endeavour to ensure that absences are reduced to cases of absolute necessity.

2. When directors cannot attend personally, they may grant a proxy to any other director, for each meeting and in writing, in order that the latter shall represent them at the meeting for all purposes. A director may hold more than one proxy. The proxy shall be granted with instructions.”

21. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company’s performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

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| Compliant X | Partially compliant _ |
| Explain _ | Not applicable _ |

The content of recommendation 21 appears in Article 11.2 of the Rules and Regulations of the Board.

Article 11.2 of the Rules and Regulations of the Board

“The secretary shall assist the chairman in his duties and see to the proper operation of the board, for which purposes he shall, most importantly, give the directors such advice and information as may be requisite, keep custody of the corporate documents, duly record the proceedings of meetings

in the minute books, including those statements for which a request has been made to reflect them in the minutes, and attest to the resolutions adopted by the board.”

22. The board in full should evaluate the following points on a yearly basis:

a) Quality and efficiency of the board's operation;

b) Starting from a report submitted by the appointment committee, how well the chairman and chief executive have carried out their duties;

c) The performance of its committees on the basis of the reports furnished by the same.

See sections: B.1.19

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| Compliant X | Partially compliant _ |
| Explain _ | |

Since the first self-evaluation was carried out in 2005, in answer to a commitment made by the chairmen at the annual general meeting of 19 June 2004, its scope has been widened. This is in line with Recommendation 22, and includes in the processes carried out since 2006 a special section for an individual evaluation of the chairman, the chief executive officer and the other directors.

This trend has been reflected in the Rules and Regulations of the Board (Article 19.7) to establish that the board will evaluate it once a year, as well as its operation and that of its committees, the individual performance of its members, including the chairman and the chief executive officer.

Article 19.7 of the Rules and Regulations of the Board

“The operation of the board and of the committees thereof, the quality of its work, and the individual performance of its members, including the chairman and the managing director or directors, shall be evaluated once a year.”

The Rules and Regulations of the Board establish the competencies of the audit and compliance committee and the appointments and remuneration committee in this matter (Articles 16.4.o), and 17.4.l) and m)).

Article 16.4 of the Rules and Regulations of the Board

“The audit and compliance committee shall have the following duties:

(...)

- o) Evaluate, at least one a year, its operation and the quality of its work.”*

Article 17.4 of the Rules and Regulations of the Board

“The appointments and remuneration committee shall have the following duties:

(...)

- l) Evaluate, at least once a year, its operation and the quality of its work.*

- m) Report on the process of evaluation of the board and of the members thereof.*

(...)”

23. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the bylaws or board regulations indicate otherwise, such requests should be addressed to the chairman or secretary.

See section: B.1.42

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| Compliant X | Explain _ |
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The Rules and Regulations of the Board (Article 26) expressly confer the directors with the broadest powers to obtain information regarding any aspect of the company, to examine the books, records, documents and other records of corporate transactions, and to inspect all of its premises and facilities. The right to receive information also applies in respect of subsidiary companies, be they domestic or foreign.

Directors have the right to request and obtain, through the secretary, such information and advice as deemed necessary for the performance of their duties.

Article 26 of the Rules and Regulations of the Board

“1. A director shall have the broadest powers to obtain information regarding any aspect of the Company, to examine the books, records, documents and other records of corporate transactions, and to inspect all of its premises and facilities. The right to receive information also applies in respect of subsidiary companies, be they domestic or foreign.

2. In order not to disrupt the day-to-day management of the Company, the exercise of the powers of information shall be channelled through the secretary of the board of directors, who shall respond to the requests made by the director by directly providing him with the information, offering to him the appropriate parties with whom to interact at such level of the organisation as may be fit, or taking any steps that may be appropriate so that the director may carry out an on-site examination or inspection as requested by him.

3. In addition to what it is stated in sub-section 6 of Article 14 of these rules and regulations, any director may attend and participate but not vote at the meetings of the committees of the board of directors of which he or she is not a member, by invitation of the chairman of the board of directors and of the chairman of the respective committee, after having requested such attendance of the chairman of the board.”

24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See sections: B.1.41

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| Compliant X | Explain _ |
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The Rules and Regulations of the Board (Article 27) expressly recognise the right of the board members and the audit and compliance and appointments and remuneration committees to employ external advisors to help in fulfilling their duties. A request to contract the services of such person must be made to the board of directors for external advisors to assist with specific problems or issues of a special nature or particular complexity. This request may only be dismissed by the board with good reason.

During 2009 the board once again employed the services of Spencer Stuart to assist in the self-evaluation process. In addition, the firm Towers Watson has collaborated with the appointments and remuneration committee in the preparation of its report on activities in 2009, which includes the report on the remuneration policy of the directors. In addition, the appointments and remuneration committee and the board of directors received assistance from Towers Watson, which provided market information and advised them on the design of the Group's compensation policy. It also assisted them with drawing up the Report on Compensation Policy for Directors.

Article 27 of the Rules and Regulations of the Board

"1. In order to be assisted in the performance of their duties, the directors and the audit and compliance and appointments and remuneration committees may address a request to the general secretary for the hiring of legal, accounting, financial, or other expert advisors, whose services shall be paid for by the Company.

The assignment must deal with specific issues of special significance or complexity arising during the performance of their duties.

2. The hiring decision lies with the board of directors, which may dismiss the request if the board considers:

- a) That the hiring is not necessary for the proper performance of the duties entrusted to the directors;
- b) That the cost thereof is not reasonable in light of the significance of the issues; or
- c) That the technical assistance sought may be adequately provided by the Company's own technical experts."

25. Companies should organise induction programmes for new directors to acquaint them rapidly and sufficiently with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

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| Compliant X | Partially compliant _ |
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| Explain _ |
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As a result of the self-assessment process of the board carried out in 2005, a continuous training programme for directors was put in place.

In 2009, eight training sessions were provided, with an average attendance of eleven directors, and with each session lasting approximately an hour and a half.

The areas covered during the year mainly related to the Group's hedges and funding, complex wholesale banking transactions, and the systematic risk and size of banks.

The continuous training and updating programme for directors and the content of recommendation 25 in relation to induction programmes for new directors is covered in 21.7 of the Rules and Regulations of the Board.

The latest additions to the board have received this induction programme.

Article 21.7 of the Rules and Regulations of the Board

"The board shall establish a programme of information for new directors which gives them quick and sufficient information regarding the Company and its Group, including the governance rules thereof. The board shall also maintain a programme of continuous training and updating directed to the directors."

26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

a) Directors should apprise the appointments committee of any other professional obligations, in case they might detract from the necessary dedication;

b) Companies should lay down rules about the number of directorships their board members can hold.

See sections: B.1.8, B.1.9 and B.1.17

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| Compliant X | Partially compliant _ |
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| Explain _ |
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Pursuant to Article 17.4 k) of the Rules and Regulations of the Board, at its meeting of 17 March 2010 the appointments and remuneration committee examined the information submitted

by the directors regarding other professional obligations to evaluate if these may detract from the dedication needed for the directors to carry out their duties.

The appointments and remunerations committee has concluded that the other activities of the external directors do not detract from the dedication of their time and efforts needed to fulfil their duty of diligent management, as stated in Article 30 of the Rules and Regulations of the Board.

Among the obligations and duties of the board (Article 30), the Rules and Regulations establish the need to provide information on other professional duties, referring, in regards to the maximum number of boards to which they may belong to pursuant to Act 31/1968, of 27 July.

Article 17.4. k) of the Rules and Regulations of the Board

"4. The appointments and remuneration committee shall have the following duties:

(...)

k) Examine the information sent by the directors regarding their other professional obligations and assess whether such obligations might interfere with the dedication required of directors for the effective performance of their work."

(...)

Article 30 of the Rules and Regulations of the Board

"The director shall fulfil all the duties and obligations which are inherent in his position as such and which are provided for by Law, the Bylaws, the rules and regulations for the general shareholders' meeting and the rules and regulations of the board of directors, including the following:

– Duty of diligent management. The directors shall discharge their duties with the diligence of an orderly businessman and a faithful representative. Each of the directors shall diligently inform himself of the progress of the Company and dedicate to the position the time and effort needed to effectively carry it out. The directors shall inform the appointments and remuneration committee regarding their other professional obligations, and the maximum number of boards to which they may belong shall be governed by the provisions of Law 31/1968, of 27 July."

(...)

27. The proposal for the appointment or renewal of directors which the board submits to the general shareholders' meeting, as well as provisional appointments by the method of co-option, should be approved by the board:

a) On the proposal of the appointments committee, in the case of independent directors.

b) Subject to a report from the appointments committee in all other cases.

See section: B.1.2

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| Compliant X | Partially compliant _ |
| Explain _ | |

The Bylaws (Article 42.3) establishes that the meaning of the term independent director will be taken from the definition given in the Rules and Regulations of the Board, which, in turn, includes in Article 6.2.c) the definition of the independent director from the Unified Code.

This Article is transcribed in section B.1.3 of this report.

The board considers this essential when determining its composition. All board members must act in the interests of the Bank and its shareholders and have the same responsibility for the decisions of the board.

The board understands that all directors should perform their duties with independent judgment, based on their solvency, integrity, reputation and professionalism.

In the opinion of the board, it would be contrary to these principles to establish a different agreement with the independent directors than with the other directors. As such, it is not considered sufficient that the proposals made by the appointments and remuneration committee to the board for the appointment of new independent directors, or that, in turn the board can propose the appointment or re-election of an independent director at the general shareholders' meeting and this may be binding, which may call into question a responsibility which should fall to the board in full.

However, as established in Article 21.2 of the Rules and Regulations of the Board, the appointments and remuneration committee is charged, irrespective of the type of director, with preparing the proposal for appointments and re-elections of directors submitted at the general shareholders' meeting with the prior approval of the board.

Although the proposals of the committee are not binding, the Rules and Regulations of the Board stipulate that if the board disregards the proposal, it shall substantiate its decision.

At present, all the directors have been appointed or re-elected at the proposal of the appointments and remuneration committee, as is indicated in section B.1.3 of this form.

