

Annual Report on
Corporate Governance
2008



Annual Report on Corporate Governance

A. Ownership structure

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

Date of last modification	Share capital (Euros)	Number of Shares	Number of voting rights
03/12/2008	3,997,029,701.50	7,994,059,403	7,994,059,403

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

Yes No

At 31 December 2008 the Bank's share capital is represented by 7,994,059,403 shares of EUR 0.50 each par value each.

In 2009, as authorised by the extraordinary general meeting of 26 January, 161,546,320 new shares were issued allowing the agreements reached with Sovereign Bancorp Inc. to be carried out to acquire the percentage interest that Banco Santander did not hold.

Following this transaction, the share capital of the Bank is EUR 4,077,802,861.50, represented by 8,155,605,723 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 December 31 2008, the only shareholders with an interest greater than 3% appearing in the Company's Shareholder Register were Chase Nominees Limited, EC Nominees Ltd, State Street Bank and Trust and Société Générale, with 10.73%, 8.61%, 7.56% and 3.08%, respectively.

However, the Company believes that such shares 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 December 31 2008, 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 (proportional voting) (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%.

Other than in the cases mentioned above, no shareholder holds an interest equal to or greater than the required 5.26%.

Therefore, the Bank is not aware of the existence of shareholders with significant shareholdings at December 31, 2008.

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

During 2008, the Bank made two rights issues, on 10 October and 3 December, issuing 140,950,944 and 1,598,811,880 new shares, respectively, representing 1.763% and 20% of the Company's share capital at year end 2008. The first increase was for the acquisition of Alliance and Leicester while the second was to strengthen the Bank's balance sheet.

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



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

Below is the breakdown of the percentage interest that the directors hold or represent in the Bank's share capital at 31 December 2008.

Name or corporate name of director	Held directly	Held indirectly (*)	Total as % of share capital
Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos	7,991,418	166,267,027	2.420 ⁽¹⁾
Mr. Fernando de Asúa Álvarez	34,332	55,625	0.001
Mr. Alfredo Sáenz Abad	658,110	1,243,532	0.024
Mr. Matías Rodríguez Inciarte	804,640	158,431	0.012
Mr. Manuel Soto Serrano	56,686	338,340	0.005
Assicurazioni Generali S.p.A.	12,243,277	78,534,810	1.136
Mr. Antonio Basagoiti García-Tuñón	700,000	0	0.009
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea	4,994,461	4,024,136	0.000 ⁽¹⁾
Mr. Javier Botín-Sanz de Sautuola y O'Shea	4,793,481	5,350,000	0.000 ⁽¹⁾⁽²⁾
Lord Burns (Terence)	100	27,001	0.000
Mr. Guillermo de la Dehesa Romero	100	0	0.000
Mr. Rodrigo Echenique Gordillo	651,598	9,180	0.008
Mr. Antonio Escámez Torres	749,359	0	0.009
Mr. Francisco Luzón López	1,167,071	48,000	0.015
Mr. Abel Matutes Juan	122,048	2,588,937	0.034
Mr. Juan Rodríguez Inciarte	1,264,197	0	0.016
Mr. Luis Ángel Rojo Duque	1	0	0.000
Mr. Luis Alberto Salazar-Simpson Bos	183,750	5,580	0.002
Ms. Isabel Tocino Biscarolasaga	15,140	0	0.000

(1) Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos is attributed the voting rights of 108,191,035 shares owned by the Marcelino Botín Foundation (1.35% of the share capital), 8,096,742 shares held by Mr. Jaime Botín-Sanz de Sautuola y García de los Ríos, 9,018,597 shares held by Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea, of 9,042,777 shares held by Mr. Emilio Botín-Sanz de Sautuola y O'Shea and of 10,143,481 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 Entity, these holdings, in the column relating to the total percentage of share capital held, are included 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 2.420% of the share capital relating to the holdings of the 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 holding.

(*) 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	108,191,035	1.353%
Simancas, S.A.	5,266,945	0.066%
Puentepumar, S.L.	13,713,315	0.172%
Puente San Miguel, S.A.	3,275,605	0.041%
Latimer Inversiones, S.L.	18,144,408	0.227%
Bafimar, S.A.	536,200	0.007%
Mr. Jaime Botín-Sanz de Sautuola y García de los Ríos	8,096,742	0.101%
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea	4,994,461	0.062%
Cronje S.L. Unipersonal	4,024,136	0.050%
Mr. Emilio Botín-Sanz de Sautuola y O'Shea	9,042,777	0.113%
Mr. Javier Botín-Sanz de Sautuola y O'Shea	4,793,481	0.060%
Inversiones November, S.L.	5,350,000	0.067%
Total:	185,429,105	2.320%

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.	55,625	0.001%
Total:	55,625	0.001%

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	0.016%
Total:	1,243,532	0.016%

Name or corporate name of director
Matías Rodríguez Inciarte

Name or corporate name of the direct owner of the ownership interest	Number of direct voting rights	% of total voting rights
Familiares en primera línea de consanguinidad	76,806	0.001%
Cueto Calero SICAV, S.A.	81,625	0.001%
Total:	158,431	0.002%

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
Cónyuge	9,250	0.000%
Ace Global SICAV, S.A.	329,090	0.004%
Total:	338,340	0.004%

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 Iard, S.A.	21,760,000	0.272%
Generali Vie, S.A.	16,251,250	0.203%
La Estrella, S.A.	14,252,105	0.178%
Alleanza Assicurazioni, S.p.A.	12,664,902	0.158%
Volksfürsorge Deutsche Lebensversicherung AG	4,852,000	0.061%
Aachener und Münchener Lebensversicherung, AG	1,705,000	0.021%
Generali Versicherung, AG (A)	1,562,500	0.020%
Cosmos Lebensversicherung, AG	1,314,937	0.016%
INA Assitalia, S.p.A.	1,250,000	0.016%
Central Krankenversicherung, AG	1,187,500	0.015%
Banco Vitalicio de España	441,443	0.006%
Generali Versicherung, AG	437,500	0.005%
Toro Assicurazioni, S.p.A.	300,000	0.004%
Generali Belgium, S.A.	129,581	0.002%
Generali Holding Vienna, AG	111,000	0.001%
Generali Assurances Générales	100,000	0.001%
Generali Personenversicherungen, AG	100,000	0.001%
Generali Worldwide Insurance, Co. Ltd.	53,950	0.001%
Intesa Vita, S.p.A.	56,250	0.001%
Generali International Ltd	2,455	0.000%
Europ Assistance Portugal, S.A.	2,437	0.000%
Total:	78,534,810	0.982%

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	0.050%
Total:	4,024,136	0.050%

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 November, S.L.	5,350,000	0.067%
Total:	5,350,000	0.067%

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	0.000%
Total:	27,001	0.000%

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
Cónyuge	9,180	0.000%
Total:	9,180	0.000%

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.	48,000	0.001%
Total:	48,000	0.001%

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.A.	2,588,937	0.032%
Total:	2,588,937	0.032%

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.	5,580	0.000%
Total:	5,580	0.000%

Total % of share capital held by the board of directors	3.691%
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Complete the following tables on the members of the Company's board of directors that hold rights over company shares:

I-06 Long-term Incentive Plan

At the date of this report, the I-06 Long-term Incentive Plan has been cancelled, since the period for the execution of this plan has now ended (from 15 January 2008 to 15 January 2009).

Under this plan, a total of 3,767,792 share options had initially been granted to the directors (541,400 to Emilio Botín-Sanz de Sautuola y García de los Ríos, 1,209,100 to Alfredo Sáenz Abad, 665,200 to Matías Rodríguez Inciarte, 293,692 to Ana Patricia Botín-Sanz de Sautuola y O'Shea, 639,400 to Francisco Luzón López and 419,000 to Juan Rodríguez Inciarte) of which the balance at 31 December 2008⁽¹⁾ for each of the directors was the following:

Name or corporate name of director	Number of direct share options	Number of indirect share options	Equivalent number of shares	% of total voting rights
Mr. Alfredo Sáenz Abad	1,209,100	–	1,209,100	0.015%
Mr. Matías Rodríguez Inciarte	332,600	–	332,600	0.004%
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea ⁽²⁾	293,692	–	293,692	0.004%
Mr. Francisco Luzón López	339,400	–	339,400	0.004%

(1) The number of share options in the previous table coincides with those that reached maturity due to the ending of the exercise period (15 January 2009) for the I-06 Plan and which were not exercised.

(2) The options belonging to Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea, as a beneficiary of the I-06 Plan, amounted to 293,692 share options (the number of options if exercised would represent 0.004% of the Bank's share capital at year end 2008). The amount, which was approved at the Banesto general shareholders' meeting of 26 February 2006 based on a proposal submitted by the board of directors, is in accordance with the limit fixed at the Bank's general shareholders' meeting of 18 July 2005.

Performance Shares Plan and Shares Related to Mandatory Investment Plan

The general shareholders' meeting of 23 June 2007 authorised 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, available to the Group's senior management including the Bank's executive directors, linked to certain requirements of permanence or changes in total shareholder return and earnings per share of the Bank.

The general shareholders' meeting of 21 June 2008 has approved the third cycle of a Performance Shares Plan (Plan I-11) and the second cycle of the Shares Related to Mandatory Investment Plan.

a) Performance Shares Plan:

The maximum number of shares to be awarded to each director under the first three cycles of this programme (Plans I-09, I-10 and I-11) is the following:

Name or corporate name of director	Plan I-09 (number of shares)	% of total voting rights	Plan I-10 (number of shares)	% of total voting rights	Plan I-11 (number of shares)	% of total voting rights
Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos	41,785	0.001%	62,589	0.001%	68,848	0.001%
Mr. Alfredo Sáenz Abad	110,084	0.001%	164,894	0.002%	189,628	0.002%
Mr. Matías Rodríguez Inciarte	53,160	0.001%	79,627	0.001%	87,590	0.001%
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea ⁽¹⁾	27,929	0.001%	41,835	0.001%	46,855	0.001%
Mr. Francisco Luzón López	44,749	0.001%	67,029	0.001%	77,083	0.001%
Mr. Juan Rodríguez Inciarte	43,322	0.001%	64,983	0.001%	50,555	0.001%

(1) Without prejudice to the Banesto shares that might correspond to Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea under the plans approved at Banesto's general shareholders' meeting of June 27 2007, the maximum number of shares referred to in the preceding table corresponding to this executive director, relating to Plans I-09 and I-10, must be submitted for approval at the said meeting. The maximum number of shares corresponding to her under Plan I-11 must be submitted for approval at Banesto's general shareholders' meeting.

b) Shares Related to Mandatory Investment Plan:

The number of shares acquired by each director under the first two cycles of the Shares Related to Mandatory Investment Plan is as follows:

Name or corporate name of director	1st cycle (number of shares acquired)	% of total voting rights	2nd 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%
Mr. Alfredo Sáenz Abad	37,324	0.000%	47,692	0.001%
Mr. Matías Rodríguez Inciarte	20,195	0.000%	25,159	0.000%
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea ⁽¹⁾	13,610	0.000%	16,956	0.000%
Mr. Francisco Luzón López	22,214	0.000%	27,675	0.000%
Mr. Juan Rodríguez Inciarte	14,617	0.000%	14,738	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 maximum number of shares for Ms. Ana Patricia Botín Sanz de Sautuola y O'Shea for the second cycle of this plan will also be submitted to the shareholders at the Banesto general shareholders' meeting for approval.

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 due to reasons 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 due to reasons 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 Emilio Botín-Sanz de Sautuola y García de los Ríos, Ana Patricia Botín-Sanz de Sautuola y O'Shea, Emilio Botín-Sanz de Sautuola y O'Shea, 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 (0.555% of its capital at 2008 year-end). In addition, as established in clause one of the agreement, the syndication will be extended, 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 2008, a further 32,352,043 shares (0.405% of the Bank's share capital) were included in the syndicate.

