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Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 1 and 51). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Santander Consumer Finance, S.A.:

1. We have audited the consolidated financial statements of Santander Consumer Finance, S.A. ("the Bank", which is part of the Santander Group – see Note 25) and of the Companies composing, together with the Bank, the Santander Consumer Finance Group ("the Group"), which consist of the consolidated balance sheet at 31 December 2009 and the related consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in total equity, consolidated statement of cash flows ("the consolidated financial statements") and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the directors of the Bank (Parent). Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.

2. As required by Spanish corporate and commercial law, for comparison purposes the Bank's directors present, in addition to the figures for 2009 for each item in the consolidated financial statements and the notes thereto, the figures for 2008 (see Note 1-d to the consolidated financial statements). Our opinion refers only to the consolidated financial statements for 2009. On 3 April 2009, we issued our auditors' report on the 2008 consolidated financial statements, in which we expressed an unqualified opinion.

3. In our opinion, the accompanying consolidated financial statements for 2009 present fairly, in all material respects, the consolidated equity and consolidated financial position of the Santander Consumer Finance Group at 31 December 2009 and the consolidated results of its operations, the changes in the consolidated equity and its consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards as adopted by the European Union applied on a basis consistent with that used in the preparation of the consolidated financial statements and information for the preceding year, which are presented for comparison purposes in these consolidated financial statements.

4. The accompanying consolidated directors' report for 2009 contains the explanations which the Bank's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2009. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of the consolidated entities.

DELOITTE S.L.
Registered in ROAC under no. S0692

Carlos Giménez Lambea
April, 1 2010

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Santander Consumer Finance, S.A. and Companies composing the Santander Consumer Finance Group (Consolidated)

Consolidated Financial Statements and Directors' Report for the year ended 31 December 2009

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 1 and 51).
In the event of a discrepancy, the Spanish-language version prevails.

SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008 (NOTES 1 to 4)

(Thousands of Euros)

ASSETS	Note	2009	2008 (*)	LIABILITIES AND EQUITY	Note	2009	2008 (*)
CASH AND BALANCES WITH CENTRAL BANKS		661,218	727,520	**LIABILITIES**			
FINANCIAL ASSETS HELD FOR TRADING:		171,818	464,863	FINANCIAL LIABILITIES HELD FOR TRADING:		183,098	116,765
Equity instruments	8	-	365,922	Trading derivatives	9	183,098	116,765
Trading derivatives	9	171,818	98,941				
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS:		166,413	103,532	FINANCIAL LIABILITIES AT AMORTISED COST:		54,463,810	51,605,429
Debt instruments	7	164,619	102,702	Deposits from central banks	18	330,779	-
Equity instruments	8	1,794	830	Deposits from credit institutions	18	21,043,366	17,213,946
				Customer deposits	19	17,896,194	18,053,494
				Marketable debt securities	20	13,418,969	14,712,803
LOANS AND RECEIVABLES:		56,211,763	51,825,235	Subordinated liabilities	21	1,284,357	841,386
Loans and advances to credit institutions	6	5,296,924	3,312,617	Other financial liabilities	22	490,145	783,800
Loans and advances to customers	10	50,914,839	48,425,581				
Debt instruments	7	-	87,037	CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
Memorandum item: Loaned or advanced as collateral	10	*1,350,000*	*1,350,000*				
HELD-TO-MATURITY INVESTMENTS		-	-	HEDGING DERIVATIVES	11	474,776	426,907
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	31	97,989	105,189	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	12	290,963	17,313
HEDGING DERIVATIVES	11	111,512	342,049	LIABILITIES UNDER INSURANCE CONTRACTS		-	
NON-CURRENT ASSETS HELD FOR SALE	12	692,647	91,402	PROVISIONS:		385,862	322,671
				Provisions for pensions and similar obligations	23	310,884	265,795
INVESTMENTS:		21,175	21,099	Provisions for taxes and other legal contingencies	23	15,283	17,539
Associates	13	21,175	21,099	Provisions for contingent liabilities and commitments	23	1,337	1,368
				Other provisions	23	58,358	37,969
INSURANCE CONTRACTS LINKED TO PENSIONS	14	31,202	32,876	TAX LIABILITIES:		490,403	428,847
				Current	24	184,009	128,533
REINSURANCE ASSETS		-	-	Deferred	24	306,394	300,314
TANGIBLE ASSETS:		531,865	618,513	OTHER LIABILITIES	17	601,104	517,573
Property, plant and equipment – For own use	15	154,286	163,270	**TOTAL LIABILITIES**		**56,890,016**	**53,435,505**
				EQUITY			
Property, plant and equipment – Other assets leased out under an operating lease	15	377,579	455,243	SHAREHOLDERS' EQUITY:		4,848,291	3,673,114
				Registered capital	25	2,991,622	1,796,142
INTANGIBLE ASSETS:		1,858,564	1,659,820	Share premium	26	1,139,990	1,139,990
Goodwill	16	1,602,551	1,425,561	Reserves-	27	726,363	760,092
Other intangible assets	16	256,013	234,259	Accumulated reserves		698,757	737,440
				Reserves of entities accounted for using the equity method		27,606	22,652
TAX ASSETS:		692,975	669,791	Less: Treasury shares		-	-
Current	24	136,147	215,312	Profit for the year attributable to the Parent		100,597	378,028
Deferred	24	556,828	454,479	Less- Dividends and remuneration		(110,281)	(401,138)
OTHER ASSETS:		414,809	284,378	VALUATION ADJUSTMENTS:		(180,663)	(230,552)
Inventories	17	7,498	8,873	Available-for-sale financial assets	28	77	34,319
Other	17	407,311	275,505	Cash flow hedges	28	(182,613)	(176,238)
				Exchange differences	28	1,873	(88,633)
				NON-CONTROLLING INTERESTS:		106,306	68,200
				Valuation adjustments		(9,761)	-
				Other	29	116,067	68,200
				TOTAL EQUITY		**4,773,934**	**3,510,762**
TOTAL ASSETS		**61,663,950**	**56,946,267**	**TOTAL LIABILITIES AND EQUITY**		**61,663,950**	**56,946,267**
CONTINGENT LIABILITIES	30	837,352	1,073,827				
CONTINGENT COMMITMENTS	30	13,678,790	18,097,577				

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 51 and Appendices I to IV are an integral part of the consolidated balance sheet at 31 December 2009.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 1 and 51). In the event of a discrepancy, the Spanish-language version prevails.

SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (NOTES 1 to 4)

(Thousands of Euros)

		Income/(Expenses)	
	Note	2009	2008 (*)
INTEREST AND SIMILAR INCOME	32	4,101,226	3,561,379
INTEREST EXPENSE AND SIMILAR CHARGES	33	(2,191,255)	(2,183,850)
NET INTEREST INCOME		**1,909,971**	**1,377,529**
INCOME FROM EQUITY INSTRUMENTS		1,239	420
SHARE OF RESULTS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	13 & 34	(8,354)	(3,989)
FEE AND COMMISSION INCOME	35	979,145	877,020
FEE AND COMMISSION EXPENSE	36	(169,561)	(151,890)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (net)	37	83,050	34,315
Held for trading		14,927	(9,669)
Other financial instruments at fair value through profit or loss		34	89
Financial instruments not measured at fair value through profit or loss		74,639	32,722
Other		(6,550)	11,173
EXCHANGE DIFFERENCES (net)	38	(5,924)	5,162
OTHER OPERATING INCOME:	39	165,137	186,083
Sales and income from the provision of non-financial services		115,480	118,031
Other		49,657	68,052
OTHER OPERATING EXPENSES:	40	(145,397)	(110,544)
Changes in inventories		(99,574)	(81,993)
Other		(45,823)	(28,551)
GROSS INCOME		**2,809,306**	**2,214,106**
ADMINISTRATIVE EXPENSES:		(916,223)	(729,230)
Staff costs	41	(397,731)	(324,540)
Other general administrative expenses	42	(518,492)	(404,690)
DEPRECIATION AND AMORTISATION CHARGE	15 & 16	(92,494)	(77,392)
PROVISIONS (net)	23	(109,416)	(27,085)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (net):		(1,457,055)	(758,552)
Loans and receivables	10	(1,457,055)	(761,053)
Other financial instruments not measured at fair value through profit or loss		-	2,501
PROFIT FROM OPERATIONS		**234,118**	**621,847**
IMPAIRMENT LOSSES ON OTHER ASSETS (net):	43	(21,376)	(91,798)
Goodwill and other intangible assets		(19,334)	(84,630)
Other assets		(2,042)	(7,168)
GAINS (LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	44	69,968	(2,777)
NEGATIVE GOODWILL ON BUSINESS COMBINATIONS		-	
GAINS (LOSSES) ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	45	(32,557)	(1,758)
PROFIT BEFORE TAX		**250,153**	**525,514**
INCOME TAX	24	(99,497)	(130,974)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**150,656**	**394,540**
LOSS FROM DISCONTINUED OPERATIONS (net)	46	(44,713)	(17,447)
CONSOLIDATED PROFIT FOR THE YEAR		**105,943**	**377,093**
PROFIT ATTRIBUTABLE TO THE PARENT		100,597	378,028
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	29	5,346	(935)
BASIC AND DILUTED EARNINGS PER SHARE			
From continuing and discontinued operations	4	*0.11*	*0.76*
From continuing operations		*0.16*	*0.79*

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 51 and Appendices I to IV are an integral part of the consolidated income statement for the year ended 31 December 2009.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 1 and 51). In the event of a discrepancy, the Spanish-language version prevails.

SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 4)

(Thousands of Euros)

	2009	2008 (*)
CONSOLIDATED PROFIT FOR THE YEAR	**105,943**	**377,093**
OTHER RECOGNISED INCOME AND EXPENSE	**40,128**	**(321,278)**
AVAILABLE-FOR-SALE FINANCIAL ASSETS:	(48,917)	49,027
Revaluation gains (losses)	(47,421)	49,270
Amounts transferred to income statement	1,496	243
CASH FLOW HEDGES:	(13,870)	(305,510)
Revaluation gains (losses)	(197,112)	(287,702)
Amounts transferred to income statement	(183,242)	17,808
HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS	-	-
EXCHANGE DIFFERENCES:	80,820	(141,740)
Revaluation gains (losses)	73,761	(144,266)
Amounts transferred to income statement	(7,059)	(2,526)
NON-CURRENT ASSETS HELD FOR SALE	-	-
ACTUARIAL GAINS/(LOSSES) ON PENSION PLANS	-	-
ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	-	-
OTHER RECOGNISED INCOME AND EXPENSE	-	-
INCOME TAX	22,095	76,945
TOTAL RECOGNISED INCOME AND EXPENSE	**146,071**	**55,815**
Attributable to the Parent	150,486	56,750
Attributable to non-controlling interests	(4,415)	(935)

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 51 and Appendices I to IV are an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2009.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 1 and 51).
In the event of a discrepancy, the Spanish-language version prevails.

SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 4)

(Thousands of Euros)

	2009												
	EQUITY ATTRIBUTABLE TO THE PARENT												
	SHAREHOLDERS' EQUITY												
			RESERVES										
	Share Capital	Share Premium	Accumulated Reserves (Losses)	Reserves (Losses) of Entities Accounted for Using the Equity Method	Other Equity Instruments	Less: Treasury Shares	Profit for the Year Attributable to the Parent	Less: Dividends and Remuneration	Total Shareholders' Equity	Valuation Adjustments	Total	Non-Controlling Interests	Total Equity
Ending balance at 31 December 2008	**1,796,142**	**1,139,990**	**737,440**	**22,652**	**-**	**-**	**378,028**	**(401,138)**	**3,673,114**	**(230,552)**	**3,442,562**	**68,200**	**3,510,762**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-		
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-	-		
Adjusted beginning balance	**1,796,142**	**1,139,990**	**737,440**	**22,652**	**-**	**-**	**378,028**	**(401,138)**	**3,673,114**	**(230,552)**	**3,442,562**	**68,200**	**3,510,762**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**-**	**100,597**	**-**	**100,597**	**49,889**	**150,486**	**(4,415)**	**146,071**
Other changes in equity	**1,195,480**	**-**	**(38,683)**	**4,954**	**-**	**-**	**(378,028)**	**290,857**	**1,074,580**	**-**	**1,074,580**	**42,521**	**1,117,101**
Capital increases	1,195,480	-	-	-	-	-	-	-	1,195,480	-	1,195,480	39,257	1,234,737
Distribution of dividends	-	-	-	-	-	-	-	(110,281)	(110,281)	-	(110,281)	-	(110,281)
Transfers between equity items	-	-	(28,127)	5,017	-	-	(378,028)	401,138	-	-	-	-	
Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	
Other increases (decreases) in equity	-	-	(10,556)	(63)	-	-	-	-	(10,619)	-	(10,619)	3,264	(7,355)
Ending balance at 31 December 2009	**2,991,622**	**1,139,990**	**698,757**	**27,606**	**-**	**-**	**100,597**	**(110,281)**	**4,848,291**	**(180,663)**	**4,667,628**	**106,306**	**4,773,934**

The accompanying Notes 1 to 51 and Appendices I to IV are an integral part of the consolidated statement of changes in total equity for the year ended 31 December 2009.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 1 and 51). In the event of a discrepancy, the Spanish-language version prevails.

SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 4) - (CONTINUED)

(Thousands of Euros)

	2008 (*)												
	EQUITY ATTRIBUTABLE TO THE PARENT												
	SHAREHOLDERS' EQUITY												
			RESERVES										
	Share Capital	Share Premium	Accumulated Reserves (Losses)	Reserves (Losses) of Entities Accounted for Using the Equity Method	Other Equity Instruments	Less: Treasury Shares	Profit for the Year Attributable to the Parent	Less: Dividends and Remuneration	Total Shareholders' Equity	Valuation Adjustments	Total	Non-Controlling Interests	Total Equity
Ending balance at 31 December 2007	**996,213**	**1,139,990**	**840,124**	**16,079**	**-**	**-**	**508,059**	**(601,049)**	**2,899,416**	**90,726**	**2,990,142**	**80,300**	**3,070,442**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**996,213**	**1,139,990**	**840,124**	**16,079**	**-**	**-**	**508,059**	**(601,049)**	**2,899,416**	**90,726**	**2,990,142**	**80,300**	**3,070,442**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**-**	**378,028**	**-**	**378,028**	**(321,278)**	**56,750**	**(935)**	**55,815**
Other changes in equity	**799,929**	**-**	**(102,684)**	**6,573**	**-**	**-**	**(508,059)**	**199,911**	**395,670**	**-**	**395,670**	**(11,165)**	**384,505**
Capital increases	799,929	-	(2,038)	-	-	-	-	-	797,891	-	797,891	-	797,891
Distribution of dividends	-	-	-	-	-	-	-	(401,138)	(401,138)	-	(401,138)	-	(401,138)
Transfers between equity items	-	-	(100,494)	7,504	-	-	(508,059)	601,049	-	-	-	-	-
Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	(10,771)	(10,771)
Other increases (decreases) in equity	-	-	(152)	(931)	-	-	-	-	(1,083)	-	(1,083)	(394)	(1,477)
Ending balance at 31 December 2008	**1,796,142**	**1,139,990**	**737,440**	**22,652**	**-**	**-**	**378,028**	**(401,138)**	**3,673,114**	**(230,552)**	**3,442,562**	**68,200**	**3,510,762**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 51 and Appendices I to IV are an integral part of the consolidated statement of changes in total equity for the year ended 31 December 2009.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 1 and 51). In the event of a discrepancy, the Spanish-language version prevails.

SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (NOTES 1 to 4)

(Thousands of Euros)

	2009	2008 (*)
CASH FLOWS FROM OPERATING ACTIVITIES	**824,882**	**1,418,959**
Consolidated profit for the year	*105,943*	*377,093*
Adjustments made to obtain the cash flows from operating activities:	*1,750,781*	*1,206,346*
Depreciation and amortisation charge	92,494	77,392
Other adjustments	1,658,287	1,128,954
Net increase/decrease in operating assets:	*6,747,222*	*3,384,286*
Financial assets held for trading	(292,528)	416,439
Available-for-sale financial assets	97,126	(111,324)
Loans and receivables	7,211,385	2,478,803
Other operating assets	(268,761)	600,368
Net increase/decrease in operating liabilities:	*5,822,588*	*3,483,293*
Financial liabilities held for trading	66,333	83,598
Financial liabilities at amortised cost	5,021,817	3,439,087
Other operating liabilities	734,438	(39,392)
Income tax recovered/paid	*(107,208)*	*(263,487)*
CASH FLOWS FROM INVESTING ACTIVITIES	**(817,176)**	**(544,381)**
Payments-	*1,220,099*	*655,358*
Tangible assets	186,377	128,547
Intangible assets	153,742	51,065
Investments	-	4,744
Subsidiaries and other business units	879,980	471,002
Collections-	*402,923*	*110,977*
Tangible assets	130,458	30,321
Investments	-	2,296
Subsidiaries and other business units	168,000	43,651
Non-current assets held for sale and associated liabilities	104,465	34,709
CASH FLOWS FROM FINANCING ACTIVITIES	**(173,737)**	**(249,825)**
Payments-	*407,220*	*615,845*
Dividends	401,138	199,243
Subordinated liabilities	5,112	50,582
Other payments related to financing activities	970	366,020
Collections-	*233,483*	-
Subordinated liabilities	233,483	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**388**	**-**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(165,643)**	**624,753**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,006,071**	**747,338**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**840,428**	**1,006,071**
MEMORANDUM ITEMS:		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR	840,428	1,006,071
Cash	110,127	139,437
Cash equivalents at central banks	551,091	588,083
Other financial assets	179,210	278,551
Less: bank overdrafts refundable on demand	-	-
Total cash and cash equivalents at end of year	**840,428**	**1,006,071**
of which: held by consolidated entities but not drawable by the Group	-	-

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 51 and Appendices I to IV are an integral part of the consolidated statement of cash flows for the year ended 31 December 2009.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 1 and 51). In the event of a discrepancy, the Spanish-language version prevails.

Santander Consumer Finance, S.A. and Companies composing the Santander Consumer Finance Group (Consolidated)

Notes to the Consolidated Financial Statements for the year ended 31 December 2009

1. Introduction, basis of presentation of the consolidated financial statements, basis of consolidation and other information

a) Introduction

Santander Consumer Finance, S.A. ("the Bank") was incorporated in 1963 under the name of Banco de Fomento, S.A. It is a private-law entity subject to the rules and regulations applicable to banks operating in Spain, which has its headquarters at Avenida de Cantabria s/n, Edificio Dehesa, Boadilla del Monte, Madrid, where the bylaws and other public information on the Bank can be consulted.

The Bank's company object is to receive funds from the public in the form of deposits, loans, repos or other similar transactions entailing the obligation to refund them, and to use these funds for its own account to grant loans and credits or to perform similar transactions. Also, as the holding company of a finance group (the Santander Consumer Finance Group, "the Group"), the Bank manages and handles the investments in its subsidiaries.

The Bank is part of the Santander Group, the parent entity of which (Banco Santander, S.A.) had a 100% direct and indirect ownership interest in the share capital of the Bank at 31 December 2009 (see Note 25). Banco Santander, S.A. has its registered office at Paseo de Pereda 9-12, Santander. In addition, the consolidated financial statements for 2008 of the Santander Group were authorised for issue by the directors of Banco Santander, S.A. at the Board of Directors Meeting held on 26 March 2009 and were filed at the Santander Mercantile Registry. The Bank has one branch (Madrid), is not listed and, in 2009, it carried on most of its business activities in Spain.

The Group has 343 branches distributed throughout Europe (79 of which are located in Spain) and engages in finance leasing, financing of third party purchases of consumer goods of any kind, full-service leasing ("renting") and other activities. Additionally, since December 2002, the Bank has been the head of a European corporate group, consisting mainly of financial institutions, which engages in commercial banking, consumer finance, operating and finance leasing, full-service leasing and other activities in Germany, Italy, the Czech Republic, Hungary, Austria, Poland, the Netherlands, Norway, Finland, Sweden, Russia, Portugal and the United Kingdom.

As required by Bank of Spain Circular 6/2002, of 20 December, the accompanying Appendix IV lists the agents of the Group at 31 December 2009.

The relationship between the Bank and the other Group companies sometimes gives rise to transactions which respond to the Group's global strategy (see Note 49).

b) *Basis of presentation of the consolidated financial statements*

Under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1 January 2005 in conformity with the International Financial Reporting Standards (IFRSs) previously adopted by the European Union.

In order to adapt the accounting system of Spanish credit institutions to the new standards, the Bank of Spain issued Circular 4/2004, of 22 December, on Public and Confidential Financial Reporting Rules and Formats.

The Group's consolidated financial statements for 2009 were formally prepared by the Bank's directors (at the Board Meeting on 25 March 2010) in accordance with International Financial Reporting Standards as adopted by the European Union and with Bank of Spain Circular 4/2004, using the basis of consolidation, accounting policies and measurement bases set forth in Note 2 and, accordingly, they present fairly the Group's equity and financial position at 31 December 2009, and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in 2009. These consolidated financial statements were prepared from the individual accounting records of the Bank and of each of the companies composing the Group, and include the adjustments and reclassifications required to unify the accounting policies and measurement bases applied by the Group.

The Group's consolidated financial statements for 2008 were approved by the shareholders at the Annual General Meeting of the Bank on 23 April 2009 and filed at the Madrid Mercantile Registry. The 2009 consolidated financial statements of the Group and the 2009 financial statements of the Bank and of almost all the Group entities have not yet been approved by their shareholders at the respective Annual General Meetings. However, the Bank's Board of Directors considers that the aforementioned financial statements will be approved without any material changes.

All accounting policies and measurement bases with a material effect on the consolidated financial statements were applied in their preparation. No non-obligatory accounting principles were applied.