Article 21.2 of the Rules and Regulations of the Board

"The proposals for appointment, re-election and ratification of directors, regardless of the category to which they are assigned, that the board of directors submits for consideration at the general shareholders' meeting, as well as the decisions regarding appointments that the board makes in the exercise of the powers conferred upon it by law to designate directors by interim appointment (co-option) to fill vacancies shall, in turn, be preceded by the corresponding proposal made by the appointments and remuneration



committee. In the event of re-election or ratification, such proposal made by the committee shall contain an assessment of work performed and actual dedication to the position during the last period of time in which the proposed director held office. In all events, should the board disregard the proposal made by the appointments and remuneration committee, the board shall substantiate its decision and shall record the reasons therefore in the minutes.”

28. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background;**
- b) Directorships held in other companies, listed or otherwise;**
- c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with;**
- d) The date of their first and subsequent appointments as a company director; and**
- e) Shares held in the company and any options on the same.**

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| Compliant X | Partially compliant _ |
| Explain _ | |

The current Bylaws (article 61) stipulate that without prejudice to any additional documentation required by applicable regulations, the Company’s website shall include at least the information and documents set forth in the Rules and Regulations of the Board.

Included in this information is that specifically referred to in recommendation 28, as stated in Article 34.4 of the Rules and Regulations of the Board.

Article 61 of the Bylaws

- “1. The Company shall have a website through which it shall report to its shareholders, investors and the market at large the relevant or significant events that occur in connection with the Company.
2. Without prejudice to any additional documentation required by applicable regulations, the Company’s website shall include at least the information and documents set forth in the rules and regulations of the board.”

Article 34.4 of the Rules and Regulations of the Board

“The following information regarding the directors shall be publicly disclosed and kept current on the Company’s website:

- a. Professional experience and background.
- b. Other boards of directors to which they belong.
- c. An indication of the category of director to which they belong, and in the case of external proprietary directors, the shareholder that they represent or with which they are connected.
- d. Dates of their first appointment as director and subsequent appointments.
- e. Shares of the Company and options thereon that they hold.”

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

See section: B.1.2

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| Compliant _ | Explain X |
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Not compliant.

The board of directors has not considered it appropriate to completely incorporate recommendation 29, since the board would have to forego those directors whose place on the board was fully warranted by their experience, qualifications or contribution, or deprive them of their status as independent. Their continued service, in the board’s opinion, does not affect their independence.

In any event, at 31 December 2009, the average length of service on the board of directors for external independent directors was 9.7 years.

30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter’s number should be reduced accordingly.

See sections: A.2, A.3 and B.1.2

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| Compliant X | Partially compliant _ |
| Explain _ | |

Recommendation 30 is covered in Article 23.3 of the Rules and Regulations of the Board.

No cases applicable to the above recommendation have occurred in 2009.

Article 23.3 of the Rules and Regulations of the Board

“In addition, proprietary directors must submit their resignations, in the corresponding numbers, when the shareholder that they represent parts with its shareholdings or reduces them in a significant manner.”

31. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a proposal from the appointments committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in recommendation 12.

See sections: B.1.2, B.1.5 and B.2.6

Compliant _ Explain X

Not compliant.

The board considers this essential when determining its composition. All board members must act in the interests of the Bank and its shareholders and have the same responsibility for the decisions of the board.

The board understands that all directors should perform their duties with independent judgment, based on their solvency, integrity, reputation and the professionalism of each member.

In the opinion of the board, it would be contrary to these principles to establish a different agreement with the independent directors than with the other directors. As such it is not considered appropriate to accept recommendation 31 whereby the board of directors does not propose the removal of any independent director until the statutory period is completed, except when there is just cause. The board also considered the report from the appointments and remuneration committee, understanding that there is just cause when the inherent duties have not been fulfilled, or if a situation arises that prevents the director's independence.

The decision of the board to not accept recommendation 31 is based on the fact that there may be reasons, in the opinion of the board, that would lead to a request to tender resignation other than those mentioned in this recommendation and the fact that the regimen followed must apply to all directors, irrespective of their status.

32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in Article 124 of the Public Limited Companies Act, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the annual corporate governance report.

See sections: B.1.43 and B.1.44

Compliant X Partially compliant _

Explain _

The abovementioned obligations relating to the provision of information and the dismissal of the directors is stated in Article 56.2 of the Bylaws and Articles 23.2 and 30 (iv) of the Rules and Regulations of the Board.

Articles 56.2 of the Bylaws and 23.2 of the Rules and Regulations of the Board

"Directors must tender their resignation to the board of directors and formally resign from their position if the board of directors, following a report from the appointments and remuneration committee, deems it fit, in those cases in which they may adversely affect the operation of the board or the credit or reputation of the Company and, in particular, when they are involved in any of the circumstances of incompatibility or prohibition provided by law".

Article 30 (iv) of the Rules and Regulations of the Board

"The director shall fulfil all the duties and obligations which are inherent in his position as such and which are provided for by Law, the Bylaws, the rules and regulations for the general shareholders' meeting and the rules and regulations of the board of directors, including the following:

(...)

– Duty of loyalty:

(...)

(iv)The directors must notify the board, as soon as possible, of those circumstances affecting them that might prejudice the credit or reputation of the Company, and particularly the criminal cases with which they are charged."

33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation should also apply to the secretary of the board; director or otherwise.

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| Compliant X | Partially compliant _ |
| Explain _ | Not applicable _ |

This recommendation specifies some fundamental rules that the board believes do not need to be formalised in its regulations. It is not necessary – since this is obviously an inherent part of the duties of the board of directors – to state in the Rules and Regulations of the Board the obligation to oppose agreements that they consider prejudicial to the interests of the shareholders.

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the annual corporate governance report.

See section: B.1.5

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| Compliant _ | Partially compliant _ |
| Explain _ | Not applicable X |

35. The company's remuneration policy, as approved by its board of directors, should specify at least the following points:

- a) The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to;**
- b) Variable components, in particular:**
 - i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items.**
 - ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share**

- options or any performance-related remuneration;**
- iii) The main parameters and grounds for any system of annual bonuses or other, non cash benefits; and**
- iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.**

c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount of annual equivalent cost.

d) The conditions to apply to the contracts of executive directors exercising senior management functions, among them:

- i) Term;**
- ii) Notice periods; and**
- iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.**

See section: B.15

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| Compliant X | Partially compliant _ |
| Explain _ | |

The Company's Bylaws (Article 59) expressly stipulate that the board of directors shall prepare a report on the compensation policy, where it shall set forth the standards and basis used to determine the compensation of the directors for the last current fiscal year and the current fiscal year, and shall make it available to the shareholders when the annual general shareholders' meeting is called.

In implementing these rules, the appointments and remuneration committee has prepared a report on the compensation policy for directors in 2010.

The 2010 report on the compensation policy for directors, contains, as specified in Article 29.1 of the Rules and Regulations of the Board, a description of the criteria used by the appointments and remuneration committee to propose the fixed compensation for 2010 and the variable compensation for 2009 for the chairman and chief executive officer of the Bank.

In compliance with Article 29.1.a) of the Rules and Regulations of the Board, the report has been made available to the shareholders, as part of the appointments and remuneration committee report, on the Group's website (www.santander.com).

The report on the compensation policy of directors shall be included as a separate item on the agenda and submitted to a vote by shareholders for consultation purposes at the next general meeting, scheduled for 10 and 11 June at first and second call, respectively.

Article 59.1 of the Bylaws

“The board of directors shall, on an annual basis, prepare a report on the remuneration policy where it shall set forth the standards and basis used to determine the compensation of the directors for the last current fiscal year and the current fiscal year, and shall make it available to the shareholders when the ordinary general shareholders’ meeting is called. The contents of the report shall be governed by the provisions of the rules and regulations of the board.”

Article 29 of the Rules and Regulations of the Board

“1. Report on the compensation policy

- (a) *The board of directors shall, on an annual basis, prepare a report on the compensation policy where it shall set forth the standards and basis used to determine the compensation of the directors for the last current fiscal year and the current fiscal year, and shall make it available to the shareholders when the ordinary general shareholders’ meeting is called.*
- (b) *The report shall provide an explanation of the changes in compensation to the directors for the performance of their duties of supervision and collective decision-making.*
- (c) *The report shall also contain a separate presentation regarding the policy of compensation for executive directors for duties other than those contemplated in the preceding paragraph, which shall cover at least the following items:*
- (i) *Changes in fixed compensation accompanied by an estimate of the approximate overall amount thereof.*
 - (ii) *Reference parameters and the basis for any short- or long-term variable compensation system (annual or multi-year bonuses or incentives).*
 - (iii) *Preliminary estimate of the absolute amount of variable compensation to which the proposed compensation plan will give rise.*
 - (iv) *Significance of variable compensation relative to fixed compensation.*
 - (v) *Standards of reference for the accrual of compensation based on the delivery of shares, stock options or compensation linked to share prices.*
 - (vi) *Main features of the benefit systems (supplemental pensions, life insurance and similar items) with an estimate of the amount thereof or equivalent annual cost.*
 - (vii) *Terms of the contracts of the executive directors (duration, prior notice periods, hiring bonuses, compensation for termination of the contract and any other terms).*

Information shall also be provided regarding the compensation, if any, to be paid to the external directors for duties other than the duties of a mere director.

- (d) *The report shall also disclose the most significant changes in the compensation policy approved for the current fiscal year as compared to the policy applied during the prior fiscal year, and shall include an overall summary of how such compensation policy was put into effect during such fiscal year.*

(e) *The report shall also provide information regarding the preparatory work and the decision-making process followed to establish the director compensation policy, including the duties, the composition of the appointments and remuneration committee and, if applicable, the identity of the external advisors whose services have been used to determine the compensation policy.*

(f) *The report on compensation policy shall be publicly disclosed through the Company’s website no later than the date of the call to the ordinary general shareholders’ meeting.*

(g) *In the report regarding compensation policy made public in accordance with the provisions of the preceding paragraph, the board shall exclude those items whose disclosure might be prejudicial to the Company’s interests.*

2. Annual report

In the annual report, the board shall set forth, on an individual basis, the compensation received by each director, specifying the amounts corresponding to each compensation item. It shall also set forth therein, on an individual basis and for each item of compensation, the compensation payable, pursuant to Articles 49 and 58.4 of the Bylaws, for the performance of executive duties entrusted to the executive directors of the Company.