At any given time, the chairman of the syndicate is the person then presiding over the Marcelino Botín Foundation, currently 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 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
9,106,853	55,383,020	0.807%

(*) Through: (see next table)

Name or corporate name of the direct owner of the ownership interest	Number of direct shares
Pereda Gestión, S.A.	53,597,918
Banco Español de Crédito, S.A.	236,202
Santander Investment Securities, Inc.	1,548,900

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

Date notified	Total number of direct shares acquired	Total number of indirect shares acquired	% of total share capital
25/02/08	28,620,902	34,143,851	1.003%
25/02/08	14,512,251	50,851,246	1.044%
25/02/08	23,504,972	40,289,576	1.021%
08/04/08	10,550,339	55,353,635	1.052%
08/05/08	25,815,685	41,884,677	1.084%
03/10/08	19,529,561	49,108,863	1.098%
03/10/08	22,448,666	40,405,752	1.006%
03/10/08	9,924,739	55,822,149	1.051%
28/10/08	14,570,922	56,068,685	1.104%
01/12/08	16,342,458	52,775,410	1.081%
18/12/08	6,359,729	73,611,744	1.000%

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 €)	12,249 ^(*)

(*) The after tax net effect generated by transactions in shares issued by the Bank in 2008 (EUR 12,249 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 2008 was provided by resolution no. 5 adopted at the annual general meeting held on 23 June 2007, and by resolution no. 5 adopted at the annual general meeting of 21 June 2008.

Resolution no. 5 adopted at the annual general meeting of 23 June 2007 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 17 June 2006 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-in, at a minimum price per share equal to the par value and a maximum of up to 3% over the listing price on the Electronic Market of the Spanish Stock Exchanges (including the block market) on the date of acquisition. This authorisation can 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 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 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."*

Treasury Stock Policy

The Company's board of directors, at its meeting on 21 June 2008 approved the formal rules of its treasury stock policy, as set forth below:

- "1. Operations 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. Buy and sell orders may not be made simultaneously on treasury stock.*
 - d. 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 operations 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 (paragraph 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 (subparagraphs c and d), 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 managing director."

In any event, treasury stock transactions may not be used as a form of safeguarding.

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

The first paragraph of Article 26.1 of the Company 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 Company 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."

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.

As is the case with all other Spanish credit institutions, there are legal restrictions on the transfer of shares, since Articles 57 and 58 of Law 26/1988, of 29 July, on Discipline and Intervention of Credit Institutions apply to the Bank. These Articles provide that any acquisition of a significant ownership interest in a credit institution must previously be notified to the Bank of Spain, which in certain circumstances has a right to object to the acquisition.

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 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	Date of last appointment	Election procedure
Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos	N/A	Chairman	4.07.60	21.06.08	Annual general meeting
Mr. Fernando de Asúa Álvarez	N/A	First vice chairman	17.04.99	17.06.06	Annual general meeting
Mr. Alfredo Sáenz Abad	N/A	Second vice chairman	11.07.94	17.06.06	Annual general meeting
Mr. Matías Rodríguez Inciarte	N/A	Third vice chairman	7.10.88	18.06.05	Annual general meeting
Mr. Manuel Soto Serrano	N/A	Fourth vice chairman	17.04.99	18.06.05	Annual general meeting
Assicurazioni Generali S.p.A.	Mr. Antoine Bernheim	Member	17.04.99	23.06.07	Annual general meeting
Mr. Antonio Basagoiti García-Tuñón	N/A	Member	26.07.99	23.06.07	Annual general meeting
Mrs. Ana Patricia Botín-Sanz de Sautuola y O'Shea	N/A	Member	4.02.89	17.06.06	Annual general meeting
Mr. Javier Botín-Sanz de Sautuola y O'Shea	N/A	Member	25.07.04	18.06.05	Annual general meeting
Lord Burns (Terence)	N/A	Member	20.12.04	17.06.06	Annual general meeting
Mr. Guillermo de la Dehesa Romero	N/A	Member	24.06.02	18.06.05	Annual general meeting
Mr. Rodrigo Echenique Gordillo	N/A	Member	7.10.88	17.06.06	Annual general meeting
Mr. Antonio Escámez Torres	N/A	Member	17.04.99	23.06.07	Annual general meeting
Mr. Francisco Luzón López	N/A	Member	22.03.97	23.06.07	Annual general meeting
Mr. Abel Matutes Juan	N/A	Member	24.06.02	18.06.05	Annual general meeting
Mr. Juan Rodríguez Inciarte ⁽¹⁾	N/A	Member	28.01.08	21.06.08	Annual general meeting
Mr. Luis Ángel Rojo Duque	N/A	Member	25.04.05	21.06.08	Annual general meeting
Mr. Luis Alberto Salazar-Simpson Bos	N/A	Member	17.04.99	21.06.08	Annual general meeting
Ms. Isabel Tocino Biscarolasaga	N/A	Member	26.03.07	23.06.07	Annual general meeting

Representative: N/A: Not applicable.

(1) Appointment by co-option of Mr. Juan Rodríguez Inciarte was ratified by the shareholders at the annual general Meeting, held on 21 June 2008, who re-elected him for a period of five years.

Total number of directors	Nineteen
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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^(*).

In 2008, the following changes were made to the composition of the board of directors and the offices held:

- a) At the board meeting of 28 January 2008, and at the proposal of the appointments and remuneration committee on January 21 2008, Juan Rodríguez Inciarte was appointed director of the Bank, covering, via co-option, the vacancy left by the resignation of Mutua Madrileña Automovilista.

Juan Rodríguez Inciarte accepted the position of director on 24 March 2008

The appointment was put forward by the board of directors at its meeting on 16 April and was approved at the annual general meeting of 21 June 2008. In addition, he was re-elected for a period of five years.

(*) At its meeting on 23 March 2009 the board of directors resolved to approve new Rules and Regulations of the Board in order to adapt certain aspects of its internal rules to the Bylaws approved at the annual general meeting on 21 June 2008. Any reference in this report to the Rules and Regulations of the board of directors will relate to the new wording. The new Rules and Regulations of the board of directors are available on the Group's website www.santander.com.



b) On 24 March 2008, the board, at the proposal of the appointments and remuneration committee, approved the appointment of Juan Rodríguez Inciarte as a member of the risk committee, to cover the vacancy left by the resignation of Rodrigo Echenique Gordillo.

c) The appointments and remuneration committee, as its meeting on 16 April 2008, after analysing the performance of their duties, proposed the re-election of Emilio Botín-Sanz de Sautuola y García de los Ríos, Luis Ángel Rojo Duque and Luis Alberto Salazar-Simpson Bos, as executive director in the first case and external independent directors in the case of the other two.

At the same meeting the committee proposed the ratification of the appointment of Juan Rodriguez as executive director.

The proposals by the appointments and remuneration committee were approved by the board of directors and the annual general meetings of 21 April and 21 June 2008, 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 board 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 Mr. Alfredo Sáenz Abad	Appointments and remuneration Appointments and remuneration	Executive chairman 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 % of the board	6 32%
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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. Mr. Javier Botín-Sanz de Sautuola y O'Shea	Appointments and remuneration Appointments and remuneration	Assicurazioni Generali S.p.A. 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. 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 % of the board	2 11%
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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 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 of director	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 Compañía Española de Petróleos (CEPSA) and non-executive vice chairman 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 Cartera Industrial REA, S.A. and of Corporación Financiera Alba. He is also the President of the Board of Advisors of Mercapital, S.L. and non-executive board member for Grupo Lar Inversiones Inmobiliarias. He has also been chairman of the global board of directors for Arthur Andersen and director of EMEA and India for the same firm.
Mr. Antonio Basagoiti García-Tuñón	Appointments and remuneration	Born in 1942 in Madrid. Graduate in Law. Other relevant positions: former chairman of Unión Fenosa where he is currently honorary chairman. Also non-executive proprietary vice chairman of Faes Farma, non-executive director of Pescanova and a member of the external advisory board of A.T. Kearney.
Mr. Guillermo de la Dehesa Romero	Appointments and remuneration	Born in 1941 in Madrid. Government Commercial Expert and Economist and office manager at the Bank of Spain's (on leave). Main activity: International advisor for Goldman Sachs. Other relevant positions: Secretary of State for Economy, General Secretary of Commerce, Chief Executive Officer of Banco Pastor. He is currently a non-executive director of Campofrío Alimentación S.A., chairman of the Centre for Economic Policy Research (CEPR) of London, a member of the Group of Thirty in Washington and chairman of the board of Instituto de Empresa. He also non-executive chairman of AVIVA Vida y Pensiones, S.A., a non-executive director of Goldman Sachs Europe Ltd.
Mr. Antonio Escámez Torres	Appointments and remuneration	Born in 1951 in Alicante. Graduate in Law. Other relevant positions: chairman of Banco Santander Foundation, a non-executive chairman of Santander Consumer Finance, non-executive chairman of Open Bank Santander Consumer, non-executive vice-chairman of Attijariwafa Bank and non-executive chairman of Arena Media Communications.
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., Eurizon Financial Group 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 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 Group of Wise Men appointed by the ECOFIN Council to study the integration of European financial markets and a member of the Royal Academy of Moral and Political Sciences and of the Spanish Royal Academy of Language.
Mr. Luis Alberto Salazar-Simpson Bos	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. Other relevant positions: non-executive director of Mutua Madrileña Automovilista y de Mutuactivos Pensiones, S.A., SGFP.
Ms. Isabel Tocino Biscarolasaga	Appointments and remuneration	Born in 1949 in Santander. Main activity: Professor at the Complutense University of Madrid. Doctor in Law. She has undertaken graduate studies in business administration at IESE and Harvard. 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. At present, she is also an elected member of the Spanish State Council, a non-executive director of Climate Change Capital 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 % of the board	9 47%
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Other external directors

Name or corporate name of director	Committee proposing appointment
Lord Burns (Terence)	Appointments and remuneration
Mr. Rodrigo Echenique Gordillo	Appointments and remuneration

Total number of other external directors % of the board	2 11%
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List the reasons why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders:

Mr. Rodrigo Echenique Gordillo is an external non-proprietary director as he currently receives remuneration as a member of the board of directors of a subsidiary of the Group, Banco Banif. The board of directors, based on a report by the appointments and remuneration committee, deems that he cannot be classified as an independent director.

Lord Burns, who is in the same situation, as a non-executive chairman of Abbey National and Alliance & Leicester plc receives remunerations over and above that as a director of the Bank.

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

No changes occurred in the category of each director between 1 January 2008 and the date that this report was approved.