Adoption of new standards and interpretations issued

- The following standards and interpretations came into force and were fully adopted by the European Union in 2009:

  - IFRS 8 - Operating Segments: this standard replaces IAS 14. A management approach is adopted for reporting on the financial performance of the business segments. The information to be reported will be that used internally by management to assess the performance of the segments and to allocate resources among them.

  - Revision of IAS 23 - Borrowing Costs: the option of the immediate recognition as an expense of the borrowing costs relating to assets that take a substantial period of time to get ready for use or sale is eliminated and, therefore, these borrowing costs must be capitalised.

  - Revision of IAS 1 - Presentation of Financial Statements: introduces certain changes in the presentation of financial statements. The statement of changes in equity will only include changes in equity arising from transactions with owners acting in their capacity as owners. As regards “non-owner” changes (e.g. transactions with third parties or income and expenses recognised directly in equity), the revised standard provides the option of presenting income and expense items and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements. IAS 1 also introduces new reporting requirements when the entity applies a change in accounting policy retrospectively, makes a restatement or reclassifies items in previously issued financial statements.

Paragraph 10 of the revised IAS 1 establishes the possibility of changing the names of the financial statements. The new terminology that may be used to refer to the financial statements is as follows:

- The balance sheet becomes the statement of financial position.
- The income statement becomes the separate income statement.
- The statement of recognised income and expense becomes the statement of comprehensive income.
- The statement of changes in total equity becomes the statement of changes in equity.
- The name of the statement of cash flows remains unchanged.

In the preparation of these consolidated financial statements the Group has maintained the names of the financial statements that it has been using to date in order to facilitate their comprehension.

- Amendment to IFRS 2 - Share-based Payment: the objective of the amendment is basically to clarify the concepts of vesting conditions and cancellations in share-based payments.
- Amendments to IAS 32 - Financial Instruments: Presentation and IAS 1 - Presentation of Financial Statements: the amendments will permit certain financial instruments, whose features include that of being redeemable, to be classified as equity, provided that they meet certain criteria including that of being the most subordinated class, and provided that they evidence a residual interest in the net assets of the entity.
- Amendment to IFRS 7 - Financial Instruments: the objective of these amendments is basically to enhance the disclosure requirements with respect to fair value measurements and liquidity risk.
- Amendments to IAS 39 and IFRIC 9: clarifying the treatment of embedded derivatives for companies that have applied the amendment to IAS 39 on reclassifications. These amendments clarify that when an asset is reclassified out of the "financial assets at fair value through profit or loss" category, all the embedded derivatives must be assessed and, where necessary, accounted for separately in the financial statements. The Group did not apply these amendments, since no such reclassifications were made.
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: this interpretation provides general guidance on how to ascertain the limit in IAS 19 - Employee Benefits, on the amount of the surplus that can be recognised as an asset. It also explains how pension assets or liabilities can be affected when there is a statutory or contractual minimum funding requirement and establishes that the entity only needs to recognise an additional liability if it has a contractual obligation to make additional contributions to the plan and its capacity to recover them is restricted. The interpretation standardises the practice and ensures that entities recognise an asset in relation to a surplus on a consistent basis.
- IFRIC 15 - Agreements for the Construction of Real Estate: this interpretation clarifies the recognition of revenue and expenses associated with the construction of real estate.

- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation: this interpretation clarifies the following matters: firstly, the risk arising from the foreign currency exposure to the functional currency of the foreign operation and the presentation currency of the parent cannot be designated as a hedged risk, and only the foreign currency exposure arising between the functional currency of the parent and that of its foreign operation qualifies as a hedged risk; secondly, the hedging instrument used to hedge the net investment may be held by any entity within the group, not necessarily by the parent of the foreign operation; and, lastly, it addresses how an entity should determine the amounts to be reclassified from equity to profit or loss on disposal of the foreign operation.

The application of the aforementioned accounting standards and interpretations did not have a material effect on the Group's consolidated financial statements.

- Also, at the date of preparation of these consolidated financial statements the following standards and interpretations with effective dates subsequent to 31 December 2009 were in force:

    - Revision of IFRS 3 - Business Combinations and Amendment to IAS 27 - Consolidated and Separate Financial Statements (mandatory for years beginning on or after 1 July 2009): these standards introduce significant changes in several matters relating to accounting for business combinations. These changes include most notably the following: acquisition costs must be expensed, rather than recognised as an increase in the cost of the business combination; in step acquisitions the acquirer must remeasure at fair value the investment held prior to the date that control is obtained; and there is an option to measure at fair value the non-controlling interests of the acquiree, as opposed to the single current treatment of measuring them as the proportionate share of the fair value of the net assets acquired. Since the standard will be applied prospectively, and is applicable from 1 January 2010, the Bank's directors do not expect any material effect to arise from its entry into force.

    - Amendment to IAS 39 - Eligible Hedged Items (mandatory for years beginning on or after 1 July 2009): this amendment establishes that inflation may only be designated as a hedged item if it is a contractually specified portion of the cash flows to be hedged. Only the intrinsic value and not the time value of a purchased option may be used as a hedging instrument.

    - Amendment to IAS 32 - Classification of Rights Issues (mandatory for years beginning on or after 1 February 2010): this amendment relates to the classification of rights issued to acquire shares (rights, options or warrants) in any currency. Pursuant to this amendment, when these rights are issued to acquire a fixed number of shares for a fixed amount, they are classified as equity instruments, regardless of the currency in which that fixed amount is denominated and provided that other requirements of the standard are met.

    - IFRIC 12 - Service Concession Arrangements (mandatory for years beginning on or after 1 April 2009): owing to the nature of this interpretation, its application does not affect the consolidated financial statements.

    - IFRIC 17 - Distributions of Non-cash Assets to Owners (mandatory for years beginning on or after 1 July 2009): this interpretation addresses the accounting treatment of the distribution of non-cash assets to owners ("dividends in kind"), although its scope does not include distributions of assets within a group or between jointly controlled entities. The interpretation requires an entity to measure the dividend payable at the fair value of the assets to be distributed and to recognise any difference with respect to the carrying amount of the asset in profit or loss.

- IFRIC 18 - Transfers of Assets from Customers (mandatory for years beginning on or after 1 July 2009): this interpretation clarifies the requirements for agreements in which an entity receives from customers items of property, plant or equipment (or cash for the construction of such items) that must be used to connect those customers to a network.

- At the date of preparation of these consolidated financial statements, the following standards and interpretations had not yet been adopted by the European Union:

  - Amendments to IFRS 2 - Share-based Payment: these amendments relate to the recognition of share-based payment transactions among group entities. The main change is that the amendments supersede IFRIC 8 and IFRIC 11 and, accordingly, these interpretations will be withdrawn since their content will be included in the main body of the standard. The amendments clarify that an entity that receives services from employees or suppliers should account for the share-based payment transaction no matter which group entity settles the transaction and no matter of whether it is settled in cash or shares.

  - Revision of IAS 24 - Related Party Disclosures: the revised IAS 24 addresses related party disclosures in financial statements. A partial exemption from certain disclosure requirements is introduced when the transactions are between state-controlled entities or government-related entities (or equivalent government institution) and the definition of a related party is simplified, clarifying its intended meaning.

  - Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement: these amendments remedy the fact that entities were in some circumstances not permitted to recognise certain voluntary prepayments as an asset.

  - IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments: this interpretation addresses the accounting by a debtor when the debtor issues equity instruments to a creditor to extinguish all or part of a financial liability. The interpretation is not applicable in this type of transaction if the counterparties in question are shareholders or related parties and act as such or if the debt for equity swap was provided for in the terms of the original agreement. In this case, the equity instruments issued are measured at fair value at the date the financial liability is extinguished and any difference between this fair value and the carrying amount of the liability extinguished recognised in profit or loss.

  Lastly, it should be noted that the adoption of IFRS 9 - Financial Instruments: Classification and Measurement, which will in the future replace the part of the current IAS 39 relating to the classification and measurement of financial assets, has been postponed by the European Union. This standard contains significant differences with respect to the current standard, including the approval of a new classification model based on only two categories, namely measurement at amortised cost or fair value, the disappearance of the current “held-to-maturity investments” and “available-for-sale financial assets” categories, impairment analyses only for assets carried at amortised cost and no bifurcation of embedded derivatives in financial contracts.

The Bank’s directors do not expect the application of the above-mentioned standards and interpretations to have a material effect on the consolidated financial statements taken as a whole.

c) *Use of estimates*

The consolidated results and the determination of consolidated equity are sensitive to the accounting policies, measurement bases and estimates used by the directors of the Bank in preparing the consolidated financial statements. In the Group's consolidated financial statements for 2009 estimates were occasionally made by the senior executives, subsequently ratified by the Bank's directors, in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates, which were made on the basis of the best information available, relate basically to the following:

1. The impairment losses on certain assets (see Notes 2-f, 2-g, 2-h, 2-j, 7, 8, 10, 12, 15 and 16);

2. The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments and other long-term obligations to employees (see Notes 2-p, 2-q, 14 and 23);

3. The useful life of the tangible and intangible assets (see Notes 2-h, 2-j, 15 and 16);

4. The measurement of goodwill arising on consolidation (see Notes 2-j and 16); and

5. The fair value of certain unquoted assets (see Notes 9, 11, 13 and 31).

Although these estimates were made on the basis of the best information available at 31 December 2009 on the events analysed, future events might make it necessary to significantly change these estimates (upwards or downwards) in coming years. If required, changes in accounting estimates would be applied in accordance with current legislation (prospectively, recognising the effects of any change in estimates in the related consolidated income statements).

d) *Comparative information*

As required by IAS 1, the information relating to 2008 contained in these notes to the consolidated financial statements is presented with the information relating to 2009 for comparison purposes only and, accordingly, it does not constitute the Group's statutory consolidated financial statements for 2008.

The accompanying consolidated income statement for 2008 differs from the consolidated income statement approved by the shareholders at the Bank's Annual General Meeting in that, as a result of the classification of the businesses carried on in the Czech Republic and Hungary as discontinued operations, the results of the Group entities located in these countries (profits of EUR 3,491 thousand, net of tax) were reclassified, as stipulated by current accounting standards, from the headings under which they were recorded in the approved consolidated financial statements for 2008 to “Loss from Discontinued Operations (net)” in the accompanying consolidated income statement for 2008 (see Notes 3 and 46).

e) *Basis of consolidation*

i. Subsidiaries

“Subsidiaries” are defined as entities over which the Bank has the capacity to exercise control; control is, in general but not exclusively, presumed to exist when the Parent owns directly or indirectly half or more of the voting power of the investee or, even if this percentage is lower or zero, when, for example, there are agreements with other shareholders of the investee that give the Bank control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

At 31 December 2009, the Group did not hold ownership interests of less than 50% in any entity considered to be a Group entity (the only entity less than 50% owned by the Group but which constituted a single decision-making unit at 31 December 2008 and which, therefore, was considered to be a subsidiary, was Asesora de Titulización, S.A., S.G.F.T., which was 20% owned by the Group at that date. This entity was liquidated on 30 June 2009).

The financial statements of the subsidiaries are fully consolidated with those of the Bank. Accordingly, all significant balances and transactions between consolidated entities and between these entities and the Bank are eliminated on consolidation.

On acquisition of a subsidiary, its assets, liabilities and contingent liabilities are recognised at fair value at the date of acquisition. Any positive differences between the acquisition cost of these entities and the fair values of the identifiable net assets acquired are recognised as goodwill (see Note 16). Negative differences are charged to income on the date of acquisition.

The share of third parties of the Group's equity is presented under "Non-Controlling Interests" in the consolidated balance sheet (see Note 29). Their share of the consolidated profit for the year is presented under "Profit (Loss) Attributable to Non-Controlling Interests" in the consolidated income statement.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

Appendix I to these consolidated financial statements contains significant information on subsidiaries.

ii. Interests in joint ventures (jointly controlled entities)

"Joint ventures" are deemed to be ventures that are not subsidiaries but which are jointly controlled by two or more unrelated entities. This is evidenced by contractual arrangements whereby two or more entities ("venturers") undertake an economic activity that is subject to joint control in order to share the power to govern the financial and operating policies of an entity or another economic activity, so as to obtain benefits from its activities, and, therefore, any strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers.

The financial statements of investees classified as "joint ventures" are proportionately consolidated with those of the Bank and, therefore, the aggregation of balances and subsequent eliminations are made only in proportion to the Group's ownership interest in the capital of these entities.

Appendix II to these consolidated financial statements contains significant information on jointly controlled entities.

iii. Associates

"Associates" are entities over which the Bank is in a position to exercise significant influence, but not control or joint control. Significant influence generally exists when the Bank holds 20% or more of the voting power of the investee.

In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations. The profits and losses resulting from transactions with an associate are eliminated to the extent of the Group's interest in the associate.

Appendix II to these consolidated financial statements contains significant information on associates.

iv. Business combinations

A business combination is the bringing together of two or more separate entities or economic units into one single entity or group of entities.

Business combinations performed on or after 1 January 2004 whereby the Group obtains control over an entity are recognised for accounting purposes as follows:

- The Group measures the cost of the business combination, defined as the fair value of the assets given, the liabilities incurred and the equity instruments issued, if any, by the acquirer, plus any cost directly attributable to the business combination, including the fees paid to the auditors, legal advisers, investment banks and other consultants.

- The fair values of the assets, liabilities and contingent liabilities of the acquiree, including any intangible assets which might not have been recognised by the acquiree, are estimated and recognised in the consolidated balance sheet.

- Any negative difference between the net fair value of the assets, liabilities and contingent liabilities of the acquiree and the cost of the business combination is recognised as discussed in Note 2-i. Any positive difference is recognised in "Negative Goodwill on Business Combinations" in the consolidated income statement.

v. Acquisitions and disposals

Note 3 provides information on the most significant acquisitions and disposals in 2009 and 2008.

f) Capital and capital management

Bank of Spain Circular 3/2008, of 22 May, on the calculation and control of minimum capital requirements, regulates the minimum capital requirements for Spanish credit institutions -both as individual entities and as consolidated groups- and how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the public information they should disclose to the market.

This Circular is the final implementation, for credit institutions, of the legislation on capital and consolidated supervision of financial institutions, which was contained in Law 36/2007, of 16 November, amending Law 13/1985, of 25 May, on the investment ratios, capital and reporting requirements of financial intermediaries, and other financial regulations, and which also includes Royal Decree 216/2008, of 15 February, on the capital of financial institutions. Bank of Spain Circular 3/2008 culminates the process of adaptation of Spanish legislation to Directive 2006/48/EC of the European Parliament and of the Council, of 14 June 2006, and Directive 2006/49/EC of the European Parliament and of the Council, of 14 June 2006. The minimum capital requirements for credit institutions and their consolidable groups were thoroughly revised in both Directives, based on the new Capital Accord adopted by the Basel Committee on Banking Supervision ("Basel II").