Furthermore, the report shall provide, in the form of a table or diagram, a comparison between the changes in aggregate compensation for all of the executive directors during the last fiscal year, differentiating those amounts received for the performance of their duties of supervision and collective decision-making as members of the board and those corresponding to other duties that they perform as members of the board, and the changes in the Group’s consolidated results and the listing price of the Company’s shares during the same period.”

36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company’s performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See section: A.3, and B.1.3

Compliant **X**

Explain

The policy of the Group states that only the executive directors can be beneficiaries of compensation systems relating to the provision on shares or options. In such event, it would be the responsibility of the board of directors to submit the proposal to the annual general meeting.



Section A.3 of this report describes the Bank's share-based compensation programmes in which executive directors participated at year-end 2009. Section B.1.14 provides additional information with a detail of the main terms and conditions of plans approved during the financial year of this report.

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Compliant **X** Explain

Articles 58.1 and 2 of the Bylaws and 28.1 and 2 of the Rules and Regulations of the Board specify the criteria that must be used to fix the compensation awarded to executive directors.

Articles 58.1 and 2 of the Bylaws

- "1. The directors shall be entitled to receive compensation for performing the duties entrusted to them by reason of their appointment as mere members of the board of directors by the shareholders at a general shareholders' meeting or by the board itself exercising its power to make interim appointments (cooption) to fill vacancies.
2. The compensation referred to in the preceding paragraph shall be paid as a share in profits and bylaw-mandated compensation; and shall have two components: (a) an annual amount and (b) attendance fees. Attendance fees shall be paid in advance on account of the profits for the fiscal year.

The specific amount payable for the above-mentioned items to each of the directors shall be determined by the board of directors. For such purpose, it shall take into consideration the positions held by each director on the board and their membership in and attendance at the meetings of the various committees.

The aggregate amount of the compensation established in this sub-section shall be equal to one percent of the profit of the Company for the fiscal year, provided, however, that the board may resolve that such percentage be reduced in those years in which it so deems justified."

Article 28.1 and 2 of the Rules and Regulations of the Board

- "1. The directors shall be entitled to receive compensation for performing the duties entrusted to them by reason of their appointment as mere members of the board of directors by the shareholders at a general shareholders' meeting or by the board itself exercising its power to make interim appointments (cooption) to fill vacancies.
2. The compensation referred to in the preceding paragraph shall be paid as a share in profits and bylaw-mandated compensation; and shall have two components: (a) an annual amount and (b) attendance fees. Attendance fees shall be paid in advance on account of the profits for the fiscal year.

The specific amount payable for the above-mentioned items to each of the directors shall be determined by the board of directors within the limits established in sub-section 2 of Article 58 of the Bylaws and after a proposal of the appointments and remuneration committee. For such purpose, it shall take into consideration the positions held by each director on the board and their membership in and attendance at the meetings of the various committees."

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant

Explain Not applicable **X**

39. In the case of variable compensation, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Compliant **X**

Explain Not applicable

The basic principles of the compensation policy for Banco Santander executive directors include maintaining an important fixed component, representing a sufficiently high percentage of the compensation package compared to variable remuneration, and tying the latter in with the achievement of concrete performance objectives, that are both quantifiable and in line with the interests of shareholders.

These performance objectives, or alignment with the objectives of the shareholders, inspired the compensation systems linked to the Santander share, whereby the approval thereof legally lies with the general shareholders' meeting. The policy of the Group states that only the executive directors can be beneficiaries of compensation systems relating to the provision on shares or options.

For more information, please consult the report on the remuneration policy for directors, which, as indicated above under recommendation 35, is published on the Group's website (www.santander.com) as part of the appointments and remuneration committee report.

40. The board should submit a report on the directors' remuneration policy to the advisory vote of the general shareholders' meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the remuneration committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: B.1.16

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| Compliant X | Partially compliant _ |
| Explain _ | |

The report on the remuneration policy of directors shall be included as a separate item on the agenda and submitted to a vote by shareholders for consultation purposes at the next general meeting, scheduled for 10 and 11 June at first and second call, respectively.

Articles 59.1 of the Bylaws and 29.1. a) of the Rules and Regulations of the Board stipulate that the board should annually approve the compensation policy. This policy will detail the principles and criteria to be used to determine the compensation policy for the directors, making this available at the general shareholders' meeting.

The report on the compensation policy of the directors for 2010 is also published as part of the report by the appointments and remuneration committee which is distributed with the Group's annual report.

In this report, there is, as specified in Article 29.1 of the Rules and Regulations of the Board, a description of the criteria used by the appointments and remuneration committee to propose the fixed compensation for 2010 and the variable compensation for 2009 for executive directors, including the chairman and the chief executive officer of the Bank.

The individual breakdown per compensation item for the board of directors, including executive directors, for 2009 is published in note 5 of the Group's financial statements in the format established by CNMV Circular 4/2007 in sections B.1.11 of this report.

Article 59 of the Bylaws

- "1. The board of directors shall, on an annual basis, prepare a report on the compensation policy where it shall set forth the standards and basis used to determine the compensation of the directors for the last current fiscal year and the current fiscal year, and shall make it available to the shareholders when the ordinary general shareholders' meeting is called. The contents of the report shall be governed by the provisions of the rules and regulations of the board.*
- 2. In the annual report, the board shall set forth, on an individual basis, the compensation received by each director, specifying the amounts corresponding to each compensation item. It shall also set forth therein, on an individual basis and for each item of compensation, the compensation payable, pursuant to Articles 49 and 58.4, for the performance of executive duties entrusted to the executive directors of the Company."*

Article 29.1. a) of the Rules and Regulations of the Board

"The board of directors shall annually approve a report on the compensation policy which shall set forth the standards and grounds to determine the compensation of the directors for the last fiscal year and for the current fiscal year, and shall make it available to the shareholders on occasion of the call to the ordinary general shareholders' meeting."

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:

- a) A breakdown of the compensation obtained by each company director, to include where appropriate:**
 - i) Participation and attendance fees and other fixed director payments;**
 - ii) Additional compensation for acting as chairman or member of a board committee;**
 - iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;**
 - iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;**
 - v) Any severance packages agreed or paid;**
 - vi) Any compensation they receive as directors of other companies in the group;**
 - vii) The remuneration executive directors receive in respect of their senior management posts;**
 - viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.**

b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:

- i) Number of shares or options awarded in the year, and the terms set for their execution;**
- ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;**
- iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;**
- iv) Any change in the year in the exercise terms of previously awarded options.**

c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.

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| Compliant X | Partially compliant _ |
| Explain _ | |

The Bylaws (Article 59.2) and the Rules and Regulations of the Board (Article 29.2) stipulate that the annual report must contain up-to-date information on the compensation awarded to each director, with a detailed breakdown of each item. The report will also contain detailed information regarding the compensation received by the Bank's Executive directors.

As such, a detailed breakdown of the compensation received by the directors is published in the annual report as well as the appointments and remuneration committee report, forming part of the corporate governance practices adopted by the Bank since 2002.

Article 29.2 of the Rules and Regulations of the Board

"Annual Report

In the annual report, the board shall set forth, on an individual basis, the compensation received by each director, specifying the amounts corresponding to each compensation item. It shall also set forth therein, on an individual basis and for each item of compensation, the compensation payable, pursuant to Articles 49 and 58.4 of the bylaws, for the performance of executive duties entrusted to the executive directors of the Company.

Furthermore, the report shall provide, in the form of a table or diagram, a comparison between the changes in aggregate compensation for all of the executive directors during the last fiscal year, differentiating those amounts received for the performance of their duties of supervision and collective decision-making as members of the board and those corresponding to other duties that they perform as members of the board, and the changes in the Group's consolidated results and the listing price of the Company's shares during the same period."

See also the transcript of Article 59.2 of the Bylaws under recommendation 40 above.

42. When the company has an executive committee, the breakdown of its members by director category should be similar to that of the board itself. The secretary of the board should also act as secretary to the executive committee.

See section: B.2.1 and B.2.6

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| Compliant X | Partially compliant _ |
| Explain _ | |
| Not applicable _ | |

The executive committee is a core mechanism of corporate governance for both the Bank and its Group.

Given the nature of the executive committee, the board considers it sufficient to use the efficiency criteria set out in Article 14.2. of the Rules and Regulations of the Board. This committee has five executive directors, without discounting the participation of external directors, and particularly, independents, and seeking to ensure that its composition reflects, as much as possible, the composition of the board.

Considered balanced by the board of directors, the executive committee is made up of 10 directors, five of whom are executive and five external independent. Accordingly, the percentage of independent directors on such committee is 50%, while on the board of directors this climbs to 53%.

In addition, according to the Bylaws (article 45.1 and 45.5) and the Rules and Regulations of the Board (articles 11.1 and 11.4), the secretary of the board will be the general secretary and the secretary of all the board committees.

Article 14.2 of the Rules and Regulations of the Board

"The board of directors shall endeavour to ensure that the size of and types of directors making up the executive committee shall conform to standards of efficiency and reflect the guidelines followed in determining the composition of the board."

Article 45.1 and 45.5 of the Bylaws

45.1 *"The secretary of the board shall always be the general secretary of the Company."*

45.5 *"The general secretary shall also be the secretary of all the committees of the board."*

Article 11.1 and 11.4 of the Rules and Regulations of the Board:

11.1 *"The secretary of the board shall always be the general secretary of the Company, without needing to be a director in order to hold such position."*

11.4 *"The general secretary shall also serve as the secretary of all the committees of the board."*

43. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the Committee's minutes.

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| Compliant X | |
| Explain _ | Not applicable _ |

The content of recommendation 43 is expressly covered under Articles 51.5 of the Bylaws and 14.7 of the Rules and Regulations of the Board.