Name or corporate name of director	Date of change	Previous category	Current category
–	–	–	–

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 their 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 as follows:

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, compensation 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 (*)
	Universia Perú, S.A.	Chairman (*)
	Universia Puerto Rico, Inc.	Chairman (*)
	Universia Holding, S.L.	Chairman (*)
Mr. Alfredo Sáenz Abad	Banco Banif, S.A.	Chairman (*)
	Santander Investment, S.A.	Vice chairman (*)
Mr. Matías Rodríguez Inciarte	Banco Español de Crédito, S.A.	Director (*)
	Santander Seguros y Reaseguros Compañía Aseguradora, S.A.	Director (*)
	UCI, S.A.	Chairman (*)
	Santander Real Estate, S.A. S.G.I.I.C. (1)	Chairman (*)
	Banco Santander Totta, S.A.	Vice chairman (*)
	Santander Totta, SGPS, S.A.	Vice chairman (*)
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea	Banco Español de Crédito, S.A.	Chairman
	Santander Investment, S.A.	Director (*)
	BSN- Banco Santander de Negócios Portugal, S.A.	Director (*)
Lord Burns (Terence)	Abbey National plc	Chairman (*)
	Alliance & Leicester plc	Chairman (*)
Mr. Rodrigo Echenique Gordillo	Banco Banif, S.A.	Second vice chairman (*)
	Santander Investment, S.A.	Director (*)
	Allfunds Bank, S.A.	Vice chairman (*)
	Banco Santander International	Director (*)
	Banif Inmobiliario, S.A.U.	Chairman (*)
Mr. Antonio Escámez Torres	Santander Consumer Finance, S.A.	Chairman (*)
	Open Bank Santander Consumer, S.A.	Chairman (*)
	Grupo Konectanet, S.L.	Representative ⁽²⁾
Mr. Francisco Luzón López	Grupo Financiero Santander, S.A. de C.V.	Director (*)
	Banco Santander (México), S.A. (3)	Director (*)
	Casa de Bolsa Santander, S.A. de C.V.	Director (*)
	Portal Universia, S.A.	Director (*)
	Banco Santander International	Director (*)
	Santander Investment Securities, Inc	Director (*)
	Universia Holding, S.L.	Vice chairman (*)
	Universia México, S.A. de C.V.	Vice chairman (*)
	Servicios Universia Venezuela, SUV, S.A.	Director (*)
	Portal Universia Portugal - Prestação de Serviços Informáticos, S.A.	Director (*)
Universia Perú, S.A.	Director and vice chairman (*)	
Mr. Juan Rodríguez Inciarte	Abbey National plc	Vice chairman (*)
	Santander Consumer Finance, S.A.	Director (*)
	Banco Banif, S.A.	Director (*)
	Alliance & Leicester plc	Director (*)
	Vista Capital de Expansión, S.A.	Director (*)

(*) Non executive.

(1) Replaced by Mr. Joan David Grimà as chairman and director of Santander Real Estate, S.A. S.G.I.I.C. in January 2009.

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

(3) Previously Banco Santander, S.A.

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	Compañía Española de Petróleos, S.A.	External director
Mr. Alfredo Sáenz Abad	Técnicas Reunidas, S.A.	External vice chairman
Mr. Matías Rodríguez Inciarte	Compañía Española de Petróleos, S.A.	External vice chairman
Mr. Manuel Soto Serrano	Financiera Ponferrada, S.A., SIM	External director
	Corporación Financiera Alba, S.A.	External director
	Indra Sistemas, S.A.	External vice chairman
	Cartera Industrial REA, S.A.	External director
Mr. Antonio Basagoiti García-Tuñón	Pescanova, S.A.	External director
	Faes Farma, S.A.	External vice chairman
	Unión Fenosa, S.A.	Honorary 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
Mr. Juan Rodríguez Inciarte	Compañía Española de Petróleos, 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 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 and evaluation of senior officers	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 2008, which is jointly distributed with the Santander Group 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	10,249
Variable remuneration	15,240
Statutory compensation (annual fees)	4,613
Attendance fees	1,354
Others, except life insurance premiums	899
Sub-total	32,355
Share options and/or other financial instruments	6,612
TOTAL:	38,967

Other benefits	In thousand €
Advances	–
Loans	4,231
Funds and pension plans: contributions	25,902 ⁽¹⁾
Funds and pension plans: obligations	231,212
Life insurance premiums	927
Guarantees issued by the Company in favour of directors	11

(1) Pay-outs made during 2008 for pensions amounting to EUR 11 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
Statutory compensation	–
Share options and/or other financial instruments	–
Other	651
TOTAL:	729

Other benefits	In thousand €
Advances	–
Loans	–
Funds and pension plans: contributions	1,072
Funds and pension plans: obligations	51,738
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	35,092	42
External proprietary	269	–
External independent	3,072	–
Other external	534	687
TOTAL:	38,967	729

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

Total remuneration received by directors (in thousand €)	39,696
Total remuneration received by directors/profit attributable (*) to parent company (%)	0.447%

(*) 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.

Name or corporate name	Post
Mr. Antonio Horta Osorio	Abbey
Mr. Marcial Portela Álvarez	America
Mr. Jesús M ^a Zabalza Lotina	America
Mr. David Arce Torres(*)	Internal Audit
Mr. Adolfo Lagos Espinosa	Global Wholesale Banking
Mr. Jorge Maortua Ruiz-López	Global Wholesale Banking
Mr. Gonzalo de las Heras Milla	Global Wholesale Banking
Mr. Javier Marín Romano	Global Private Banking
Mr. Juan Manuel Cendoya Méndez de Vigo	Communications, Corporate Marketing and Studies
Mr. José Antonio Álvarez Álvarez	Finance and Investor Relations
Mr. Joan David Grimà Terré	Asset Management
Mr. José Manuel Tejón Borrajo	Financial Accounting and Control
Mr. José Luis Gómez Alciturri	Human Resources
Mr. Enrique García Candelas	Santander España Network
Mr. José María Espí Martínez	Risk
Mr. Javier Peralta de las Heras	Risk
Ms. Magda Salarich Fernández de Valderrama	Santander Consumer Finance
Mr. Nuno Manuel da Silva Amado	Santander Totta
Mr. Ignacio Benjumea Cabeza de Vaca	General Secretariat
Mr. Juan Guitard Marín(*)	General Secretariat
Mr. César Ortega Gómez	General Secretariat
Mr. Jorge Morán Sánchez	Insurance
Mr. José María Fuster van Bendegem	Technology and Operations

(*) On 15 March 2009, Mr. David Arce Torres was replaced by Mr. Juan Guitard Marín as head of the internal audit. The latter in turn was replaced as head of the legal advisory by Mr. Jaime Pérez Renovales who was appointed executive vice president and general vice secretary of the board.

Also Ramón Tellaeché Bosch, deputy executive vice president of the Bank, is head of the payment methods division and José Antonio Villasante Cerro, deputy executive vice president, is head of the Santander Universities division.

Total remuneration received by senior management (in thousand €)	83.491 ^(*)
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(*) Includes the annual remuneration regardless of the number of months of service on the senior 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	29
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	Board of directors	General shareholders meeting
Body authorising clauses	X	

	Yes	No
Is the General Meeting informed of the clauses?	X	

The six executive directors have signed contracts with the Bank.

These are of an indefinite term. The 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 termination of the relationship with the Bank, the director will have the right to:

- In the case of Emilio Botín-Sanz de Sautuola y García de los Ríos, retirement with pension supplement. At 31 December 2008, this supplement would be EUR 1,878 thousand per annum (EUR 1,706 thousand and EUR 1,529 in 2007 and 2006, respectively).
- In the case of Alfredo Sáenz Abad, retirement or payment of severance equivalent to 40% of his fixed annual salary multiplied by the number of years' service with a Bank, up to a maximum of 10 times the fixed annual salary. At 31 December 2008, the amount corresponding to the first option would be EUR 4,973 thousand annually, while the amount corresponding to the second option would be EUR 35.9 million (EUR 4,257 thousand annually and EUR 31.3 million at 31 December 2007, respectively and EUR 3,657 thousand and EUR 27.2 million at 31 December 2006, respectively). These alternatives are mutually exclusive, so that if Alfredo Sáenz Abad chooses to receive the severance payment, he will not be entitled to the pension supplement.
- In the case of Matías Rodríguez Inciarte and Francisco Luzón López, early retirement with pension supplement. At 31 December 2008, this supplement would be EUR 2,416 thousand annually for Matías Rodríguez Inciarte and EUR 2,648 thousand annually for Francisco Luzón López (EUR 2,146 thousand and EUR 2,293 thousand respectively in 2007 and EUR 1,916 and EUR 1,972 respectively in 2006).
- In the case of 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 2008 this amount would be EUR 6,345 thousand (EUR 3,399 thousand at 31 December 2007 and EUR 4,120 thousand at 31 December 2006). If the resignation occurs for reasons attributable to the Bank, the director would accept early retirement and receive an annual payment. At 31 December 2008 this amount would be EUR 1,781 thousand annually. These alternatives are mutually exclusive, so that if Ana Patricia Botín-Sanz de Sautuola y O'Shea chooses to receive the severance payment, she will not be entitled to any payment.
- In the case of 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 2008 this amount would be EUR 4,792 thousand (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 2008 this amount would be EUR 958 thousand annually (EUR 930 thousand annually at 31 December 2007). These alternatives are mutually exclusive, so that if Juan Rodríguez Inciarte chooses to receive the severance payment, he will not be entitled to the pension supplement.



Those executive directors who opt for early retirement or retirement are entitled 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 (see note 5 c) of the Group’s legal annual 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 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 bylaws stipulated fees comprises an annual payment and attendance fees.

It has a combined limit of 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).

The Company Bylaws – Article 58.2 – approved by shareholders at the annual general meeting of 21 June 2008, established in this regard that the aggregate amount of one percent of the profit of the Company for the fiscal year would now act as the total limit for the annual amount and the attendance fees, whereas in previous fiscal years it had related only to the annual amount.

Concerning this type of remuneration, at the board meeting held on 22 December 2008, 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 annual payments 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 forth 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.

By resolution dated 17 December 2008, the appointments and remuneration committee proposed to set the amount of the fees for attending its 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 22 December 2008.

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 report 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 on shares or options.

The compensation linked to shares for the Bank approved during 2008 was done so at the annual general meeting of 21 June 2008, as described below.

Following recommendation from board of directors at their meeting on 21 April 2008 and the appointments and remuneration committee proposal at their meeting on 16 April 2008, the shareholders at the 2008 annual general



meeting authorised the deployment of the third cycle of the Performance Shares Plan (Plan I-11), the second cycle of the Shares Related to Mandatory Investment Plan, and the selective grant of up to 1,900,000 shares (representing 0.023% of the Bank's capital), establishing a maximum total limit of 19,960,000 shares for distribution in these programmes, equivalent to 0.245% of the Bank's share capital (the "Total Limit").

1. Third cycle (Plan I-11) of the Performance Shares Plan

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

(i) Beneficiaries: The executive directors, the remaining members of senior management, and such other executives of the Santander Group (excluding Banesto) as are determined by the board of directors, or the executive committee by delegation thereof. At 31 December 2008, the number of participants was 5,771, although the board of directors, or the executive committee by delegation thereof, may include (by promotion or admission to the Group) or exclude other persons, without changing the total number of shares authorised for distribution at any time.

(ii) Objectives: The objectives used to determine the number of shares for distribution (the "Objectives") are based on two parameters:

- a) Total Shareholder Return ("TSR"); and
- b) Growth in Earnings per Share ("EPS").

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 value, the share prices established in item (iii) below will be adopted.

Growth in EPS is deemed to be the percentage difference between earnings per ordinary share reported in the annual and consolidated financial statements at the beginning and the end of the comparison period, as established in item (iii) below.