Bank of Spain Circular 3/2008, of 22 May, establishes the elements that are eligible for inclusion in capital for the purpose of compliance with the minimum capital requirements set forth therein. For the purposes of this Circular, capital is classified into Tier 1 and Tier 2 capital.

The Group's management of its capital, as far as conceptual definitions are concerned, is in keeping with Bank of Spain Circular 3/2008. In this connection, the Group considers eligible capital to be that specified in Rule Eight of Bank of Spain Circular 3/2008.

The minimum capital requirements are calculated by reference to the Group's exposure to credit risk and dilution risk (on the basis of the assets, commitments and other memorandum items that present these risks, depending on their amounts, characteristics, counterparties, guarantees, etc.), to counterparty risk and position and settlement risk in the trading book, and to foreign currency risk and operational risk. The Group must hold minimum capital of 8% of its risk-weighted assets.

At 31 December 2009 and 2008, the Group's eligible capital exceeded the minimum required under the regulations in force on those dates.

The detail of the Group's eligible capital at 31 December 2009 is as follows:

	Thousands of Euros
Tier 1 capital:	**3,061,614**
Share capital	2,991,622
Share premium	1,139,990
Reserves	728,235
Non-controlling interests	88,340
Preference shares	-
Deductions (goodwill and other)	(1,876,888)
Net attributable profit (less dividends)	(9,685)
Tier 2 capital:	**1,524,639**
Other items and deductions	589,446
Additional capital	935,193
Total eligible capital	**4,586,253**
Total minimum capital	**3,617,168**

g) Deposit Guarantee Fund

The Bank and other domestic and foreign consolidated entities participate in the Deposit Guarantee Fund or a similar scheme in their respective countries. The contributions made to these schemes amounted to EUR 13,219 thousand in 2009 (2008: EUR 6,180 thousand) and the related expense was recognised in "Other Operating Expenses" in the accompanying consolidated income statement (see Note 40).

h) Environmental impact

In view of the business activities carried on by the Group entities, they do not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to the Group's consolidated equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

i) *Events after the reporting period*

On 30 June 2005, the Bank and Banque Accord, which held 49% and 51%, respectively, of the share capital of Accordfin España, E.F.C., S.A., agreed to enter into a call option for Banque Accord and a put option for the Bank on its shares in Accordfin España, E.F.C., S.A.

On 1 January 2010, the Bank notified Banque Accord of its decision to exercise the put option on the shares of Accordfin España, E.F.C., S.A. held by it (see Appendix II). Consequently, on that date, the Bank transferred ownership of its shares in this associate to Banque Accord at no cost to either of the parties. The Bank's directors consider that no material liabilities will arise for the Bank as a result of the disposal of the ownership interest in this associate.

At its meeting held on 3 February 2010, the Bank's Executive Committee resolved to discontinue the Group's operations in Russia, and to take the steps required to sell the ownership interest in JSC Santander Consumer Bank (see Note 13 and Appendix I).

At its meeting held on 8 March 2010, the Executive Committee of Banco Santander, S.A. resolved to increase the Bank's capital, through a contribution in kind, by approximately EUR 360,000 thousand. At the date on which these consolidated financial statements were authorised for issue, the aforementioned capital increase had not been formalised.

On 11 March 2010, the Bank paid EUR 160,000 thousand to General Electric Capital Corporation as an adjustment of the purchase price of General Electric Capital Deutschland Gmbh (Germany) (see Note 3).

At its meeting held on 15 March 2010, the Executive Committee of Banco Santander, S.A. authorised the Bank to increase the share capital of the subsidiary Santander Consumer Bank A.S. by NOK 1,150 million. At the date on which these consolidated financial statements were authorised for issue, the aforementioned capital increase had not been formalised.

At its meeting held on 25 March 2010, the Bank's Board of Directors resolved to propose to the shareholders at the Annual General Meeting that capital be increased by EUR 360,873 thousand by issuing at par 120,290,868 ordinary shares of EUR 3 par value each. This capital increase will be performed through the non-monetary contribution of two loans granted by Banco Santander, S.A. (see Note 25) to the subsidiary Santander Consumer Bank, S.p.A. At the date on which these consolidated financial statements were authorised for issue, the aforementioned capital increase had not been formalised.

From 31 December 2009 to the date on which these consolidated financial statements were authorised for issue no additional events took place significantly affecting them.

j) *Customer Care Service Annual Report*

In accordance with the stipulations of Article 17 of Ministry of the Economy Order ECO/734/2004, of 11 March, on Customer Care Departments and Services and Customer Ombudsmen of Financial Institutions, following is a summary of the Annual Reports submitted by the head of the Customer Care Service of each consolidated entity to the respective Board of Directors.

i. Statistical summary of claims and complaints handled

115 claims were received by the Customer Care Service in 2009 (2008: 879 claims), a decrease of 87% compared with 2008. The reduction in claims was due to the increase in the number of incidents managed directly by the Bank. All the claims received were admitted for consideration.

95% of the claims (109 files) were resolved and concluded during the year (2008: 97%, relating to 849 files), and a total of 6 files were pending consideration at 2009 year-end (2008 year-end: 30 files). The detail, by type, of the claims filed is as follows:

	Percentage	
	2009	2008
Modus operandi	42%	40%
Cards	28%	36%
Insurance	14%	13%
Price	8%	7%
Service/treatment	3%	4%
Other claims	5%	-

The Bank's directors state that the matters not yet resolved at 2009 year-end will not have a material effect on the consolidated financial statements.

ii. Summary of resolutions

The detail of the responses to customers is as follows:

	Percentage	
	2009	2008
In favour of claimant	48%	74%
In favour of the Bank	52%	26%

The average handling period for claims was 28 days in 2009 (2008: 16 days).

The Bank paid EUR 56 thousand to its customers for claims resolved in their favour in 2009 (2008: EUR 190 thousand).

iii. Claims filed through the Bank of Spain and the Directorate-General of Insurance

The Customer Care Service received 34 claims through the Bank of Spain and the Directorate-General of Insurance in 2009 (2008: 53 claims), all of which had been resolved at 31 December 2009 (31 December 2008: 50 claims). The detail of the resolved claims is as follows:

	Percentage	
	2009	2008
In favour of the customer	52%	66%
In favour of the Bank	48%	34%

The Bank paid EUR 36 thousand to its customers for claims made through the Bank of Spain and the Directorate-General of Insurance which were resolved in the customers' favour in 2009 (2008: EUR 8 thousand).

The Bank's directors state that the matters not yet resolved at 2009 year-end will not have a material effect on the consolidated financial statements.

iv. Claims received by the Customer Ombudsman

In 2009 the Customer Ombudsman received 220 claims (2008: 156 claims). The detail of the resolved claims is as follows:

	Percentage	
	2009	2008
In favour of the customer	76%	85%
In favour of the Bank	7%	15%
Other claims not giving rise to any loss for the customer	17%	-

A recent matter in respect of this type of claim is the appearance of requests for the renegotiation of the economic terms and conditions of transactions.

A substantial proportion (50%) of the claims received relate to the use of credit cards (fraudulent use of cards and resulting charges, rejection of maintenance fees and late payment fees, request for cancellation of cards and misunderstanding about the fees resulting from extensions of overlimits and rejection of unrecognised charges). There was also a significant number of claims relating to problems with the various payment systems, concerning both consumer financing agreements and credit cards (end of the month, interest-bearing deferred payment, interest-free deferred payment).