Articles 51.5 of the Bylaws and 14.7 of the Rules and Regulations of the Board

"The executive committee shall report to the board of directors on the affairs discussed and the decisions made in the course of its meetings and shall make available to the members of the board a copy of the minutes of such meetings."

44. In addition to the audit committee mandatory under the Securities Market Law (Ley del Mercado de Valores), the board of directors should form a committee, or two separate committees, of appointments and remuneration.

The rules governing the make-up and operation of the audit committee and the committee or committees of appointments and remuneration should be set forth in the board regulations, and include the following:

- a) The board of directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;**
- b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the committees' invitation.**
- c) Committees should be chaired by an independent director.**
- d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.**

e) Meeting proceedings should be minuted and a copy sent to all board members.

See sections: B.2.1 and B.2.3

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| Compliant X | Partially compliant _ |
| Explain _ | |

The regulations of the audit and compliance committee are contained in the 18th additional provision of the Securities Market Act and Articles 53 of the Bylaws and 16 of the Rules and Regulations of the Board. In addition, Articles 27 and 35 of the regulations contain a specific ruling on an aspect of their activities.

Those aspects relating to recommendation 44 are found in Articles 53.1, 2 and 3 of the Bylaws and 16.1, 2, 3 and 8 and 27.1 of the Rules and Regulations of the Board.

Articles 53.1, 2 and 3 of the Bylaws

- 53.1** *"The audit and compliance committee shall consist of a minimum of three directors and a maximum of seven, all of whom shall be external or non-executive, with independent directors having majority representation."*
- 53.2** *"The members of the audit and compliance committee shall be appointed by the board of directors, taking into account the directors' knowledge, aptitude and experience in the areas of accounting, auditing or risk management."*
- 53.3** *"The audit and compliance committee must in all events be presided over by an independent director, who shall also be knowledgeable about and experienced in matters of accounting, auditing or risk management. The chairman of the audit and compliance committee shall be replaced every four years, and may be re-elected after the passage of one year from the end of his preceding term."*

Article 16.1, 2, 3 and 8 of the Rules and Regulations of the Board

- 16.1** *"The audit and compliance committee shall consist of a minimum of three directors and a maximum of seven, all of whom shall be external or non-executive, with independent directors having majority representation."*
- 16.2** *"The members of the audit and compliance committee shall be appointed by the board of directors, taking into account the directors' knowledge, aptitude and experience in the areas of accounting, auditing or risk management."*
- 16.3** *"The audit and compliance committee must in all events be presided over by an independent director, who shall also be knowledgeable about and experienced in matters of accounting, auditing or risk management. The chairman of the audit and compliance committee shall be replaced every four years, and may be re-elected after the passage of one year from the end of his preceding term."*



16.8 *"The audit and compliance committee, through its chairman, shall report on its activities to the board of directors. This reporting process shall be carried out at meetings of the board planned for this purpose. However, if the chairman of the committee deems it necessary based on the urgency and significance of the matters in question, the information shall be given to the board at the first meeting thereof to be held after the meeting of the committee.*

Furthermore, a copy of the minutes of the meetings of the committee shall be made available to all directors."

Article 27.1 of the Rules and Regulations of the Board

"In order to be assisted in the performance of their duties, the directors and the audit and compliance and appointments and remuneration committees may address a request to the general secretary for the hiring of legal, accounting, financial, or other expert advisors, whose services shall be paid for by the Company.

The assignment must deal with specific issues of special significance or complexity arising during the performance of their duties."

At present, all the members of the audit and compliance committee are external independent directors, including the chairman.

The audit and compliance committee report contains more information on this subject.

In reference to the audit and compliance committee, all its members have the necessary knowledge to effectively perform their duties.

The Group's website (www.santander.com) includes a summary of the professional career history and academic qualifications of the members of the audit and compliance committee.

In relation to the appointments and remuneration committee, Article 54 of the Bylaws includes a basic regulation, which is complemented and implemented by Article 17 of the Rules and Regulations of the Board. In addition, Articles 21, 23, 24, 27, 28, 29, 30 and 33 of the regulations contain a specific ruling on certain aspects of their activities.

Finally, those aspects regarding recommendation 44 are covered under Articles 54.1, 2, 3 and 4 of the Bylaws and 17.1, 2, 3 and 7 and 27.1 of the Rules and Regulations of the Board.

Articles 54.1, 2, 3 and 4 of the Bylaws

54.1 *"An appointments and remuneration committee shall be established and entrusted with general proposal-making and reporting powers on matters relating to compensation, appointment and withdrawal of directors."*

54.2 *"The appointments and remuneration committee shall be composed of a minimum of three and a maximum of seven directors, all of whom shall be external or non-executive, with independent directors having majority representation."*

54.3 *"The members of the appointments and remuneration committee shall be appointed by the board of directors, taking into account the directors' knowledge, aptitudes and experience and the goals of the committee."*

54.4 *"The appointments and remuneration committee must in all events be presided over by an independent director."*

Article 17.1, 2, 3 and 7 of the Rules and Regulations of the Board

17.1 *"The appointments and remuneration committee shall be composed of a minimum of three and a maximum of seven directors, all of whom shall be external or non-executive, with independent directors having majority representation."*

17.2 *"The members of the appointments and remuneration committee shall be appointed by the board of directors, taking into account the directors' knowledge, aptitudes and experience and the goals of the committee."*

17.3 *"The appointments and remuneration committee must in all events be presided over by an independent director."*

17.7 *"The appointments and remuneration committee, through its chairman, shall report to the board of directors on its activities and work at the first meeting thereof to be held after the committee's meeting. The resolutions of the appointments and remuneration committee shall be recorded in a minute book, and every one of such minutes shall be signed by the chairman and the secretary. Furthermore, a copy of the minutes of the meetings of the committee shall be made available to all directors."*

The appointments and remuneration committee contains more information on this matter.

At present, all members of the appointments and remuneration committee are external independent directors.

In addition, the members of the appointments and remuneration committee have demonstrated their ability to perform the tasks incumbent upon the committee given their extensive experience in banking and knowledge of remuneration matters.

The Group's website (www.santander.com) contains a summary of the professional career history and academic qualifications of the members of the appointments and remuneration committee.

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the audit committee, the appointments committee or, as the case may be, separate compliance or corporate governance committees.

| Compliant <i>X</i> | Explain _ |
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Pursuant to Article 16.4 k) of the Rules and Regulations of the Board, overseeing compliance with the internal codes of conduct and corporate governance regulations is the responsibility the audit and compliance committee.

Both Articles 53.5 of the Bylaws and 16.6 of the Rules and Regulations of the Board stipulate that one of the audit and compliance committee meetings each year should specifically be used to evaluate the efficiency and compliance of the Bank's regulations and governance procedures.

During the meeting held on 17 March 2010, and in accordance with Article 16.6 of the Rules and Regulations of the Board, the audit and compliance committee produced a report evaluating the efficiency and compliance of the Bank's regulations and procedures and has revised the information that the board must approve and include in the annual documentation that is published. The conclusion of this report was positive.

Article 16.4.k) of the Rules and Regulations of the Board

"The audit and compliance committee shall have the following duties

(...)

k) Supervise the observance of the code of conduct of the Group in the securities markets, the manuals and procedures for the prevention of money laundering and, in general, the rules of governance and compliance in effect in the Company, and make such proposals as are deemed necessary for the improvement thereof. In particular, the committee shall have the duty to receive information and, if applicable, issue a report on disciplinary penalties to be imposed upon members of senior management."

Article 53.5 of the Bylaws

"The audit and compliance committee shall meet as many times as it is called to meeting upon resolution made by the committee itself or by the chairman thereof, and at least four times per year. Any member of the management team or of the Company's personnel shall, when so required, attend the meetings of the audit and compliance committee, provide it with his cooperation and make available to it such information as he may have in his possession. The audit and compliance committee may also require that the auditor attend such meetings. One of its meetings shall be devoted to evaluating the efficiency of and compliance with the rules and procedures for governance of the Company and preparing the information that the board is required to approve and include in the annual public documents."

Article 16.6 of the Rules and Regulations of the Board

"The audit and compliance committee shall meet as many times as it is called to meeting upon resolution made by the committee itself or by the chairman thereof (...). One of its meetings shall be devoted to evaluating the efficiency of and compliance with the rules and procedures for governance of the Company and preparing the information that the board is to approve and include in the annual public documents."

Section D.4 of this report includes a description of the activities carried out in 2009 in relation to compliance and the prevention of money laundering.

See also the audit and compliance committee report.

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

| Compliant <i>X</i> | Explain _ |
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At present, the external independent director, Luis Ángel Rojo Duque, is chairman of the audit and compliance committee as approved by the board of directors on 17 June 2006 at the proposal of the appointments and remuneration committee.

Section B.1.3 of this report contains a brief summary of his professional background, which demonstrates that he, as do the other members of the audit and compliance committee, has the necessary knowledge and experience referred to in this recommendation.

Article 53.3 of the Bylaws

"The audit and compliance committee must in all events be presided over by an independent director, who shall also be knowledgeable about and experienced in matters of accounting, auditing or risk management (...)."

Article 16.3 of the Rules and Regulations of the Board

"The audit and compliance committee must in all events be presided over by an independent director, who shall also be knowledgeable about and experienced in matters of accounting, auditing or risk management. The chairman of the audit and compliance committee shall be replaced every four years, and may be re-elected after the passage of one year from the end of his preceding term."

47. Listed companies should have an internal audit function, under the supervision of the audit committee, to ensure the proper operation of internal reporting and control systems.

| Compliant <i>X</i> | Explain _ |
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Supervision by the audit and compliance committee of internal audit duties is mentioned in Article 53.4 (iii) of the Bylaws and is implemented by Article 16.4 d) of the Rules and Regulations of the Board as follows:

Article 53.4 (iii) of the Bylaws

"The audit and compliance committee shall have at least the following powers and duties:

(...)

(iii) Supervise the internal audit services."

Article 16.4 d) of the Rules and Regulations of the Board

"The audit and compliance committee shall have the following duties:

(...)