At the end of the respective cycle, the TSR and the growth in EPS for Santander and each of the group institutions identified below (the "Benchmark Group") will be calculated and listed in decreasing order. Each of these parameters (TSR and EPS growth) will have a 50% weighting in determining 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	Santander's position in EPS growth rankings	Percentage shares earned of the maximum
1 st to 6 th	50%	1 st to 6 th	50%
7 th	43%	7 th	43%
8 th	36%	8 th	36%
9 th	29%	9 th	29%
10 th	22%	10 th	22%
11 th	15%	11 th	15%
12 th and over	0%	12 th and over	0%

The Benchmark Group comprises the following 21 institutions:

Bank	Country
Banco Itaú	Brazil
Bank of America	USA
Barclays	UK
BBVA	Spain
BNP Paribas	France
Citigroup	USA
Crédit Agricole	France
Deutsche Bank	Germany
HBOS	UK
HSBC Holdings	UK
Intesa Sanpaolo	Italy
JP Morgan Chase & Co.	USA
Lloyds TSB Group	UK
Mitsubishi	Japan
Nordea Bank	Sweden
Royal Bank of Canada	Canada
Royal Bank of Scotland Group	UK
Société Générale	France
UBS	Switzerland
Unicredito Italiano	Italy
Wells Fargo & Co.	USA

If any of the Benchmark Group institutions are acquired by another company, cease to list their shares or are liquidated, they will be excluded from the Benchmark Group. If any of the Benchmark Group institutions are acquired by another company, cease to list their shares or are liquidated, they will be excluded from the Benchmark Group. In this case and any similar cases, comparison with the Benchmark Group will be conducted in a manner which, for each of the parameters studied (TSR and EPS growth), the maximum percentage of the shares will be earned if Santander falls within the first quartile (including the 25th percentile) of the Benchmark Group; no shares will be earned if Santander falls below the Benchmark Group median (50th percentile); a maximum of 30% of the shares will be earned at the median (50th percentile) and, at positions between (but not including) the median (exclusive) and the first quartile (25th percentile exclusive), the shares earned will be calculated by linear interpolation.

(iii) Duration: The third cycle will cover the years 2008, 2009 and 2010. Therefore, the objectives linked to TSR will use the daily average weighted volume of the average weighted listing prices for the 15 trading sessions prior to 1 April 2008 (exclusive) (to calculate the initial value) and the 15 trading sessions prior to 1 April 2011 (exclusive) (to calculate the final value) and the objectives linked to EPS growth. This will be taking into account the distorting effect that the exceptional circumstances experienced in international financial markets in 2007 had on the earnings at some of the Benchmark Group entities in 2007, and will use the consolidated financial statements for the year ending 31 December 2006 and the consolidated financial statements for the year ending 31 December 2010. 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 2011. Any distribution of shares will be made no later than 31 July 2011, 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 to be distributed to each of the beneficiaries shall, subject to other limitations, be the product of dividing a percentage of their fixed annual remuneration at 21 June 2008 by EUR 13.46 per share, which is the same as used for the two cycles approved in 2007.

For executive directors, the annual fixed compensation percentage will be 71%, except for Ana Patricia Botín-Sanz de Sautuola y O'Shea, to whom 70% of these percentages shall apply.

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

Executive directors	Number of shares
Mr. Emilio Botín-Sanz de Sautuola	68,848
Mr. Alfredo Sáenz Abad	189,628
Mr. Matías Rodríguez Inciarte	87,590
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea	46,855
Mr. Francisco Luzón López	77,083
Mr. Juan Rodríguez Inciarte	50,555

Without prejudice to the Banesto shares which correspond to Ana Patricia Botín-Sanz de Sautuola y O'Shea pursuant to the "Banesto Share Distribution Incentive Plan" approved by the shareholders, the maximum number of shares attributable to this executive director is the number stated in the preceding table.

The appointments and remuneration committee, on 17 December 2008, reported favourably on the regulations of the third cycle of the Performance Shares Plan, which was approved by the executive committee on 22 December 2008.

2. Second cycle of the Shares Related to Mandatory Investment Plan

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

(i) **Beneficiaries:** The executive committee, at its meeting of 26 January 2009, 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). Without prejudice to the foregoing, new participants may be included in the plan, without modifying its terms and conditions, following promotion, admission into the Group or for other reasons, at the discretion of the board of directors, or the executive committee by delegation thereof.

(ii) **Operation:** Beneficiaries must set aside 10% of their 2008 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 2009.

Retention of shares acquired by Mandatory Investment and participants' continued service within the Santander Group for a period of three years following said Mandatory Investment will entitle the participant to receive from the Bank or, as applicable, another Group company, an number of Santander shares equal to those initially acquired, i.e., based on a ratio of one share for each share acquired through the Mandatory Investment.

(iii) **Duration:** This second cycle corresponds to 2009-2011. The Bank will distribute shares, as applicable, between 1 January and 1 April, 2012, 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 number of shares acquired by Ana Patricia Botín-Sanz de Sautuola y O'Shea will be submitted for approval at the Banesto annual general meeting.

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

Executive directors	Number of shares
Mr. Emilio Botín-Sanz de Sautuola	19,968
Mr. Alfredo Sáenz Abad	47,692
Mr. Matías Rodríguez Inciarte	25,159
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea	16,956
Mr. Francisco Luzón López	27,675
Mr. Juan Rodríguez Inciarte	14,738

3. Selective Share Delivery Plan

The annual general meeting of 21 June 2008 authorised that, for a period of 12 months from implementation thereof, commitments may be undertaken to deliver up to a maximum of 1,900,000 shares of the Bank (representing 0.023% of the Bank's current capital) 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.

The Bank was not obliged to distribute any shares as set forth under this heading at year-end 2008.

The limit authorised by the annual general meeting on 23 June 2007 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 executive, 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 No

	Yes	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	

In the Company Bylaws approved at the annual general meeting of 21 June 2008, a new Article was added, number 59, which, in its first section, expressly stipulates that the board of directors shall prepare report on the compensation policy for the directors. This report will detail the criteria and principles on which the collegiate environment or the board is to be based and the compensation due to individual members of the board for the last fiscal year and the current year, making this report available to the shareholders at the annual general meeting.

Although the preparation of this report has been stated in the Rules and Regulations of the Board, the report then become bylaw-mandated reaffirming the Bank's commitment to transparency.

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 in 2008.

The 2009 report is published as part of the appointments and remuneration committee 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 No

Issues covered in the remuneration policy report

The board of directors considers the complete acceptance of recommendation 40 of the Unified Code inappropriate, as it is understood that this may affect the necessary precision and clarity in dividing the areas of competency of the board and the annual general meeting. This could result in legally difficult situations, since this consultative vote at the annual general meeting or any possible effects from the rejection of a proposal by the annual general meeting are not regulated by Spanish law.

However, Articles 59.1 of the Bylaws and 29.1. 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 2009 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 2009 and the variable compensation for 2008 for executive directors, including the chairman and the chief executive officer of the Bank.

The board considers transparency to be of the utmost importance regarding compensation, and this has been its policy for years. This principle is perfectly compatible with a clear and precise division in terms of competencies between the board of directors and the annual general meeting, in accordance with the law and Bylaws.

Therefore, although previously set out in the Rules and Regulations of the Board, and as part of the Bank's practices for several years, shareholders at the annual general meeting of 21 June 2008 voted to make it bylaw mandatory to report on the individual compensation received by each director, specifying the amounts corresponding to each compensation item has become bylaw-mandated.

The individual breakdown per compensation item for the board of directors, including executives, for 2008 is published in note 5 of the Group's financial statements and in the format established by CNMV Circular 4/2007 in sections B.1.11 of this report.

Role of the appointments and 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 2009 which has been approved by the board.

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 institutions, given the Group's size, characteristics and activities. The appointments and remuneration committee and the board of directors received assistance from Towers Perrin in drawing up the report on compensation policy of directors. In addition, the proposal for fixed and variable (or bonus) remuneration for executive directors put forward by the appointments and remuneration committee at its meeting on 17 December 2008 took into account market information and advisory provided by Towers Perrin.

	Yes	No
Have external consultancy firms been used?	X	
Identity of external consultants	Towers Perrin	



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 will highlight 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. represented on the board by Mr. Antoine Bernheim	Assicurazioni Generali S.p.A.	Chairman

(*) Position of representative on the board of directors of the Bank (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 and 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. 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
During 2008 the Rules and Regulations of the Board have not been amended.
However, at its meeting of 23 March 2009 the board of directors, based on previous reports from the audit and compliance committee and the appointments and remuneration committee, from their respective sessions on 17 March, resolved to approve new Rules and Regulations.
The amendments aim to adapt certain aspects of its internal rules to Bylaws approved at the annual general meeting on 21 June 2008.
The new Rules and Regulations of the board 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 nomination, 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 the creation of 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. 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 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 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 provisional appointment by the board (co-option), as mentioned above. The following persons may not hold the office of director: undischarged bankrupt traders and non-traders, minors and the incapacitated, persons sentenced to penalties disqualifying them from holding public office, those sentenced for gross breach of the law or of social provisions, persons barred from trading and government employees who discharge functions related to the Bank's specific activities. Directors must be persons of renowned commercial and professional integrity, competence and solvency. There is no age limits for directors. In addition, a majority of the members of the board must possess sufficient knowledge and experience in the area in which the Company carries out its activities. The board of directors understands that it is not advisable to limit, as a general recommendation, the mandate 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 individual 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 the appointments and remuneration committee, the board shall substantiate such decision and shall record the reasons therefore in the minutes.

Directors affected by proposals for appointment or re-election to 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, ratification 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 6 of the 19 directors are executive directors.
- (ii) A significant participation of independent directors is sought among the external directors (presently 9 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 2008, the directors represented 3.691% of the Company's share capital, and 2 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 (Article 6.1), 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 47% of the board.
- (iii) In addition to the foregoing, 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 ratification thereof.

Procedure for the succession of the chairman and the managing director.

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 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 allow the nominal appointment of successor 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 21 June 2008 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) Rodrigo Echenique Gordillo
- 2) Ana Patricia Botín-Sanz de Sautuola y O'Shea
- 3) Francisco Luzón López
- 4) Assicurazioni Generali S.p.A.
- 5) Antonio Escámez Torres
- 6) Luis Alberto Salazar-Simpson Bos
- 7) Antonio Basagoiti García-Tuñón
- 8) Guillermo de la Dehesa Romero
- 9) Abel Matutes Juan
- 10) Francisco Javier Botín-Sanz de Sautuola y O'Shea
- 11) Lord Burns
- 12) Luis Ángel Rojo Duque
- 13) Isabel Tocino Biscarolasaga
- 14) 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-evaluation

In 2008 the self-evaluation was carried out as in the previous year with the support of Spencer Stuart, it consisted of questionnaires and personal interviews with the directors. Also this year it, 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 managing director 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 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 managing director and the general managers 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. below) have a supervisory and monitoring role over the actions of the chairman and the managing director.
- 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 managing director 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 managing director 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

Explanation of 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 managing director.

Article 46 of the Bylaws

- 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.
- 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

- (...)
- 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 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.
(...)
- 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

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.		



Adopting resolutions

Description of resolution	Quorum	Type of majority
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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 an 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 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."

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 managing director or managing directors 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.

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 assume 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. It is believed that their length of service does not affect their independence.

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 annual general meeting.

In any event, at year-end 2008, the average length of service for the external independent directors amounted to 7.4 years, with the longest length of service on the board being 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 to the Company as the number of female directors is neither few nor zero.

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 basis 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 the female director 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 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	None

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	59
Number of meetings of the risk committee	102
Number of meetings of the audit and compliance committee	11
Number of meetings of the appointments and remuneration committee	7
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	0
% of non-attendances of the total votes cast during the year	0.0%



During 2008, there were six cases when a director failed to attend a board meeting.

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

Under this definition, the number of non-attendances was zero.

Below is an individual breakdown of the attendance at all board and committee meetings during 2008.