The Bank paid EUR 8 thousand to its customers for claims made through the Customer Ombudsman which were resolved in the customers' favour in 2009 (2008: EUR 7 thousand).

v. Recommendations or suggestions based on experience to improve customer service

From the total claims received, it can be seen that most of them relate to operational issues, with the common denominator being a lack of information and/or clarification when customers contact the entity to clarify such issues. As a result, increasing the efficiency of the telephone customer care units in the resolution of incidents is considered a priority.

An analysis of the reasons for the claims made through the Bank of Spain highlights that most of the claims arose from the insufficient attention given to the claim when it was first received.

It is also necessary to review the possible reasons why some claims take more than ten days to be resolved.

Santander Consumer, E.F.C., S.A.

i. Claims received by the Customer Care Services

24 complaints were received by the Customer Care Services in 2009 (2008: 148 claims), a decrease of 84% year-on-year. The reduction in claims was due to the increase in the number of incidents managed directly by the company. All the claims received were admitted for consideration. Most of the claims received were resolved.

The Bank's directors state that the matters not yet resolved at 2009 year-end will not have a material effect on the consolidated financial statements.

The company paid EUR 3 thousand to its customers for claims resolved in their favour in 2009 (2008: EUR 23 thousand).

ii. Claims filed through the Bank of Spain, the Directorate-General of Insurance and the Spanish National Securities Market Commission (CNMV)

The Customer Care Services received 13 claims through the Bank of Spain and the Directorate-General of Insurance in 2009 (2008: 8 claims), all of which had been resolved at 31 December 2009. The detail of the resolved claims is as follows:

	Percentage	
	2009	2008
In favour of the customer	54%	50%
In favour of the Bank	46%	50%

The Bank paid EUR 3 thousand to its customers for claims made through the Bank of Spain and the Directorate-General of Insurance which were resolved in the customers' favour in 2009 (2008: EUR 2 thousand).

iii. Claims received by the Customer Ombudsman

In 2009 the Customer Ombudsman received 89 claims, of which 55 were resolved in favour of the customer and 9 in favour of Santander Consumer E.F.C., S.A. The remaining 25 claims, which related more to processing and clarifications, did not give rise to a direct loss for the customer.

The most common claims relate to the expenses arising from returned payments and late payment thereof. The reasons for the other claims are varied: non-acknowledgement of the debt claimed, claims relating to insurance covering transactions and problems arising from early repayment when the amount paid is not duly identified.

The company paid approximately EUR 1 thousand to its customers for claims made through the Customer Ombudsman which were resolved in the customers' favour in 2009 (2008: EUR 1 thousand).

iv. Recommendations or suggestions based on experience to improve customer service

From the total claims received, it can be seen that most of them relate to operational issues, with the common denominator being a lack of information and/or clarification when customers contact the entity to clarify such issues. As a result, increasing the efficiency of the telephone customer care units in the resolution of incidents is considered a priority.

It is also necessary to review the possible reasons why some claims take more than ten days to be resolved.

Other consolidated entities

The Customer Care Services of the other consolidated entities did not receive any claims through the Customer Ombudsman or though other supervisory bodies.

2. Accounting policies and measurement bases

The accounting policies and measurement bases applied in preparing the consolidated financial statements were as follows:

a) *Foreign currency transactions*

i. Functional currency

The Group's functional currency is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in "foreign currency".

ii. Translation of foreign currency to the functional currency

Foreign currency transactions performed by consolidated entities (or entities accounted for using the equity method) not located in EU countries are initially recognised in their respective currencies. Monetary assets and liabilities in foreign currency are subsequently translated to their functional currencies (currency of the economic environment in which the consolidated entity operates) using the closing rate, except as follows:

- Non-monetary items measured at historical cost are translated to the functional currency at the exchange rate at the date of acquisition.

- Non-monetary items measured at fair value are translated at the exchange rate at the date when the fair value was determined.

- The income and expenses arising from transactions performed in the year are translated at the average exchange rates for the year.

- The balances arising from non-hedging forward foreign currency/foreign currency and foreign currency/euro purchase and sale transactions are translated at the closing rates prevailing in the forward foreign currency market for the related maturity.

Translation of functional currencies to euros

The balances in the financial statements of consolidated entities (or entities accounted for using the equity method) whose functional currency is not the euro, are translated to euros as follows:

- Assets and liabilities, at the average official exchange rates ruling on the Spanish spot market at year-end.

- Income and expenses, at the average exchange rates for the year, for all the transactions performed in the year.

- Equity items, at the historical exchange rates.

iii. Recognition of exchange differences

The exchange differences arising on the translation of foreign currency balances to the functional currency are generally recognised at their net amount under “Exchange Differences” in the consolidated income statement, except for exchange differences arising on financial instruments at fair value through profit or loss, which are recognised in the consolidated income statement without distinguishing them from other changes in fair value, and exchange differences arising on non-monetary items measured at fair value through equity, which are recognised under “Valuation Adjustments - Exchange Differences” in the consolidated balance sheet.

The exchange differences arising on the translation to euros of the financial statements of the consolidated entities whose functional currency is not the euro are recognised under “Valuation Adjustments - Exchange Differences” in the consolidated balance sheet until the related item is derecognised, at which time they are recognised in the consolidated income statement.

iv. Exposure to foreign currency risk

The equivalent euro value of the total assets and liabilities in foreign currency held by the Group at 31 December 2009 amounted to EUR 9,954 million and EUR 8,270 million, respectively (2008 year-end: EUR 6,920 million and EUR 3,558 million, respectively) (see Note 47). Approximately 42% of the assets and 41% of the liabilities relate to Norwegian krone and virtually all the remainder correspond to other currencies traded in the Spanish market. The Group hedges a portion of these permanent exposures using foreign exchange derivatives (see Note 31) and, therefore, the effect on the consolidated income statement and consolidated equity due to changes of 1% in the various foreign currencies in which the Group has significant balances would not be material.

b) *Definitions and classification of financial instruments*

i. Definitions

A “financial instrument” is any contract that gives rise to a financial asset of one entity and, simultaneously, to a financial liability or equity instrument of another entity.

An “equity instrument” is any agreement that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A “financial derivative” is a financial instrument whose value changes in response to the change in an observable market variable (such as an interest rate, foreign exchange rate, financial instrument price, market index or credit rating), whose initial investment is very small compared with other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

“Hybrid financial instruments” are contracts that simultaneously include a non-derivative host contract together with a derivative, known as an embedded derivative, that is not separately transferable and has the effect that some of the cash flows of the hybrid contract vary in a way similar to a stand-alone derivative.

The following transactions are not treated for accounting purposes as financial instruments:

- Investments in associates (see Note 13).

- Rights and obligations under employee benefit plans (see Note 23).

- Rights and obligations under insurance contracts (see Note 14).

- Contracts and obligations relating to employee remuneration based on own equity instruments (see Note 41).

ii. Classification of financial assets for measurement purposes

Financial assets are classified into the various categories used for management and measurement purposes, unless they have to be presented as “Non-Current Assets Held for Sale” or they relate to “Cash and Balances with Central Banks”, “Hedging Derivatives”, “Changes in the Fair Value of Hedged Items in Portfolio Hedges of Interest Rate Risk” (asset side) and “Investments”, which are reported separately.