- d) Supervise the internal audit services, and particularly:
- (i) Proposing the selection, appointment and withdrawal of the party responsible for internal audit;
 - (ii) Reviewing the annual working plan for internal audit and the annual activities report;
 - (iii) Ensuring the independence and effectiveness of the internal audit function;
 - (iv) Proposing the budget for this service;
 - (v) Receiving periodic information regarding the activities thereof; and
 - (vi) Verifying that senior management takes into account the conclusions and recommendations of its reports."

The audit and compliance committee report includes, as part of the description of its activities in 2009, those related to the internal audit.

48. The head of internal audit should present an annual work programme to the audit committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

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| Compliant X | Partially compliant _ |
| Explain _ | |

The internal audit division prepares an annual plan every year regarding risks, establishing the work to be carried out that year.

On 15 March 2009, subject to a favourable report by the audit and compliance committee, Mr. David Arce Torres was replaced as head of the internal audit division by senior management vice president Mr. Juan Guitard Marín who, at the meeting of 22 April, informed the committee of the future plans for the division, before giving more detailed information at the 23 September meeting.

Throughout the year, the audit and compliance committee and the board of directors in full, respectively, have been informed of the internal audit work carried out in accordance with its annual plan at nine of the 11 audit and compliance committee meetings and three of the 11 board meetings held.

In 2010, the audit and compliance committee, at its meeting of 17 February, reviewed favourably the annual internal audit work plan for 2010, which includes some changes in methodology. It is expected that the 2009 activity report will be presented to the committee at its meeting on 21 April 2010.

49. Control and risk management policy should specify at least:

- a) **The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;**
- b) **The determination of the risk level the company sees as acceptable;**
- c) **Measures in place to mitigate the impact of risk events should they occur;**
- d) **The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.**

See section: D

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| Compliant X | Partially compliant _ |
| Explain _ | |

The current Bylaws (article 52) detail the basic regulations of the risks committee, as follows:

Article 52 of the Bylaws

- "1. The board of directors shall establish a risk committee, which shall be executive in nature, to which risk management powers shall be entrusted.
2. The risk committee shall be composed of a minimum of four and a maximum of six directors.
3. The rules and regulations of the board shall govern the composition, operation and powers of the risk committee.
4. The delegation of powers to the risk committee and the resolutions appointing the members thereof shall require the affirmative vote of not less than two-thirds of the members of the board."

The Rules and Regulations of the Board (Article 15) expressly include the functions set out under recommendation 49 as part of the duties of the delegated risks committee.

Article 15 of the Rules and Regulations of the Board

- "1. The risk committee shall be composed of a minimum of four and a maximum of six directors. The chairmanship of the committee shall be held by a vice chairman with executive duties.

The risk committee shall be an executive committee, and therefore may adopt the corresponding decisions within the scope of the powers delegated by the board.

2. A delegation of powers to the risk committee and resolutions appointing the members thereof shall require the favourable vote of at least two-thirds of the members of the board.
3. The risk committee shall have the delegated powers specifically set forth in the resolution on delegation, and shall generally assume the following responsibilities:
 - a) To propose to the board the Group's risk policy, which must particularly identify:
 - (i) The various types of risk (operational, technological, financial, legal and reputational, among others) that the Company faces, including, among financial and economic risks, contingent liabilities and others which are off-balance sheet;
 - (ii) The information and internal monitoring systems that will be used to monitor and manage such risks;
 - (iii) The setting of the risk level that the Company deems acceptable;
 - (iv) The planned measures to mitigate the impact of identified risks, in the event that they materialise.
 - b) To systematically review risk exposure among principal customers, economic sectors, geographic areas and risk types.
 - c) To be aware of and to authorise, if appropriate, management tools, improvement initiatives, advancement of projects and any other relevant activity relating to the control of risks, specifically including the nature and behaviour of internal risk models as well as the results of internal validation thereof.
 - d) To assess and monitor any observations made by supervisory authorities in furtherance of their duties.
 - e) To ensure that the activities of the Group are consistent with the previously decided risk tolerance level and to delegate to lower-level committees or managers the powers to assume risks.
 - f) To make resolutions on transactions that go beyond the powers delegated to lower decision-making bodies, as well as on the global limits of pre-classification in favour of economic groups or with respect to exposures by classes of risks.
4. The risk committee, as the body responsible for global risk management, shall assess reputational risk within the scope of its activities and decisions.
5. In addition, a copy of the minutes of meetings of this committee shall be made available to all directors."

The Risk management section in the Group's 2009 annual report (pages 136 to 195) includes detailed information on this subject.

50. The audit committee's role should be:

1st. With respect to internal control and reporting systems:

- a) **To supervise the preparation process and monitor the integrity of the financial information on the company and, if applicable, the group, and to verify compliance with regulatory requirements, the appropriate boundaries of the scope of consolidation and the correct application of accounting principles.**
- b) **Periodically review the systems for the internal monitoring and management of risks, so that the principal risks are identified, managed and properly disclosed.**
- c) **Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.**
- d) **Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.**

2nd. With respect to the external auditor:

- a) **To submit to the board proposals for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of its engagement.**
- b) **To receive regular information from the external auditor on the progress and findings of the audit plan and to check that senior management are acting on its recommendations.**
- c) **Monitor the independence of the external auditor, to which end:**
 - i) **The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.**
 - ii) **The committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;**
 - iii) **The committee should investigate the issues giving rise to the resignation of any external auditor.**
- d) **In the case of groups, the Committee urges the group auditor to take on the auditing of all component companies.**

See sections: B.1.35, B.2.2, B.2.3 and D.3

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| Compliant X | Partially compliant _ |
| Explain _ | |

Article 16.4 of the Rules and Regulations of the Board includes all these competencies.

In accordance with the Rules and Regulations of the Board, the audit and compliance committee must ensure that the Bank publicly communicates the appointment of a new auditor, and issues a declaration on any possible disagreements with the outgoing auditor.

In the event of the resignation of the auditor, the Rules and Regulations of the Board stipulate that the audit and compliance committee must examine the circumstances that may have motivated the resignation (Article 16.4.1).

During this fiscal year no auditor has tendered his resignation.

Article 16.4 of the Rules and Regulations of the Board

"The audit and compliance committee shall have the following duties:

- a) Have its chairman and/or secretary report to the shareholders at the general shareholders' meeting with respect to matters raised therein by shareholders regarding its powers.*
- b) Propose the appointment of the auditor, as well as the conditions under which such auditor will be hired, the scope of its professional duties and, if applicable, the revocation or non-renewal of its appointment. The committee shall favour the Group's auditor also assuming responsibility for auditing the companies making up the Group.*
- c) Review the accounts of the Company and the Group, monitor compliance with legal requirements and the proper application of generally accepted accounting principles and report on the proposals for alterations to the accounting principles and standards suggested by management.*
- d) Supervise the internal audit services, and particularly:

 - i) Proposing the selection, appointment and withdrawal of the party responsible for internal audit;*
 - ii) Reviewing the annual working plan for internal audit and the annual activities report;*
 - iii) Ensuring the independence and effectiveness of the internal audit function;*
 - iv) Proposing the budget for this service;*
 - v) Receiving periodic information regarding the activities thereof; and*
 - vi) Verifying that senior management takes into account the conclusions and recommendations of its reports.**
- e) Know the process for gathering financial information and for the internal control systems. In particular, the audit and compliance committee shall:

 - i) Supervise the process of preparing and the integrity of the financial information relating to the Company and the Group, reviewing compliance with regulatory requirements, the proper demarcation of the scope of consolidation and the correct application of accounting standards; and*
 - ii) Periodically review the systems for the internal monitoring and management of risks, so that the principal risks are identified, managed and properly disclosed**
- f) Report on, review and supervise the risk control policy established in accordance with the provisions of these rules and regulations.*
- g) Serve as a channel of communication between the board and the auditor, assess the results of each audit and the response of the management team to its recommendations, and act as a mediator in the event of disagreement between the board and the auditor regarding the principles and standards to be applied in the preparation of the financial statements. Specifically, it shall endeavour to ensure that the statements ultimately drawn up by the board are submitted to the shareholders at the general shareholders' meeting without any qualifications or reservations in the auditor's report.*
- h) Supervise the fulfilment of the audit contract, endeavouring to ensure that the opinion on the annual financial statements and the main contents of the auditor's report are set forth in a clear and accurate fashion.*
- i) Ensure the independence of the auditor, by taking notice of those circumstances or issues that might risk such independence and any others related to the development of the auditing procedure, as well as receive information and maintain such communication with the auditor as is provided for in legislation regarding the auditing of financial statements and in technical auditing regulations. And, specifically, verify the percentage represented by the fees paid for any and all reasons of the total income of the audit firm, and the length of service of the partner who leads the audit team in the provision of such services to the Company. The annual report shall set forth the fees paid to the audit firm, including information relating to fees paid for professional services other than audit work. Furthermore, the committee shall ensure that the Company publicly communicates a change of auditor and accompanies such communication with a declaration regarding the possible existence of disagreements with the outgoing auditor and, if any, regarding the content thereof and, in the event of the resignation of the auditor, the committee shall examine the circumstances causing it.*
- j) Report to the board, in advance of the adoption by it of the corresponding decisions, regarding:

 - i) The financial information that the Company must periodically make public, ensuring that such information is prepared in accordance with the same principles and practices applicable to the annual financial statements.*
 - ii) The creation or acquisition of equity interests in special purpose entities or entities domiciled in countries or territories that are considered to be tax havens.**

- k) Supervise the observance of the code of conduct of the Group in the securities markets, the manuals and procedures for the prevention of money laundering and, in general, the rules of governance and compliance in effect in the Company, and make such proposals as are deemed necessary for the improvement thereof. In particular, the committee shall have the duty to receive information and, if applicable, issue a report on disciplinary penalties to be imposed upon members of senior management.
- l) Review compliance with such courses of action and measures as result from the reports issued or the inspection proceedings carried out by the administrative authorities having functions of supervision and control.
- m) Know and, if applicable, respond to the initiatives, suggestions or complaints put forward or raised by the shareholders regarding the area of authority of this committee and which are submitted to it by the office of the general secretary of the Company. The committee shall also:
- i) Receive, deal with and keep a record of the claims received by the Bank on matters related to the process for gathering financial information, auditing and internal controls.
 - ii) Receive on a confidential and anonymous basis possible communications from Group employees who express their concern on possible questionable practices in the areas of accounting or auditing.
- n) Report on any proposed amendments to these rules and regulations prior to the approval thereof by the board of directors.
- o) Evaluate, at least once a year, its operation and the quality of its work.
- p) And others specifically provided for in these rules and regulations."