Directors	Board	Committees					
		Decision making		Informative			
		Ejecutiva	Risk	Audit and compliance	Appointments and remuneration	Technology, productivity and quality	International
<i>Average attendance:</i>	97.1%	90.5%	92.5%	90.9%	97.1%	100.0%	93.8%
<i>Individual attendance:</i>							
Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos	11/11	55/59	–	–	–	2/2	2/2
Mr. Fernando de Asúa Álvarez	11/11	58/59	94/102	11/11	7/7	2/2	–
Mr. Alfredo Sáenz Abad	11/11	56/59	–	–	–	2/2	2/2
Mr. Matías Rodríguez Inciarte	11/11	59/59	102/102	–	–	–	–
Mr. Manuel Soto Serrano	11/11	–	–	11/11	7/7	2/2	–
Assicurazioni Generali S.p.A. ⁽¹⁾	10/11	–	–	–	–	–	–
Mr. Antonio Basagoiti García-Tuñón	11/11	57/59	100/102	–	–	2/2	–
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea	11/11	51/59	–	–	–	2/2	1/2
Mr. Javier Botín-Sanz de Sautuola y O'Shea	11/11	–	–	–	–	–	–
Lord Burns (Terence)	10/11	–	–	–	–	–	–
Mr. Guillermo de la Dehesa Romero	11/11	51/59	–	–	7/7	–	2/2
Mr. Rodrigo Echenique Gordillo ⁽²⁾	10/11	46/59	19/24	–	6/7	–	2/2
Mr. Antonio Escámez Torres	11/11	57/59	92/102	–	–	2/2	2/2
Mr. Francisco Luzón López	11/11	43/59	–	–	–	–	2/2
Mr. Abel Matutes Juan	11/11	–	–	8/11	–	–	2/2
Mr. Juan Rodríguez Inciarte ⁽²⁾⁽³⁾	10/10	–	65/78	–	–	–	–
Mr. Luis Ángel Rojo Duque	8/11	–	–	10/11	7/7	–	–
Mr. Luis Alberto Salazar-Simpson Bos	11/11	–	–	10/11	–	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 Antoine Bernheim.

(2) Resigned from the risk committee on 24 March 2008, to be replaced by Juan Rodríguez Inciarte.

(3) Took over as member of the board of directors on 24 March 2008.

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 4 hours and of the technology, productivity and quality committee 4 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 2008, 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 10 meetings out of a total of 59 held that year.

B.1 .31. Indicate whether the individual and consolidated financial statements submitted for approval by the board are certified previously:

Yes 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 2008, which will be submitted at the annual general meeting in 2009 (with the first and second meetings scheduled to be held on 18 and 19 June, 2009, respectively), the audit and compliance committee, at its meeting held on 17 March 2009, following its review, showed its agreement and issued a favourable report before its preparation by the board, having being previously certified by the head of financial accounting, at the meeting held on 23 March 2009.

In addition, during 2008, and in particular at the meetings held on 16 April, 15 July and 15 October, 2008 and on 21 January 2009, the audit and compliance committee favourably reported the quarterly financial statements for 31 March, 30 June, 30 September and 31 December 2008, respectively. This was prior to its approval by the board and disclosure to the relevant markets and supervisory bodies. The quarterly financial statements for the Group expressly note that the audit and compliance 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 abridged financial statements for the first and second half of 2008. These have been prepared in accordance with the accountancy principles and regulations established under International Accounting Standards (IAS 34), interim financial information, as adopted by the European Union, for the preparation of interim consolidated financial statements, and in accordance with Article 12 of Royal Decree 1362/2007.

Pursuant to Article 159 of the Spanish Companies Act, (Ley de Sociedades Anónimas), and on occasion of the capital increases made by the Bank, excluding preferential subscription rights to finance the acquisition of Alliance and Leicester and Sovereign, audited and consolidated financial statements were prepared up to June 30 and September 30 with the same scope as the annual financial statements. These were duly reported by the audit and compliance committee at its meetings on 15 July and 19 November.

- Regular meetings with the auditor, both by the board of directors (three times in 2008) and by the audit and compliance committee. During 2008, 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 and 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, 2 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."

Article 35.1 and 5 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

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 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 Santander Group in 2008.

Article 35 of the Rules and Regulations of the Board governing relations with the external auditor mentioned above 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 2008 were as follows:

- Audit work and related services invoiced during 2008 for work carried out within the scope of consolidation amounted to EUR 25.2 million (EUR 25.8 million in 2007). For other companies incorporated into the Group during 2008 this amount was EUR 3.3 million.

The breakdown is as follows: i) audit of annual financial statements for the scope of consolidation (EUR 15.9 million in 2008 and EUR 15.9 million in 2007); ii) annual audit of Group companies during 2008 (EUR 2.3 million in 2008), iii) audit of internal control in compliance with the Basel regulatory capital requirements and the Sarbanes-Oxley Act (EUR 5.9 million in 2008 and EUR 6.2 million in 2007); and iv) other reports

required by legal and tax regulations enacted by the national supervisory bodies of the countries where the Group operates, among which especially noteworthy are the interim audits and the reports prepared in compliance with the requirements of the US securities market (other than under the Sarbanes-Oxley Act) (EUR 4.5 million in 2008 and EUR 3.7 million in 2007).

- In addition the amounts invoiced for audits of purchases and other corporate transactions (due diligence) climbed to EUR 3.8 million in 2008 (EUR 3.7 million in 2007).
- Finally, the amounts invoiced for non-audit services, which last year were mainly related to securitisation processes, tax consultation and financial studies, came in at EUR 5.3 million in 2008 (EUR 5.3 million in 2007).

The services contracted with our 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 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 our main auditor for items other than auditing (EUR 5.3 million during FY08) and the fees for audits of annual financial statements and other legally required reports plus due diligences for acquisitions and other corporate transactions, including business combinations, climbed by 0.16 over fiscal year 2008 (0.18 and 0.19 in fiscal years 2007 and 2006).

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 2007 for non-audit services were in the range of 0.45 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 would be greater than 2%. In the case of Deloitte, this ratio comes in below 0.14% of its total income. In Spain, the ratio is less than 1.5% of the income of our 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 €)	525	4.755	5.280
Amount of other non-audit work as a % of total amount billed by audit firm	23.950%	13.440%	14.050%

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	7	7

	Company ^(*)	Group ^(*)
Nº. of years audited by current audit firm/ Nº. of years the company has been audited (%)	25.9%	26.9%

^(*) The audit firms that audit the Bank 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 2008.

Name or corporate name of director	Corporate name of the company in question	% shareholding	Post or duties
Emilio Botín-Sanz de Sautuola y García de los Ríos Assicurazioni Generali S.p.A. ⁽¹⁾	Bankinter, S.A.	0.77%	–
	Commerzbank, AG	9.21%	–
	Intesa Sanpaolo ⁽³⁾	4.83%	–
	Bank Leumi le-Israel B.M.	3.51%	–
	Mediobanca - Banca di Credito Finanziario S.p.A. ⁽²⁾	2.00%	–
	Erste Bank AG	1.18%	–
	UniCredito Italiano S.p.A.	0.87%	–
	Banca Monte dei Paschi di Siena S.p.A.	0.44%	–
	Société Générale	0.21%	–
	Crédit Agricole	0.18%	–
	Banco Bilbao Vizcaya Argentaria, S.A.	0.18%	–
	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) Company in which the representative of Assicurazioni Generali S.p.A. on the board of directors, namely Antoine Bernheim, is director. In these companies, Mr. Bernheim is a non-executive director.

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

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 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 4 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 3 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 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.

Lastly, Article 23.4 of the Rules and Regulations of the Board states that when a director steps down from office, due to resignation or for other reasons, such director shall explain the reasons therefor in a letter to be sent to the other board members. 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, 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 therefor 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 No

Name of director	Causa penal	Charge
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 remains pending. The case still pending was overturned 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. On 16 February 2007, the court issued a date to be set for the hearing.

Subsequently, Alfredo Sáenz Abad has entered his written defence requesting his complete acquittal.

Section 3 of the Provincial Court of Barcelona, through court notice served on 3 November 2008, set a date for the hearing, which will be held on 4, 5, 6, 11, 12, 13 and 14 May 2009.

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 No

Decision	Explanation
To continue in office	The board, at its meeting of 23 March 2009, 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 ⁽²⁾	Member
Mr. Ignacio Benjumea Cabeza de Vaca	Secretary

(1) Post in committee.

(2) Replaced Rodrigo Echenique Gordillo as a member of the risk committee on 24 March 2008. For more information see section B.1.2.

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 2008, 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	
To safeguard 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 information 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 2008.

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 directors. In turn, four of these external directors are independent directors and the other is neither a proprietary directors nor independent director.

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.

Since risk management is so closely linked to the business of the Group, the board considered it pertinent to appoint an executive director as chairman of the risk committee. The chosen candidate is also the third vice chairman of the Group.

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 2008 annual report (pages 120 to 161) 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 (Ley del Mercado de Valores) 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 and Rules of the Board 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 current chairman of the committee is 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 once 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.
- The Bylaws approved at the annual general meeting of 21 June 2008 include a bare regulatory framework governing the appointments and remuneration committee, specifically Article 54, on the understanding that this would be subsequently consolidated and expanded in the Rules and Regulations of the Board to allow more detailed regulation of its composition, duties and powers.
- Article 17 of the Rules and Regulations of the Board of defines the composition, duties and powers of the committee. In addition, Articles 21, 23, 24, 27, 28, 29, 30 and 33 of these regulations contain specific provisions governing certain aspects of its 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 non-executive directors (four of its five members, including its chairman, are 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 the committee.
- During 2008, 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.
- Its activities are limited, within the scope of its powers, to directors and members of the senior management.

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 ordinary general shareholders' 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, three external independent directors and one external director, who is neither independent nor proprietary.

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.

The committee is made up of eight directors: two executive directors, five external independent directors and one external director, who is neither independent nor proprietary.

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 2008 audit and compliance committee report addresses the following issues in detail:

- a) Regulatory aspects, functioning, duties, composition and the attendance of its members at the committee meetings held in 2008.
- b) Activities performed in 2008, 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.
- c) Assessment by the committee of the performance of its duties in 2008.

Report of the appointments and remuneration committee.

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

The 2008 report addresses the following issues in detail:

- a) Regulatory aspects, functioning, duties, composition and the attendance of its members at the committee meetings held in 2008.
- b) Report on the compensation policy of the directors.
- c) Activities performed in 2008:
 - Changes to the composition of the board and its committees.
 - Yearly assessment of the category of the directors.
 - Participation in the board self-assessment process.
 - Amendment of the Bylaws and 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.
 - Training.
 - Civil liability insurance.
 - Related party transactions.
 - Institutional documentation.
 - Self-assessment.
- d) Assessment by the committee of the performance of its duties in 2008.

The chairmen of the audit and compliance committee and the appointments and remuneration committee are due to report on the activities of their respective committees at the 2009 general shareholders' meeting.



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

Yes 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 5 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, 5 of whom are executive and 5 external. Of the latter, 4 are external independent directors while the other is an external director, who is neither independent nor proprietary. Accordingly, the percentage of independent directors on such committee is 40%, while on the board of directors this climbs to 47%.

As a result, the board believes that although the composition of the executive committee does not reflect the participation on the board of the different types of directors, recommendation 42 of the Unified Code has been largely observed for the reasons explained.

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.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 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 2008 are shown. The conditions of these transactions are equivalent to those carried out in market conditions or with corresponding cash amounts.

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.

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 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."