The audit and compliance committee report contains more information on this subject.

51. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

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| Compliant X | Explain _ |
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This is contemplated in Articles 53.5 of the Bylaws and 16.6 of the Rules and Regulations of the Board. This practice is seen in the audit and compliance committee report, which illustrates, among other aspects, that this committee has a constant and open dialogue with the auditor and the Group's management team, with the auditor, the compliance director and the head of the internal audit division regularly attending meetings.

Article 53.5 of the Bylaws

"The audit and compliance committee shall meet as many times as it is called to meeting upon resolution made by the committee itself or by the chairman thereof, and at least four times per year. Any member of the management team

or of the Company's personnel shall, when so required, attend the meetings of the audit and compliance committee, provide it with his cooperation and make available to it such information as he may have in his possession. The audit and compliance committee may also require that the auditor attend such meetings (...)."

Article 16.6 of the Rules and Regulations of the Board

"The audit and compliance committee shall meet as many times as it is called to meeting upon resolution made by the committee itself or by the chairman thereof, and at least four times per year. Any member of the management team or of the Company's personnel shall, when so required, attend the meetings of the audit and compliance committee, provide it with his cooperation and make available to it such information as he may have in his possession. The audit and compliance committee may also require that the auditor attend such meetings (...)."

52. The audit committee should prepare information on the following points from recommendation 8 for input to board decision-making:

- a) **The financial information that all listed companies must periodically disclose. The committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.**
- b) **The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.**
- c) **Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.**

See sections: B.2.2. and B.2.3.

| | |
|--------------------|-----------------------|
| Compliant X | Partially compliant _ |
| Explain _ | |

The Rules and Regulations of the Board – in Article 16.4.j) as transcribed under recommendation 50 above – stipulate that the audit and compliance committee is responsible for informing the board, prior to any decision making, of financial information that must be made public, formally incorporating into the regulations the practice the Bank had followed up until now.

The audit and compliance committee reviews the accounts prepared for the services of the Bank and its Group.

In reference to the annual financial statements and management report for 2009, which will be submitted at the

annual general meeting in 2010, the audit and compliance committee, at its meeting held on 17 March 2010, following its review, showed its agreement and issued a favourable report before its preparation by the board, having been previously certified by the General Auditor, at the meeting held on 22 March 2010.

In addition, at the meetings held on 22 April, 15 July and 21 October, 2009, and 20 January 2010, the audit and compliance committee reported favourably on the quarterly financial statements for the periods ended 31 March, 30 June, 30 September and 31 December 2009, respectively. This was prior to their approval by the board and disclosure to the relevant markets and supervisory bodies. In the Group's unaudited financial reports it is expressly noted that the committee has ensured that the financial information is prepared in accordance with the same principles and practices applied to the annual consolidated financial statements.

The audit and compliance committee has reported favourably on the interim consolidated and condensed financial statements for the first and second halves of 2009. These have been audited and prepared in accordance with the accounting principles and policies established under International Accounting Standard (IAS 34 Interim financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements) and in accordance with Article 12 of Royal Decree 1362/2007.

Article 16.4.j (ii) of the Rules and Regulations of the Board attributes the audit and compliance committee with the duty of reporting to the board in advance of any decision-making relating to the creation or acquisition of percentage interest in companies of a special nature or residing in countries or territories considered as tax havens.

Finally, in accordance with Article 30 of the Rules and Regulations of the Board, it is the responsibility of the appointments and remuneration committee to prepare reports in reference to letter c) of recommendation 52.

Article 30 of the Rules and Regulations of the Board

"The director shall fulfil all the duties and obligations which are inherent in his position as such and which are provided for by Law, the Bylaws, the rules and regulations for the general shareholders' meeting and the rules and regulations of the board of directors, including the following:

(...)

Duty of loyalty:

(...)

(iii) *"The directors must notify the board of any direct or indirect conflict with the interests of the Company in which they may be involved. If the conflict arises from a transaction with the Company, the director shall not be allowed to conduct it unless the board, following a report from the appointments and remuneration committee, approves such transaction. In the event of conflict, the director involved shall not participate in the deliberations and decisions on the transaction to which*

the conflict refers. In all events, the situations of conflict in which the Company directors are involved shall be reported in the annual corporate governance report."

53. The board of directors should seek to present the annual accounts to the general shareholders' meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

See section: B.1.38

Compliant **X** Partially compliant **_**

Explain **_**

There have been no reservations or qualifications in the individual accounts of the Bank or in the consolidated Group accounts in the past three financial years.

In reference to the regulation of this matter, Article 62.3 of the Bylaws and Article 35.5 of the Rules and Regulations of the Board apply.

Articles 62.3 of the Bylaws and 35.5 of the Rules and Regulations of the Board

"The board of directors shall use its best efforts to prepare the accounts such that there is no room for qualifications by the auditor. However, when the board believes that its opinion must prevail, it shall provide a public explanation, through the chairman of the audit and compliance committee, of the content and scope of the discrepancy, and shall also endeavour to ensure that the auditor likewise discloses its considerations in this regard."

54. The majority of appointments committee members – or appointments and remuneration committee members as the case may be – should be independent directors.

See section: B.2.1

Compliant **X** Partially compliant **_**

Explain **_**

Articles 54.2 of the Bylaws and 17.1 and 3 of the Rules and Regulations of the Board stipulate that the appointments and remuneration committee is made up exclusively of external directors, with its chairman being an independent director, as is currently the case. At present, all members of this committee are external independent directors.

In addition, in 2009, no member of the appointments and remuneration committee has been an executive director, member of senior management or employed at the Bank, and no executive director or member of senior management had belonged to the board (nor to the remuneration committee) of companies that had employed members of the appointments and remuneration committee.

Article 54.2 and 4 of the Bylaws

54.2 "The appointments and remuneration committee shall be composed of a minimum of three and a maximum of seven directors, all of whom shall be external or non-executive, with independent directors having majority representation."

54.4 "The appointments and remuneration committee must in all events be presided over by an independent director."

Article 17.1 and 3 of the Rules and Regulations of the Board

17.1 "The appointments and remuneration committee shall be composed of a minimum of three and a maximum of seven directors, all of whom shall be external or non-executive, with independent directors having majority representation."

17.3 "The appointments and remuneration committee must in all events be presided over by an independent director."

55. The appointments committee should have the following functions in addition to those stated in earlier recommendations:

- a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) Examine or organise, in appropriate form, the succession of the chairman and chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.
- c) Report on the senior officer appointments and removals which the chief executive proposes to the board.
- d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

| | |
|--------------------|-----------------------|
| Compliant X | Partially compliant _ |
| Explain _ | Not applicable _ |

The Rules and Regulations of the Board expressly mention functions a) and c) of recommendation 55 in Articles 17.4, a) and e).

Article 17.4 of the Rules and Regulations of the Board

"The appointments and remuneration committee shall have the following duties:

- a) Establish and review the standards to be followed in order to determine the composition of the board and select those persons who will be proposed to serve as directors. In particular, the appointments and remuneration committee:

(i) Shall evaluate the competencies, knowledge and experience required of directors.

(ii) Shall specify the duties and the aptitudes needed of the candidates to fill each vacancy, evaluating the time and dedication needed for them to properly carry out their commitments.

(iii) Shall receive for consideration the proposals of potential candidates to fill vacancies that might be made by the directors.

(...)"

e) Report on appointments and withdrawals of the members of senior management.

(...)"

The regulation of the succession plans for the chairman and the chief executive officer referred to in letter b) of recommendation 55 is stipulated in Article 24 of the Rules and Regulations of the Board.

Article 24 of the Rules and Regulations of the Board

"In the cases of withdrawal, announcement of renunciation or resignation, disability or death of the members of the board of directors or its committees or withdrawal, announcement of renunciation or resignation of the chairman of the board of directors or of the managing director or directors, as well as from other positions on such bodies, at the request of the chairman of the board of directors or in his absence at the request of the highest-ranking vice chairman, the appointments and remuneration committee will be convened in order for such committee to examine and organise the process of succession or replacement in an orderly manner and to present the corresponding proposal to the board of directors. Such proposal shall be communicated to the executive committee and subsequently submitted to the board of directors at the following meeting scheduled to be held by the board's annual calendar of meetings or at such extraordinary meeting as may be called if deemed necessary."

Spanish legislation does not envisage the nominal appointment of successors for cases where a vacancy has arisen. However, Article 44.2 of the Bylaws considers rule for interim replacements, (applicable in the event of absence or impossibility to act or illness), to carry out the duties of the Chairman of the board in the absence of vice chairmen.

On a yearly basis the board determines the number order in relation to the length of service of the directors. As such, at its meeting on 19 June 2009 the board unanimously agreed, for the interim exercising of the duties of chairman in the absence of vice chairmen, to assign the following order of precedence to the current directors:

- 1) Mr. Rodrigo Echenique Gordillo
- 2) Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea
- 3) Mr. Francisco Luzón López
- 4) Assicurazioni Generali S.p.A.
- 5) Mr. Antonio Escámez Torres



- 6) Mr. Luis Alberto Salazar-Simpson Bos
- 7) Mr. Antonio Basagoiti García-Tuñón
- 8) Mr. Guillermo de la Dehesa Romero
- 9) Mr. Abel Matutes Juan
- 10) Mr. Francisco Javier Botín-Sanz de Sautuola y O'Shea
- 11) Lord Burns
- 12) Mr. Luis Ángel Rojo Duque
- 13) Ms. Isabel Tocino Biscarolasaga
- 14) Mr. Juan Rodríguez Inciarte

Article 44.2 of the Bylaws

"The vice chairman or vice chairmen, in the established numerical sequence, and in the their absence, the appropriate director according to a numerical sequence established by the board of directors, shall replace the chairman in the event of absence or impossibility to act or illness."

56. The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the appointments committee for its consideration.

| | |
|--------------------|-----------------------|
| Compliant X | Partially compliant _ |
| Explain _ | Not applicable _ |

The content of recommendation 56, which forms part of the practices of the appointments and remuneration committee, is stated in Articles 17.4.a.(iii) and 17.5 of the Rules and Regulations of the Board.

Article 17.4.a.(iii) of the Rules and Regulations of the Board

"4. The appointments and remuneration committee shall have the following duties:

- a. Establish and review the standards to be followed in order to determine the composition of the board and select those persons who will be proposed to serve as directors. In particular, the appointments and remuneration committee:

(...)

- (iii) Shall receive for consideration the proposals of potential candidates to fill vacancies that might be made by the directors."

Article 17.5 of the Rules and Regulations of the Board

"The chairman and any director may make suggestions to the committee with respect to matters that fall within the scope of its powers."

57. The appointments committee should have the following functions in addition to those stated in earlier recommendations:

a) Make proposals to the board of directors regarding:

- i) The remuneration policy for directors and senior officers;
- ii) The individual remuneration and other contractual conditions of executive directors.
- iii) The standard conditions for senior officer employment contracts.

b) Oversee compliance with the remuneration policy set by the company.

See sections: B.14. and B.2.3.

| | |
|--------------------|-----------------------|
| Compliant X | Partially compliant _ |
| Explain _ | Not applicable _ |

Functions a) and b) of recommendation 57 are expressly mentioned in Article 17.4, letters f) and g) of the Rules and Regulations of the Board, respectively.

Article 17.4 of the Rules and Regulations of the Board

"The appointments and remuneration committee shall have the following duties:

(...)

f) Propose to the board:

- (i) The policy for compensation of directors and the corresponding report, upon the terms of Article 29 of these rules and regulations.
- (ii) The policy for compensation of the members of senior management.
- (iii) The individual compensation of the directors.
- (iv) The individual compensation of the executive directors and, if applicable, external directors, for the performance of duties other than those of a mere director, and other terms of their contracts.
- (v) The basic terms of the contracts and compensation of the members of senior management.

g) Ensure compliance with the policy established by the Company for compensation of the directors and the members of senior management."

(...)

58. The appointments committee should consult with the chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant **X** Not applicable _
 Explain _

Article 17.5 of the Rules and Regulations of the Board reflects the content of recommendation 58.

See the transcript of Article 17.5 of the Rules and Regulations of the Board under recommendation 56 above.

G. Other information of interest

If you consider that there is any material aspect or principle relating to the corporate governance practices followed by your company that has not been addressed in this report, indicate and explain below.

You may include in this section any other information, clarification or observation related to the above sections of this report.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

The Bank does not present an annual corporate governance report other than the one regulated by Order ECO/3722/2003.

No additional information, not contained in previous sections of this report is included.

Definition of independent director:

List any independent directors who maintain, or have maintained in the past, a relationship with the company, its significant shareholders or managers, when the significance or importance thereof would dictate that the directors in question may not be considered independent pursuant to the definition set forth in section 5 of the Unified Good Governance Code:

Yes _ No **X**

| Name of director | Type of relationship | Explanation |
|------------------|----------------------|-------------|
|------------------|----------------------|-------------|

This annual corporate governance report was approved by the company's board of directors at its meeting held on:

22 March 2010.

List any directors who voted against or abstained from voting on the approval of this report.

Yes _ No **X**

| Name or corporate name of directors voting against the approval of this report | Reasons (against, abstention, non-attendance) | Explain the reasons |
|--|---|---------------------|
|--|---|---------------------|

Banco Santander's balance sheet and income statement

Banco Santander, S.A. balance sheet at December 31, 2009
before allocation of income

Euros

Assets

| | | |
|---|-----------------|------------------------|
| 1. Cash and balances with central banks | | 6.626.871.067 |
| 2. Financial assets held for trading | | 57.262.358.319 |
| 2.1 Loans and advances to credit institutions | — | |
| 2.2 Loans and advances to customers | 98.834.735 | |
| 2.3 Debt instruments | 21.301.378.939 | |
| 2.4 Equity instruments | 3.301.249.622 | |
| 2.5 Trading derivatives | 32.560.895.023 | |
| Memorandum item: Loaned or in guarantee | 3.408.272.636 | |
| 3. Other financial assets at fair value through profit or loss | | 20.417.004.168 |
| 3.1 Loans and advances to credit institutions | 18.967.615.319 | |
| 3.2 Loans and advances to customers | 1.449.388.848 | |
| 3.3 Debt instruments | — | |
| 3.4 Equity instruments | — | |
| Memorandum item: Loaned or in guarantee | 9.923.883.573 | |
| 4. Available-for-sale financial assets | | 27.973.897.284 |
| 4.1 Debt instruments | 26.577.648.459 | |
| 4.2 Equity instruments | 1.396.248.825 | |
| Memorandum item: Loaned or in guarantee | 416.383.000 | |
| 5. Loans and receivables | | 224.583.741.491 |
| 5.1 Loans and advances to credit institutions | 45.328.120.661 | |
| 5.2 Loans and advances to customers | 173.195.783.662 | |
| 5.3 Debt instruments | 6.059.837.167 | |
| Memorandum items: Loaned or in guarantee | 428.368.636 | |
| 6. Held- to- maturity investments | | — |
| Memorandum items: Loaned or in guarantee | — | |
| 7. Changes in the fair value of hedged items in portfolio hedges of interest rate risk | | — |
| 8. Hedging derivatives | | 3.856.869.977 |
| 9. Non-current assets held for sale | | 643.399.148 |
| 10. Investments | | 67.430.283.886 |
| 10.1 Associates | 5.595.001.725 | |
| 10.2 Jointly controlled entities | 501.245.670 | |
| 10.3 Group | 61.334.036.491 | |
| 11. Insurance contracts linked to pensions | | 2.987.524.298 |
| 13. Tangible assets | | 1.338.599.524 |
| 13.1 Property, plant and equipment | 1.336.161.491 | |
| 13.1.1 For own use | 740.705.925 | |
| 13.1.2 Leased out under an operating lease | 595.455.566 | |
| 13.2 Investment property | 2.438.032 | |
| Memorandum item: Acquired under a finance lease | 465.632.454 | |
| 14. Intangible assets | | 16.635.875 |
| 14.1 Goodwill | — | |
| 14.2 Other intangible assets | 16.635.875 | |
| 15. Tax assets | | 2.196.597.778 |
| 15.1 Current | 111.810.200 | |
| 15.2 Deferred | 2.084.787.578 | |
| 16. Other assets | | 735.109.088 |
| Total assets | | 416.068.891.902 |

Banco Santander, S.A. balance sheet at December 31, 2009
before allocation of income

Euros

Liabilities

| | | |
|---|-----------------|------------------------|
| 1. Financial liabilities held for trading | | 38.230.752.400 |
| 1.1 Deposits from central banks | — | |
| 1.2 Deposits from credit institutions | — | |
| 1.3 Customer deposits | — | |
| 1.4 Marketable debt securities | — | |
| 1.5 Trading derivatives | 35.653.742.687 | |
| 1.6 Short positions | 2.577.009.713 | |
| 1.7 Other financial liabilities | — | |
| 2. Other financial liabilities at fair value through profit or loss | | 32.820.537.373 |
| 2.1 Deposits from central banks | 8.303.536.898 | |
| 2.2 Deposits from credit institutions | 16.867.364.409 | |
| 2.3 Customer deposits | 7.649.636.066 | |
| 2.4 Marketable debt securities | — | |
| 2.5 Subordinated liabilities | — | |
| 2.6 Other financial liabilities | — | |
| 3. Financial liabilities at amortised cost | | 286.832.663.864 |
| 3.1 Deposits from central banks | 14.337.800.095 | |
| 3.2 Deposits from credit institutions | 53.300.227.995 | |
| 3.3 Customer deposits | 149.972.468.164 | |
| 3.4 Marketable debt securities | 27.393.634.931 | |
| 3.5 Subordinated liabilities | 32.491.048.512 | |
| 3.6 Other financial liabilities | 9.337.484.168 | |
| 4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk | | — |
| 5. Hedging derivatives | | 1.625.653.964 |
| 6. Liabilities associated with non-current assets held for sale | | — |
| 8. Provisions | | 8.414.537.966 |
| 8.1 Provision for pensions and similar obligations | 6.938.350.300 | |
| 8.2 Provisions for taxes and other legal contingencies | 280.858.915 | |
| 8.3 Provisions for contingent liabilities and commitments | 585.847.952 | |
| 8.4 Other provisions | 609.480.799 | |
| 9. Tax liabilities | | 140.254.351 |
| 9.1 Current | — | |
| 9.2 Deferred | 140.254.351 | |
| 11. Other liabilities | | 1.823.011.705 |
| Total Liabilities | | 369.887.411.622 |

Equity

| | | |
|--|-----------------|------------------------|
| 1. Shareholders' equity | | 37.801.571.089 |
| 1.1 Capital or endowment fund(a) | 4.114.413.068 | |
| 1.1.1 Registered | 4.114.413.068 | |
| 1.1.2 Less: Uncalled capital | — | |
| 1.2 Share premium | 29.305.256.656 | |
| 1.3 Reserves | 3.689.800.222 | |
| 1.4 Other equity instruments | 7.139.430.914 | |
| 1.4.1 Equity component of compound financial instruments | — | |
| 1.4.3 Other | 7.139.430.914 | |
| 1.5 Less: Treasury shares | (29.126.265) | |
| 1.6 Income for the year | 4.150.812.503 | |
| 1.7 Less: Dividends and remunerations | (2.296.517.268) | |
| 2. Valuation adjustments | | 107.410.450 |
| 2.1 Available-for-sale financial assets | 125.987.436 | |
| 2.2 Cash flow hedges | (1.702.905) | |
| 2.3 Hedges of net investments in foreign operations | (16.874.081) | |
| 2.4 Exchange differences | — | |
| 2.5 Non-current assets held for sale | — | |
| 2.7 Other valuation adjustments | — | |
| Total equity | | 46.181.480.279 |
| Total liabilities and equity | | 416.068.891.902 |