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	25
Mr. Matías Rodríguez Inciarte	Banco Santander, S.A.	Debtor	Financing	20
	Banco Santander, S.A.	Debtor	Guarantee	10
Mr. Manuel Soto Serrano	Banco Santander, S.A.	Debtor	Financing	5
Mr. Antonio Basagoiti García-Tuñón	Banco Santander, S.A.	Debtor	Financing	65
	Santander Consumer Finance, S.A.	Debtor	Financing	1
	Banco Santander, S.A.	Debtor	Guarantee	1
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea	Banco Español de Crédito, S.A.	Debtor	Financing	5
Mr. Rodrigo Echenique Gordillo	Banco Santander, S.A.	Debtor	Financing	12
Mr. Antonio Escámez Torres	Banco Banif, S.A.	Debtor	Financing	1,473
Mr. Francisco Luzón López	Banco Santander, S.A.	Debtor	Financing	577
	Banco Banif, S.A.	Debtor	Financing	1,072
Mr. Juan Rodríguez Inciarte	Banco Santander, S.A.	Debtor	Financing	465
Mr. Luis Alberto Salazar-Simpson Bos	Banco Banif, S.A.	Debtor	Financing	449
	Banco Español de Crédito, S.A.	Debtor	Financing	12
Ms. Isabel Tocino Biscarolasaga	Banco Español de Crédito, S.A.	Debtor	Financing	49

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 2008, there have been 77 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 77 cases is as follows: on 47 occasions this was due to proposals of appointments and re-elections, delegations and revocations of delegated powers; on 24 occasions this was in reference to approving compensation terms, or the terms and conditions of the contractual relationship of the executive directors with the Bank; on 5 occasions this was the annual review on the nature of the directors carried out by the appointments and remuneration committee, under Article 6.3 of the Rules and Regulations of the Board, at its session held on 12 March 2008; and on one occasion to participate in a meeting with the executive committee to confirm the appointment of a director.

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."

Section I, Chapter III, letter B ("Conduct in the event of conflicts of interest") governs the actions of persons subject to such Code in situations of conflict of interest and is based on the "Avoidance of Conflicts" principle, which is further developed in section 14 of such Code, pursuant to which:

"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 of Conduct in Securities Markets 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, establish the following decision-making bodies:

"Conflicts of interest shall be resolved by the person holding maximum responsibility for the Separate 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 whomever compliance management may decide. In the event of any doubt, compliance management should also be consulted."

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

Identify the listed subsidiaries in Spain:

Yes No

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 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 2008 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 annual report for 2008 (pages 120-161) includes detailed information on this aspect.

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 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 control systems set up by the Bank and its Group are working adequately.

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

Yes 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 report.

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 understood to be the possibility of failing to comply with legal regulations, rules, standards of conduct adopted by the institution or codes of conduct applicable to its activities which could give rise to sanctions (regulatory risk). Reputational risk emanates from the perception that stakeholders, both internal and external, have of the Bank in the development of its activity. It includes legal, economic financial, ethical, social and environmental aspects, among others. Both risks may produce an adverse material impact on results, the capital or on the expectations of development of the Bank's businesses.

The Group has established a compliance policy which sets out the organisation, mechanisms and existing procedures which enable it to: (i) minimise the probability of irregularities; (ii) identify, report and quickly resolve those irregularities that might occur; and (iii) justify, in case it is necessary, that the Bank has the appropriate organisation, procedures and resources to comply with the aforementioned purposes.

The specific spheres where compliance activity is particularly intense are:

- Own account transactions.
- Related-party transactions.
- Conflicts of interest.
- Treatment of sensitive information (confidential, reserved or privileged).
- Anti-money laundering.
- Approval and marketing of financial products.
- Preparation and dissemination of information and documents for markets (filings, periodic public information, prospectuses, etc).
- Protection of personal data.
- Institutional relations with regulatory bodies.
- Handling of customer complaints.
- Verifying specific aspects related to the Markets in Financial Instruments Directive (MiFID).

The compliance function is carried out, with various levels of responsibility and different tasks, by the board of directors, which approves the general policy and receives information on how it is implemented by the audit and compliance committee, which supervises compliance with the Code of Conduct in the Securities Markets and with the manuals and



procedures to prevent money laundering, and reviews the compliance of the actions and measures that are the result of reports or measures of the supervisors, and of senior management, which fosters compliance with the policy in its respective areas of responsibility.

Carrying out the compliance policy corresponds, first of all, to compliance management, together with other areas or units which, for operational or specialisation reasons, do not organically form part of compliance management, but which help it to execute the policy. As well as ensuring that the policy is appropriately executed, compliance management must: (i) advise on how to resolve doubts regarding the policy; (ii) keep the general secretary, the audit and compliance committee and the board informed of the state of execution of the policy; and (iii) foment the creation of a corporate culture of compliance.

Compliance management reports on an ongoing basis to the board via the audit and compliance committee. The chief compliance officer took part in the 11 meetings held during 2008. The compliance committee, which monitors the compliance policy, held five meetings in 2008.

At its meeting of 17 March 2009 the audit and compliance committee reviewed its annual report on the efficiency and compliance of the general regulatory compliance policy. This report was then presented to the board of directors and approved at its meeting of 23 March.

Adaptation plan to the Markets in Financial Instruments Directive (MiFID)

MiFID 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.

In continuation of the work carried out between December 2006 and January 2008 to implement the Master Plan, and with the help of Price Waterhouse Coopers, a technical office for monitoring MiFID compliance was established in the first quarter of 2008, to identify possible risks of non-compliance and to establish associated control within the Bank, resulting in a risk map.

During the implementation phase of the technical office, the audit and compliance committee was informed of preparatory works, with two presentations made at the meetings held on 15 October and 16 December 2008.

New products

Since 1999, the Group's compliance area has been developing all of the processes relating to the approval of new products and services offered to customers through the new products global committee, which held 15 meetings during 2008 at which 190 products or product families were reviewed.

In view of the publication of the CNMV's guide to marketing financial products, the audit and compliance committee submitted for approval by the Bank's executive committee a manual of procedures for the sale of financial products to retail customers, which was approved by the executive committee at its meeting of 23 February 2004.

The new requirements made it necessary to thoroughly reform the 2004 Procedures Manual to comply with the new MiFID directives. A new Compliance Manual for the Marketing of Financial Products which, based on a proposal by the committee, was approved by the executive committee on 29 October 2007.

The manual segments customers and products, and establishes different regimes of business treatment largely depending on the type of service being provided. The combination of these elements (category of client, type of product and commercial treatment) produces a matrix, which determines the type of mechanism to be applied (advisability and suitability test) to assess the adaptation of the client to the product, and the type of warnings to be issued to the client.

Customer and product segmentation comes from crossing the internal classification already applied by Santander before the MiFID to the classification established by the MiFID, with which a level of protection above the minimum required by the MiFID is attained.

The different types of commercial treatment, graded on the basis of greater to lesser involvement of the Bank, are: (i) advised sale, including portfolio advice and management; and (ii) unadvised sale, which covers marketing; and (iii) execution.

During 2008 some 164 products were analysed according to this manual.

Anti-money laundering

During 2008 the head of compliance informed the audit and compliance committee of the situation regarding the prevention of money laundering.

At the meeting on 18 June 2008 it was reported that the Executive Service of the Bank of Spain for the Prevention of Money Laundering (SEPBLAC for its initials in Spanish) had awarded Santander, Banesto, Banif and Openbank the classification of "good" in terms of compliance, and continues to place the Group at the top of the entities that send notifications of suspicious operations in the Spanish financial sector, which had risen from 143 in 2004 to 241 in 2007.

In addition, the meeting of the audit and compliance committee held on 15 September rejected the recommendations made by Deloitte, acting as an external advisor on the prevention of money laundering. Between February and May 2008, Deloitte reviewed the global prevention systems for money laundering and the financing of terrorism in the Group, in accordance with the requirements of Royal Decree 925/1995 and the provisions of the Ministerial Order EHA/2444/2007, dated 13 July regulating the structure and minimum content of the independent expert's report.

The review covered all aspects of the Group's prevention system, including monitoring and supervisory activities for all branches and subsidiaries worldwide.

The review was satisfactory and the recommendations and suggestions contained therein, referring largely to documentation matters, are being implemented.

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 2008, the audit and compliance committee has 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 has periodically received reports on compliance with the main legal texts and has been able to verify the proper implementation of the proposed measures.

In relation to the monitoring of risk of non-compliance, at its meeting on 19 November 2008, and following the acquisition of Sovereign, the audit and compliance committee was informed that the Group will be considered a “large complex banking organisation” in the United States, and the guidelines issued by the Federal Reserve for these type of entities would be directly applicable.

Finally, the audit and compliance committee was informed of the appointments of compliance officers in the Group’s units overseas.

Off-shore centers

The committee is aware of the Group’s policy not to create any entity in this kind of territory without the prior express authorisation of the board –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 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.

In addition, and with the support of the internal audit department, legal and fiscal advisory services, the compliance directorate and the general auditor, the audit and compliance committee supervises the internal control of these units, so that it is aware of the activities undertaken by each one and the degree of compliance with the policies and procedures established by the Group. Its objective is to minimise the reputational and legal risk to these units.

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

It was indicated to the committee that the internal audit division had reviewed all these entities in 2008 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.

In addition, as a result of the Group’s policy to reduce its presence in tax havens, the committee was informed that during 2008, 12 units in off-shore centres had been closed. Half of these came from recent acquisitions made by the Group.

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 No

	Quorum % other than that established in Article 102 of the Spanish Companies Act (Ley de Sociedades Anónimas) for general cases	Quorum % other than that established in Article 103 of the Spanish Companies Act (Ley de Sociedades Anónimas) for the special cases described in Article 103
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. (Ley de Sociedades Anónimas).

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. Valid formation of the meeting.

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 are called upon to deliberate on amendments to the bylaws, including the increase and reduction of share capital, on the transformation, merger or splitoff of the Company, or on the issuance of debentures, 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 LSA.

	Majority other than that established in Article 103.2 of the Spanish Companies Act (Ley de Sociedades Anónimas) for the special 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 annual general meeting do not differ from the rules provided by the Spanish Companies Act, (Ley de Sociedades Anónimas), 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 (Ley de Sociedades Anónimas) apply, the text of which is as follows:

"Article 93. General shareholders' meeting.

1.1. 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 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. (Ley de Sociedades Anónimas).

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 the Rules and Regulations of the Board, 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 and Rules 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 by Internet, 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 5% 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 2008 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 634 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 manners via post or email, as well as via the shareholders' designated telephone service.

During 2008, there were 574 meetings with investors and a permanent channel of communication has been maintained with analysts and ratings agencies. In October, a meeting was organised with investors and analysts in Brazil, to explain the merger plan for Banco Real with the Santander Brasil Group. At the meeting, the outlook, trends and strategic and financial vision for Santander in Brazil were analysed. The individual presentations, in which the chairman participated, along with the Group's chief executive officer and Group's chief financial officer as well as the main new directorate members from the new group in Brazil, had more than 133 attendees.

The efforts to achieve transparency made this year have been well received by investors and analysts, as is reflected in the reports written about the Bank and the improved performance of Santander shares in the European market.

The relationship with more than 3.1 million non-institutional shareholders is entrusted to the Shareholders Office which is responsible for creating and implementing specific loyalty programmes, tailored to each country and which include 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 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 No

Details of measures

The Company Bylaws (Article 29.2) and the Rules and Regulations of the Board (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 annual general meeting:

At the annual general meeting of 21 June 2003, shareholders approved the first 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 Act (Ley del Mercado de Valores) and the revised text of the Spanish Companies Act (Ley de Sociedades Anónimas), 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 teleconferencing.

A detailed description of the votes cast for the two general shareholders' meeting held on 21 June and 22 September 2008, 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.

The only amendment made in 2008 to the Rules and Regulations for the General Shareholders' Meeting is the following:

The annual general meeting of 21 June 2008 approved a technical amendment to Article 8 (last paragraph) of the Rules and Regulations for the General Shareholders' Meeting which was motivated by the need to adapt this regulation to the company Bylaws. The Article from the Bylaws was also submitted and approved. There is now concordance between both texts.