Pro-memoria

| | | |
|----------------------------------|--|------------------------|
| 1. Contingent liabilities | | 113.726.604.135 |
| 2. Contingent commitments | | 59.521.163.545 |



Banco Santander, S.A. income statement as of December 31, 2009

Euros

| | | |
|--|-----------------|----------------------|
| 1. Interest and similar income | | 11.227.735.645 |
| 2. Interest expense and similar charges | | (7.117.003.639) |
| A) Net interest income | | 4.110.732.006 |
| 4. Income from equity instruments | | 2.639.394.138 |
| 5. Fee and commission income | | 1.853.035.243 |
| 6. Fee and commission expense | | (312.113.351) |
| 8. Gain/losses on financial assets and liabilities (net) | | (1.382.496.896) |
| 8.1 Held for trading | (859.026.511) | |
| 8.2 Other financial instruments at fair value through profit or loss | (321.845.663) | |
| 8.3 Financial Instruments not measured at fair value through profit or loss | (53.423.481) | |
| 8.4 Other | (148.201.242) | |
| 9. Exchange differences (net) | | 120.823.601 |
| 10. Other operating income | | 105.811.415 |
| 11. Other operating expenses | | (151.435.131) |
| B) Gross income | | 6.983.751.025 |
| 12. Administrative expenses | | (3.273.627.801) |
| 12.1 Staff costs | (1.805.845.141) | |
| 12.2 Other general administrative expenses | (1.467.782.660) | |
| 13. Amortisation | | (89.837.843) |
| 14. Provisions (net) | | (279.402.178) |
| 15. Impairment losses on financial assets (net) | | (483.051.526) |
| 15.1. Loans and receivables | (331.240.793) | |
| 15.2. Other financial instruments not measured at fair value through profit or loss | (151.810.733) | |
| C) Profit from operations | | 2.857.831.676 |
| 16. Impairment losses on other assets (net) | | (707.351.928) |
| 16.1 Goodwill and other intangible assets | (229.124) | |
| 16.2 Other assets | (707.122.804) | |
| 17. Gains (losses) on disposal of assets not classified as non-current assets held for sale | | 144.175.882 |
| 18. Negative goodwill on business combinations | | — |
| 19. Gains (losses) on disposal of non-current assets held for sale not classified as discontinued operations | | 1.919.580.255 |
| D) Profit before tax | | 4.214.235.885 |
| 20. Income tax | | (63.423.383) |
| 21. Obligatory allocation to social works and funds | | — |
| E) Profit for the year from continuing operations | | 4.150.812.502 |
| 22. Profit (loss) from discontinued operations (net) | | — |
| F) Net income for the year | | 4.150.812.502 |

Proposed distribution of income as of December 31, 2009

Euros

| | |
|--|---------------|
| Profit before tax | 4.214.235.885 |
| Income tax | (63.423.383) |
| Profit for the year from continuing operations | 4.150.812.502 |
| <i>Distribution</i> | |
| Voluntary reserves | 28.927.648 |
| Dividend | 4.121.884.854 |

Banco Santander, S.A. balance sheet at December 31, 2009
after allocation of income

Euros

Assets

| | | |
|---|-----------------|------------------------|
| 1. Cash and balances with central banks | | 6.626.871.067 |
| 2. Financial assets held for trading | | 57.262.358.319 |
| 2.1 Loans and advances to credit institutions | — | |
| 2.2 Loans and advances to customers | 98.834.735 | |
| 2.3 Debt instruments | 21.301.378.939 | |
| 2.4 Equity instruments | 3.301.249.622 | |
| 2.5 Trading derivatives | 32.560.895.023 | |
| Memorandum item: Loaned or in guarantee | 3.408.272.636 | |
| 3. Other financial assets at fair value through profit or loss | | 20.417.004.168 |
| 3.1 Loans and advances to credit institutions | 18.967.615.319 | |
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| 3.3 Debt instruments | — | |
| 3.4 Equity instruments | — | |
| Memorandum item: Loaned or in guarantee | 9.923.883.573 | |
| 4. Available-for-sale financial assets | | 27.973.897.284 |
| 4.1 Debt instruments | 26.577.648.459 | |
| 4.2 Equity instruments | 1.396.248.825 | |
| Memorandum item: Loaned or in guarantee | 416.383.000 | |
| 5. Loans And Receivables | | 224.583.741.491 |
| 5.1 Loans and advances to credit institutions | 45.328.120.661 | |
| 5.2 Loans and advances to customers | 173.195.783.662 | |
| 5.3 Debt instruments | 6.059.837.167 | |
| Memorandum items: Loaned or in guarantee | 428.368.636 | |
| 6. Held- to- maturity investments | | — |
| Memorandum items: Loaned or in guarantee | — | |
| 7. Changes in the fair value of hedged items in portfolio hedges of interest rate risk | | — |
| 8. Hedging derivatives | | 3.856.869.977 |
| 9. Non-current assets held for sale | | 643.399.148 |
| 10. Investments | | 67.430.283.886 |
| 10.1 Associates | 5.595.001.725 | |
| 10.2 Jointly controlled entities | 501.245.670 | |
| 10.3 Group | 61.334.036.491 | |
| 11. Insurance contracts linked to pensions | | 2.987.524.298 |
| 13. Tangible assets | | 1.338.599.524 |
| 13.1 Property, plant and equipment | 1.336.161.491 | |
| 13.1.1 For own use | 740.705.925 | |
| 13.1.2 Leased out under an operating lease | 595.455.566 | |
| 13.2 Investment property | 2.438.032 | |
| Memorandum item: Acquired under a finance lease | 465.632.454 | |
| 14. Intangible assets | | 16.635.875 |
| 14.1 Goodwill | — | |
| 14.2 Other intangible assets | 16.635.875 | |
| 15. Tax assets | | 2.196.597.778 |
| 15.1 Current | 111.810.200 | |
| 15.2 Deferred | 2.084.787.578 | |
| 16. Other assets | | 735.109.088 |
| Total assets | | 416.068.891.902 |



Banco Santander, S.A. balance sheet at December 31, 2009
after allocation of income

Euros

Liabilities

| | | |
|---|-----------------|------------------------|
| 1. Financial liabilities held for trading | | 38.230.752.400 |
| 1.1 Deposits from central banks | — | |
| 1.2 Deposits from credit institutions | — | |
| 1.3 Customer deposits | — | |
| 1.4 Marketable debt securities | — | |
| 1.5 Trading derivatives | 35.653.742.687 | |
| 1.6 Short positions | 2.577.009.713 | |
| 1.7 Other financial liabilities | — | |
| 2. Other financial liabilities at fair value through profit or loss | | 32.820.537.373 |
| 2.1 Deposits from central banks | 8.303.536.898 | |
| 2.2 Deposits from credit institutions | 16.867.364.409 | |
| 2.3 Customer deposits | 7.649.636.066 | |
| 2.4 Marketable debt securities | — | |
| 2.5 Subordinated liabilities | — | |
| 2.6 Other financial liabilities | — | |
| 3. Financial liabilities at amortised cost | | 288.658.031.451 |
| 3.1 Deposits from central banks | 14.337.800.095 | |
| 3.2 Deposits from credit institutions | 53.300.227.995 | |
| 3.3 Customer deposits | 149.972.468.164 | |
| 3.4 Marketable debt securities | 27.393.634.931 | |
| 3.5 Subordinated liabilities | 32.491.048.512 | |
| 3.6 Other financial liabilities | 11.162.851.755 | |
| 4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk | | — |
| 5. Hedging derivatives | | 1.625.653.964 |
| 6. Liabilities associated with non-current assets held for sale | | — |
| 8. Provisions | | 8.414.537.966 |
| 8.1 Provision for pensions and similar obligations | 6.938.350.300 | |
| 8.2 Provisions for taxes and other legal contingencies | 280.858.915 | |
| 8.3 Provisions for contingent liabilities and commitments | 585.847.952 | |
| 8.4 Other provisions | 609.480.799 | |
| 9. Tax liabilities | | 140.254.351 |
| 9.1 Current | — | |
| 9.2 Deferred | 140.254.351 | |
| 11. Other liabilities | | 1.823.011.705 |
| Total liabilities | | 371.712.779.209 |

Equity

| | | |
|--|----------------|------------------------|
| 1. Shareholders' equity | | 44.277.828.507 |
| 1.1 Capital or endowment fund (a) | 4.114.413.068 | |
| 1.1.1 Registered | 4.114.413.068 | |
| 1.1.2 Less: Uncalled capital | — | |
| 1.2 Share premium | 29.305.256.656 | |
| 1.3 Reserves | 3.718.727.870 | |
| 1.4 Other equity instruments | 7.139.430.914 | |
| 1.4.1 Equity component of compound financial instruments | — | |
| 1.4.3 Other | 7.139.430.914 | |
| 1.5 Less: Treasury shares | (29.126.265) | |
| 1.6 Income for the year | — | |
| 1.7 Less: Dividends and remunerations | — | |
| 2. Valuation adjustments | | 107.410.450 |
| 2.1 Available-for-sale financial assets | 125.987.436 | |
| 2.2 Cash flow hedges | (1.702.905) | |
| 2.3 Hedges of net investments in foreign operations | (16.874.081) | |
| 2.4 Exchange differences | — | |
| 2.5 Non-current assets held for sale | — | |
| 2.7 Other valuation adjustments | — | |
| Total equity | | 44.356.112.692 |
| Total liabilities and equity | | 416.068.891.902 |

Pro-memoria

| | |
|----------------------------------|------------------------|
| 1. Contingent liabilities | 113.726.604.135 |
| 2. Contingent commitments | 59.521.163.545 |