The last paragraph of Article 8 of the Rules and Regulations for the General Shareholders' Meeting states the power of the board to expand upon the provisions regarding proxies granted by remote means of communication, quoting Articles of the Bylaws and the Rules and Regulations for the General Shareholders' Meeting to increase this ability. In consideration of the amendments proposed by the annual general meeting of 21 June 2008, it was necessary to amend the reference to Article 24.4 of the Bylaws that were in force at the time and replace it with an equivalent reference to Article 34.5 of the new Bylaws, which covers the powers of the board in this regard.

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 meetings which were held during 2008: an ordinary general shareholders' meeting held on 21 June 2008 and an extraordinary general shareholders' meeting held on 22 September 2008.

Date of general meeting	Attendance data			Total
	% attending in person	% by proxy	% remote voting	
21/06/2008	0.458% ⁽¹⁾	36.964% ⁽²⁾	19.200% ⁽³⁾	56.622%
22/09/2008	0.162% ⁽⁴⁾	31.142% ⁽⁵⁾	20.328% ⁽⁶⁾	51.632%

- (1) Of the percentage specified (0.458%), 0.00010% corresponds to the capital represented by proxies granted via Internet.
- (2) The percentage of capital represented by proxies granted via Internet was 0.010%.
- (3) Of the percentage specified (19.200%), 19.196% corresponds to postal votes and 0.004% to electronic votes.
- (4) Technical problems outside of the Bank's control prevented remote attendance at this meeting. Therefore the shares corresponding to those shareholders who in person or by proxy had registered or attempted to register via this method have not been included.
- (5) The percentage of capital represented by proxies granted via Internet prior to the meeting was 0.011%.
- (6) Of the percentage specified (20.328%), 20.322% corresponds to postal votes and 0.006% 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 ordinary general shareholders' meeting held on 21 June 2008 and at the extraordinary general shareholders' meeting held on 22 September 2008, 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).



Ordinary general shareholders' meeting - 21 June 2008

Resolutions	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 2007.	98.004%	0.184%	1.805%	0.008%
2. Application of results from Fiscal Year 2007.	98.628%	0.017%	1.347%	0.009%
3. Board of directors: ratification of appointments and re-election of directors:				
A) Ratification and re-election of the appointment of Mr. Juan Rodríguez Inciarte.	96.978%	1.613%	1.399%	0.011%
B) Re-election of Mr. Luis Alberto Salazar-Simpson Bos.	98.245%	0.345%	1.399%	0.011%
C) Re-election of Mr. Luis Ángel Rojo Duque.	98.257%	0.335%	1.397%	0.011%
D) Re-election of Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos.	96.701%	1.892%	1.396%	0.011%
4. Re-election of the Auditor of Accounts for Fiscal Year 2008.	98.377%	0.080%	1.533%	0.009%
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 Spanish Companies Act (Ley de Sociedades Anónimas), depriving of effect the authorisation granted by the shareholders at the General Shareholders' Meeting held on 23 June 2007 to the extent of the unused amount.	98.236%	0.378%	1.374%	0.012%
6. Approval, if appropriate, of new Bylaws and abrogation of current Bylaws.	98.452%	0.121%	1.413%	0.015%
7. Amendment, if appropriate, of Article 8 of the Rules and Regulations for the General Shareholders' Meeting.	98.179%	0.116%	1.688%	0.017%
8. 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 Spanish Companies Act (Ley de Sociedades Anónimas), depriving of effect the authorization granted by the shareholders at such General Meeting on 23 June 2007.	86.991%	11.363%	1.635%	0.011%
9. Delegation to the board of directors of the power to issue fixed-income securities that are convertible into and/or exchangeable for shares of the Company, setting standards for determining the conditions for and modalities of the conversion and or exchange and allocation to the Board of Directors of the powers to increase capital in the required amount, as well as to exclude the preemptive subscription rights of the shareholders and holders of convertible debentures, depriving of effect the authorization conferred by resolution Ten approved at the Ordinary General Shareholders' Meeting of 21 June 2003.	85.813%	12.640%	1.535%	0.011%
10. Delegation to the board of directors of the power to issue fixed-income securities not convertible into shares.	98.042%	0.079%	1.865%	0.014%
11. Incentive policy:				
A) With respect to the long-term Incentive Policy approved by the board of directors, approval of new cycles and a plan for the delivery of Santander shares for implementation by the Bank and companies of the Santander Group, linked to certain requirements of permanence or changes in total shareholder return and earnings per share of the Bank.	96.977%	1.250%	1.759%	0.013%
B) Approval of an incentive plan for employees of Abbey National 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 requirements of permanence.	98.028%	0.231%	1.725%	0.016%
12. 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.	98.594%	0.036%	1.359%	0.011%



Extraordinary General Shareholders' Meeting,
22 September 2008

Resolutions	Votes			
	For	Against	Abstention	Blank
<p>1. Capital increase in the nominal amount of 71,688,495 euros by means of the issuance of 143,376,990 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 8 euros and a maximum of 11.23 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 British company Alliance & Leicester plc. 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 Alliance & Leicester plc.</p> <p>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 Alliance & Leicester plc, 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.</p> <p>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 ADRs, New York), in the manner required by each of them.</p>	97.499%	0.190%	2.295%	0.016%
<p>2. Authorisation of the delivery of 100 shares of the Bank to each employee of the Alliance & Leicester plc group, as a special bonus within the framework of the acquisition of Alliance & Leicester plc, once such acquisition has been completed.</p>	96.992%	0.602%	2.394%	0.012%
<p>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.</p>	97.510%	0.190%	2.283%	0.190%

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
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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 of the agenda and request 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, (Ley del Mercado de Valores), as amended by Law 26/20003, of 17 July, on the Transparency of Listed Companies, the proxy cards used at the general meetings which have taken place from the general meeting of 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 Act (Ley del Mercado de Valores), as amended by Law 26/2003, 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 website is regularly updated, with 3,000 new documents being published in 2008 with approximately 15,000 documents currently available. This information, presented in specific sections for investors and shareholders, is available in Spanish, English and Portuguese.



The following can be found on the website:

- The Company's Bylaws
- The Rules and Regulations for the General Shareholders' Meeting
- The Rules and Regulations of the Board
- 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" proposed under recommendation 2 of the Unified Code, as referred to in section C.7 of this report.

From the date of publication, the call to the general shareholders' meeting for 2009 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 remote means of communication.

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, dated 19 May 2006 (the "Unified Code"), analysing each of the recommendations and including texts 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

"2. 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 . "Spanish Companies Act (Ley de Sociedades Anónimas)."

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 Partially compliant

Explain Not applicable

The board of directors of the Bank has taken on recommendation 2 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 commercial 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.

The board of directors expressly accepts 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 of the Rules and Regulations for the General Shareholders' Meeting reserve the right to approve

Compliant Partially compliant

Explain

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 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 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.

In regards to the appointment of directors, given that this election practice was first implemented at the annual general shareholders' meeting in 2005, all the current directors 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. In particular, there shall be separate voting on the appointment of each director and, in the event of amendments to the Bylaws or these Rules and Regulations, each Article or group of Articles that are substantially independent. 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.

Compliant Explain

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 admits 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, according to 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.

Compliant 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 representative 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 policy 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 go through 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.

Compliant 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

Not fully compliant.

The Bank has gradually reduced the size of its board of directors from 27 members in 2001 to the current 19. This reduction was reflected in internal regulations through the amendment, approved by the shareholders acting at the annual general meeting of 17 June 2006, whereby the maximum number of directors is reduced to 22 from the former 30, with the minimum of 14 remaining unchanged.

The board of directors considers the current number – 19 – to be adequate in terms of the size, complexity and geographical diversity of the Group.

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 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, 6 are executive and 13 are external. Of the 13 external directors, 9 are independent, 2 are proprietary and 2 are, 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

"1. 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 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.

Compliant **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 condition of each director at its meeting held on 17 March 2009.

Of these, for the reasons outlined in Section B.1.3. of this report, the directors Rodrigo Echenique Gordillo and 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 cap 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

Compliant **Explain**

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 53,960 million as listed on the Spanish Stock Exchanges at 31 December 2008) 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 (1.136% at 31 December 2008).

– Javier Botín-Sanz de Sautuola y O'Shea, who represents the percentage interests of the Marcelino Botín Foundation, Emilio Botín-Sanz de Sautuola y García de los Ríos, Ana Patricia Botín-Sanz de Sautuola y O'Shea, Emilio Botín-Sanz de Sautuola y O'Shea, Jaime Botín-Sanz de Sautuola y García de los Ríos, Paloma O'Shea Artiñano and his own (in total, 2.420% at 31 December 2008).

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 3.6% 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 mitigant 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 proprietary director to be attributed a significant shareholder; and

(ii) in the case of a shareholder with a percentage interest of less than 3% but of a high absolute value (in our case the investment in shares reported by the proprietary directors were worth over EUR 500 million each) it must be possible, in agreement with the recommendation to designate this person as a proprietary director. The recommendation states that *"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.

Compliant Explain

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, 9 are external independent directors (47.4% 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 condition of each director should be explained to the shareholders at 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 nomination 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.

Compliant Partially compliant
Explain

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 2009 annual general meeting which is scheduled to take place on 18 and 19 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 2009. This proposal was submitted to the board of directors and approved at its meeting on 23 March 2009.

Section B.1.3 of the report describes the condition 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 condition 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 Nomination 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.

Compliant Partially compliant
Explain Not applicable

16. The chairman, as the person responsible for the proper operation of the board, 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.

Compliant Partially compliant
Explain

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 43.1 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

"2. The chairman of the board shall call board of directors' meetings and direct debate thereat."

Article 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 2008, carried out, as in previous years, with the support of Spencer Stuart, based on a questionnaire and personal interviews with the directors. As in the previous years, it has included in line with the proposal of the Unified Code and Article 19.7 of the Rules and Regulations of the Board, now a special section for the evaluation of the chairman, the chief executive officer and the other directors.

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 business 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.

Compliant Partially compliant
 Explain 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, ensures the smooth-running of the business and 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 points in the order of the day 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 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 nomination 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.

Compliant 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 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.

Compliant **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, 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 2008, the board met on 11 occasions.

In 2008, 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 seven risk reports, presented, respectively, by the chief executive officer and the third vice chairman heading the risk division, as part of the eleven meeting held throughout the year. In addition, other issues were discussed such as the acquisitions of Alliance & Leicester, Sovereign and Bradford & Bingley, as well as Latin America, Banesto, the conclusions of the markets committee, the revised Basel II international capital framework, the definition of the structure of the Group and off-shore centres, the activities of Santander Universities and the corporate image and marketing plan for 2007-2010.

It is also worth noting that in 2008 the head of financial accounting attended three meetings and the external and internal audit teams attended three and two meetings, respectively.

In addition to the meetings mentioned above, for the third consecutive year, the board has held a meeting to discuss the Group's strategy. In 2008 this took place on 20 and 21 September. The agenda was divided into three sections:

- The positioning of Santander in a global financial and economic environment.
- Management priorities for organic growth during 2008-2009.
- Capital management and portfolio management.

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.

Compliant **Partially compliant**
Explain

In accordance with Article 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 2008 was 97.1%.

All delegated votes came with instructions in all cases of absence at the meetings of the board of directors in 2008.

The number of meetings held in 2008 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.

Compliant 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) *The quality and efficiency of the board's operation;*
- b) *Starting from a report submitted by the nomination 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.

Compliant 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 establishes the competencies of the audit and compliance committee and the appointments and remuneration committee in this matter (Articles 16.4.o), 17.4.l) and 17.4.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 once 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.

Compliant Explain

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.

Compliant **Explain**

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 in the course of the duties of the director. This request may only be dismissed by the board with good reason.

During 2008 the board once again employed the services of Spencer Stuart to assist in the self-evaluation process. In addition, the firm Towers Perrin has collaborated with the appointments and remuneration committee in the preparation of its report on activities in 2008, which includes the report on the compensation policy of directors. In addition, the proposal for fixed and variable (or bonus) remuneration for executive directors put forward by the appointments and remuneration committee at its meeting on 17 December 2008 took into account market information and advisory provided by Towers Perrin.

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 with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Compliant **Partially compliant**

Explain

As a result of the self-assessment process of the board in 2005, a continuous training programme for directors was put in place, focussing initially on the evolution and new tendencies of international banking.

This continuous training programme and refresher sessions for the directors are recognised in Article 21.7 of the Rules and Regulations of the Board.

In 2008, nine training sessions were provided, with an average attendance of eleven directors, and with each session lasting on average one hour and thirty minutes.

This year the areas covered in more depth were the hedge fund industry from the perspective of control and risk management, and well as their influence on the banking industry, the new Basel II international capital framework and in particular the concept of economic capital, the market valuation of financial institutions and interest rate risk management processes.

The content of recommendation 25 in relation to induction programmes for new directors is also covered in Article 21.7 of the Rules and Regulations of the Board.

Those directors who have recently been voted onto the board have received the abovementioned 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 Nomination 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.

Compliant **Partially compliant**

Explain

Pursuant to Article 17.4 k) of the Rules and Regulations of the Board, at its meeting of 17 March 2009 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, 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 nomination committee, in the case of independent directors.

b) Subject to a report from the nomination committee in all other cases.

See section: B.1.2.

Compliant Partially compliant

Explain

Not fully compliant.

The Bylaws (Article 42.3) establishes that the meaning of the term independent director will be taken from the definition give 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 independence must be valued, promoted by all the board members and be based in 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 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 annual general 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 annual general 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 report.

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 such 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.

Compliant Partially compliant

Explain



The Bylaws approved by the annual general meeting held on 21 June 2008 stipulate that without prejudice to any additional documentation required by applicable regulations (Article 61), 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:

- (i) Professional experience and background.
- (ii) Other boards of directors to which they belong.
- (iii) 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.
- (iv) Dates of their first appointment as director and subsequent appointments.
- (v) 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.

Not compliant.

Compliant Explain

The board of directors has not considered it appropriate to completely assume 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, without the length of service to the board affecting their independence.

In any event, at 31 December 2008, the average length of service on the board of directors for external independent directors was 7.4 years, with the longest length of service being 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.

Compliant 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 2008.

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 Nomination 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

Not compliant.

The board considers its unity to be 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 independence must be valued, promoted by all the board members and be based in 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 as verified by the report from the appointments and remuneration committee. The existence of just cause is understood 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.



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 Spanish Companies Act (Ley de Sociedades Anónimas), 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 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 Article 30 (iv) and 23.2 of the Rules and Regulations of the Board.

Article 56.2 of the Bylaws

"2. The 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."

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, 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 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."

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.

Compliant Partially compliant
 Explain Not applicable

This recommendation makes explicit 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 position 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.

Compliant Partially compliant
 Explain Not applicable

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) *Duration;*
- 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.

Compliant Partially compliant
Explain

In the Company Bylaws approved at the annual general meeting of 21 June 2008, a new Article was added, number 59, which, in its first section, expressly stipulates that the board of directors shall prepare report on the compensation policy for the directors. This report will detail the criteria and principles on which the collegiate environment or the board is to be based and the compensation due to individual members of the board for the last fiscal year and the current year, making this report available to the shareholders at the annual general meeting.

This indicates that the preparation of this report, which had previously been outlined in the Rules and Regulations of the Board, is now bylaw-mandated and reaffirms the Bank's commitment to transparency.

In implementing these rules, the appointments and remuneration committee has prepared a report on the compensation policy for directors in 2009, which has been approved by the board of directors.

In the report on the compensation policy for directors in 2009, 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 2009 and the variable compensation for 2008 for executive directors, including the chairman and the 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).

In addition, the report mentioned in recommendation 35 will be presented at the annual general meeting in 2009 for information purposes. The meeting is scheduled for 18 and 19 June on first and second call, respectively.

Article 59.1 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."

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 **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 share options held by the executive directors at year-end 2008.

In addition, section B.1.14 provides information of the Santander share programmes linked to certain requirements for the shareholder and the Bank in terms of maturity or return on investment, where the executive director holds a percentage interest and that were approved during the financial year of the 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 **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 (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."

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 (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."

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 Partially compliant

Explain

39. In the case of variable awards, 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 Partially compliant

Explain

One of the basic principles of the compensation policy for the Grupo Santander executive directors is maintaining a annual variable component for comparison with the fixed component, which is linked to achieving concrete performance objectives, that are both quantifiable and in line with the interests of the shareholders.

These performance objectives, or alignment with the objectives of the shareholders, inspired the performance shares system at the Bank, whereby the decision legally lies with the annual general meeting at the proposal of the board of directors based on the prior report from 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 on shares or options.

For more information, please consult the report on the compensation 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.

Compliant Partially compliant

Explain

The board of directors considers the complete acceptance of recommendation 40 inappropriate in the sense of submitting the report on the compensation policy of the board of directors to a consultative vote at the annual general meeting. It is understood that this may affect the necessary precision and clarify in dividing the areas of competency of the board and the annual general meeting, which could result in legally difficult situations, since this consultative vote at the annual general meeting is not regulated by Spanish law.

However, 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 board considers transparency to be of the utmost importance regarding compensation, and this has been its policy for years. This principle is perfectly compatible with a clear and precise division in terms of competencies between the board of directors and the annual general meeting, in accordance with the law and Bylaws.

In this sense, the Bylaws approved by the annual general meeting of 21 June 2008 includes a new Article, number 59.2, which stipulates that the annual report should provide individual information on the compensation received by each director and that this should be itemised, as stated in the Rules and Regulations of the Board and which has been common practice at the Bank for several years.

The individual breakdown per compensation item for the board of directors, including executives, for 2008 is published in note 5 of the Group's financial statements and in the format established by CNMV Circular 4/2007 in the section 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.

Compliant 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 directors, 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.

Compliant Partially compliant

Explain Not applicable

See section: B.2.1. and B.2.6.

Not fully compliant.

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 5 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, 5 of whom are executive and 5 external. Of the latter, 4 are external independent directors while the other is an external director, who is neither independent nor proprietary. Accordingly, the percentage of independent directors on such committee is 40%, while on the board of directors this climbs to 47%.

In addition, according to the Bylaws, (Article 45.5) and the Rules and Regulations of the Board (Article 11.4), the secretary of board will also be the secretary of all the board committees.

As a result, the board believes that it has substantially observed recommendation 42, although not in the strictest sense as explained above.

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 45.5 of the Bylaws
"The general secretary shall also be the secretary of all the committees of the board."



Article 11.1 and 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.

Compliant Partially compliant

Explain

The content of recommendations 43 is expressly covered under Articles 51.5 of the Bylaws and 14.7 of the Rules and Regulations of the Board.

Article 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 Act (Ley del Mercado de Valores), the board of directors should form a committee, or two separate committees, of nomination and remuneration.

The rules governing the make-up and operation of the audit committee and the committee or committees of nomination 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.

Compliant Partially compliant

Explain

The regulations of the audit and compliance committee are contained in the 18th additional provision of the Securities Market Act (Ley del Mercado de Valores) 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 Articles 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 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 Rules and Regulations of the Board contain a specific ruling on certain aspects of their activities.

Finally, those aspects regarding Recommendation 44 are covered under Article 54.1, 2, 3 and 4 of the Bylaws and Articles 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, except one who is neither proprietary nor independent.

In addition, they all have the necessary knowledge to effectively perform their duties.

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 nomination committee or, as the case may be, separate compliance or corporate governance committees.

Compliant Explain

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 Article 53.5 of the Bylaws and Article 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 2009, 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 2008 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 Explain

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 experience demonstrating that the chairman of the audit and compliance committee as well as the other members of the committee, have 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 Explain

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 2008, 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.

Compliant Partially compliant

Explain

The internal audit division prepares an annual plan every year regarding risks, establishing the work to be carried out that year.



At the first meeting of the audit and compliance committee in 2008, on 23 January, the director heading the internal audit division presented the work plan for the year, which included among its priorities a review of the following risks:

- Credit risk: consumer loans, mortgages and property developers.
- Financial risk: treasury and business risk, including compliance with MiFID regulations.
- Accounting risks at Group Banks and Companies.
- Operating Risk at the branch network and central services.
- Regulatory Risk: off-shore companies and disposals in relation the prevention of money laundering.
- Technological Risk: adaptation to local regulations and testing of the principles developed.
- ABN AMRO: Banco Real.
- Corporate management – organisational and human resources aspects.

Throughout the year, the audit and compliance committee was informed of the annual plan with detailed presentations from the internal audit departments at nine of the 11 meetings held by this committee and 2 of the 11 sessions held by the board in 2008.

In 2009, the internal audit department submitted a report on the main conclusions of its work in 2008, to be approved by the audit and compliance committee at its meeting on 19 January.

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

Compliant Partially compliant
 Explain

The Bylaws approved at the annual general meeting of 21 June 2008 include a new Article, number 52, detailing the basic regulations of the risk 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 risk 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 annual report for 2008 (pages 120-161) includes detailed information on this aspect.

50. The audit committee's role should be:

1. 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.

2. 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.

Compliant **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.i).

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.**

Compliant

Explain

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 where it is clear that, among other aspects, 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 **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 followed up until now by the Bank.

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 2008, which will be submitted for approval at the annual general meeting of 18 and 19 June 2009, the audit and compliance committee, after a review, issued a favourable report at its session on 17 March 2009, with prior certification by the head of financial accounting, before approval by the board of directors at their meeting on 23 March 2009.

In addition, during 2008, and in particular at the meetings held on 16 April, 15 June and 15 October 2008 and on 21 January 2009, the audit and compliance committee favourably reported the quarterly financial statements for 31 March, 30 June, 30 September and 31 December 2008, respectively. This was prior to its approval by the board and dissemination to the relevant markets and supervisory bodies. In the quarterly financial statements for the Group it is expressly noted that the audit and compliance 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 abridged financial statements for the first and second half of 2008. These have been prepared in accordance with the accountancy principles and regulations established under International Accounting Standards (IAS 34), interim financial information, as adopted by the European Union, for the preparation of interim consolidated financial statements, and in accordance with Article 12 of Royal Decree 1362/2007.

Pursuant to Article 159 of the Spanish Companies Act (*Ley de Sociedades Anónimas*), and on occasion of the capital increases made by the Bank, excluding preferential subscription rights to finance the acquisition of Alliance and Leicester and Sovereign, audited and consolidated financial statements were prepared up to 30 June and 30 September with the same scope as the annual financial statements. These were duly reported by the audit and compliance committee at its meetings on 15 July and 19 November.

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 Boards, 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 **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.



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 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 nomination committee members – or nomination and remuneration committee members as the case may be – should be independent directors.

See section: B.2.1.

Compliant **Partially compliant**
Explain

Article 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. Currently, all the member of the committee are external independent directors, except one who is neither proprietary or independent.

In addition, in 2008, 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 nomination 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 **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 managing director 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 allow the nominal appointment of successors for cases where a vacancy has arisen. However, Article 44.2 of the Bylaws considers 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 21 June 2008 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 nomination 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 nomination committee for its consideration.

Compliant 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 remuneration 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 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 remuneration committee should consult with the chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant Partially compliant

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

Name of director	Type of relationship	Explicación

This annual corporate governance report was approved by the company's board of directors at its meeting held on:

23 March 2009.

List any directors who voted against or abstained from voting on the approval of this report.

Yes No

Name or corporate name of directors voting against the approval of this report	Reasons (against, abstention, non-attendance)	Explain the reasons