Financial assets are included for measurement purposes in one of the following categories:

- Available-for-sale financial assets: this category includes debt instruments not classified as “Held-to-Maturity Investments” or as “Financial Assets at Fair Value through Profit or Loss”, and equity instruments issued by entities other than subsidiaries, associates and jointly controlled entities, provided that such instruments have not been classified as “Financial Assets Held for Trading”.

- Loans and receivables: this category includes financing granted to third parties, based on the nature thereof, irrespective of the type of borrower and the form of financing, including finance lease transactions in which the consolidated entities act as the lessors.

The consolidated entities generally intend to hold the loans and credits granted by them until their final maturity and, therefore, they are presented in the consolidated balance sheet at their amortised cost (which includes any write-downs required to reflect the estimated losses on their recovery).

iii. Classification of financial assets for presentation purposes

Financial assets are classified by nature into the following items in the consolidated balance sheet:

- Cash and balances with central banks: cash balances and balances receivable on demand relating to deposits with the Bank of Spain and other central banks.

- Loans and advances: includes the debit balances of all credit and loans granted by the Group, other than those represented by marketable securities, as well as finance lease receivables and other debit balances of a financial nature in favour of the Group, such as cheques drawn on credit institutions, balances receivable from clearing houses and settlement agencies for transactions on the stock exchange and organised markets, bonds given in cash, capital calls, fees and commissions receivable for financial guarantees and debit balances arising from transactions not originating in banking transactions and services, such as the collection of rentals and similar items.

- Loans and advances to credit institutions: credit of any nature in the name of credit institutions.

- Loans and advances to customers: includes the debit balances of all the remaining credit and loans granted by the Group, other than those represented by marketable securities, including money market operations through central counterparties.

- Debt instruments: bonds and other securities that represent a debt for their issuer, that generate an interest return, and that are in the form of certificates or book entries.

- Other equity instruments: financial instruments issued by other entities, such as shares and non-voting equity units, which have the nature of equity instruments for the issuer, unless they are investments in associates.

- Trading derivatives: includes the fair value in favour of the Group of derivatives which do not form part of hedge accounting.

- Changes in the fair value of hedged items in portfolio hedges of interest rate risk: this item is the balancing entry for the amounts credited to the consolidated income statement in respect of the measurement of the portfolios of financial instruments which are effectively hedged against interest rate risk through fair value hedging derivatives.

- Hedging derivatives: includes the fair value in favour of the Group of derivatives designated as hedging instruments in hedge accounting.

- Investments: includes the investments in the share capital of associates.

iv. Classification of financial liabilities for measurement purposes

In the consolidated balance sheet, financial liabilities are classified into the various categories used for management and measurement purposes, unless they have to be presented as “Hedging Derivatives”, which are reported separately.

Financial liabilities are classified for measurement purposes into one of the following categories:

- Financial liabilities held for trading: this category includes the financial liabilities issued for the purpose of generating a profit in the near term from fluctuations in their prices, financial derivatives not considered to qualify for hedge accounting and financial liabilities arising from the outright sale of financial assets purchased under resale agreements or borrowed ("short positions").

- Financial liabilities at amortised cost: financial liabilities, irrespective of their instrumentation and maturity, not included in the above-mentioned category which arise from the fund-taking activities carried on by financial institutions.

v. Classification of financial liabilities for presentation purposes

Financial liabilities are classified by nature into the following items in the consolidated balance sheet:

- Deposits from central banks: deposits of any nature received from the Bank of Spain or other central banks.

- Deposits from credit institutions: deposits of any nature, including credit received and money market operations in the name of credit institutions.

- Customer deposits: includes all repayable balances received in cash by the Group, other than those represented by marketable securities, money market operations through central counterparties, subordinated liabilities and deposits from central banks and credit institutions.

- Marketable debt securities: includes the amount of bonds and other debt represented by marketable securities, other than subordinated liabilities. This item includes the component considered to be a financial liability of issued securities that are compound financial instruments.

- Trading derivatives: includes the fair value of the Group's liability in respect of derivatives which do not form part of hedge accounting.

- Subordinated liabilities: amount of financing received which, for the purposes of payment priority, ranks behind ordinary debt.

- Other financial liabilities: includes the amount of payment obligations having the substance of financial liabilities not included under any other item.

- Hedging derivatives: includes the fair value of the Group's liability in respect of derivatives designated as hedging instruments in hedge accounting.

c) Measurement of financial assets and liabilities and recognition of fair value changes

Financial assets and liabilities are initially recognised at fair value which, in the absence of evidence to the contrary, is deemed to be the transaction price. Financial instruments not measured at fair value through profit or loss are adjusted by the transaction costs. Financial assets and liabilities are subsequently measured at each period-end as follows:

i. Measurement of financial assets

Financial assets are measured at fair value, except for loans and receivables and equity instruments whose fair value cannot be determined in a sufficiently objective manner (as well as financial derivatives that have those equity instruments as their underlying and are settled by delivery of those instruments).

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction acting prudently. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

Derivatives are recognised in the consolidated balance sheet at fair value from the trade date. If the fair value is positive, they are recognised as an asset and if the fair value is negative, they are recognised as a liability. The fair value on the trade date is deemed, in the absence of evidence to the contrary, to be the transaction price. The changes in the fair value of derivatives from the trade date are recognised in "Gains/Losses on Financial Assets and Liabilities" in the consolidated income statement. Specifically, the fair value of standard financial derivatives included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price cannot be determined on a given date, these financial derivatives are measured using methods similar to those used to measure OTC derivatives.

The fair value of OTC derivatives is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques commonly used by the financial markets: "net present value" (NPV), option pricing models and other methods.

Financial derivatives that have as their underlying equity instruments whose fair value cannot be determined in a sufficiently objective manner and are settled through delivery of those instruments are measured at cost.

"Loans and Receivables" are measured at amortised cost using the effective interest method. Amortised cost is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal repayments and the cumulative amortisation (taken to the income statement) of the difference between the initial cost and the maturity amount. In the case of financial assets, amortised cost furthermore includes any reductions for impairment or uncollectibility. In the case of loans and receivables hedged in fair value hedges, the changes in the fair value of these assets related to the risk or risks being hedged are recognised.

The effective interest rate is the discount rate that exactly matches the initial amount of a financial instrument to all its estimated cash flows of all kinds over its remaining life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees and transaction costs that, because of their nature, form part of their financial return. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing in all connections until the next benchmark interest reset date.

Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying and are settled by delivery of those instruments are measured at acquisition cost adjusted, where appropriate, by any related impairment loss.

The amounts at which the financial assets are recognised represent, in all material respects, the Group's maximum exposure to credit risk at each reporting date. Also, the Group has received collateral and other credit enhancements to mitigate its exposure to credit risk, which consist mainly of mortgage guarantees.

ii. Measurement of financial liabilities

Financial liabilities are measured at amortised cost, as defined above, except for those included under "Financial Liabilities Held for Trading" in the consolidated balance sheet and financial liabilities designated as hedged items (or hedging instruments) in fair value hedges, which are measured at fair value.

iii. Valuation techniques

The following table shows a summary of the fair values, at 31 December 2009 and 2008, of the financial assets and liabilities indicated below, classified on the basis of the various measurement methods used by the Group to determine their fair value:

	Thousands of Euros					
	2009			2008		
	Published Price Quotations in Active Markets	Internal Models (*)	Total	Published Price Quotations in Active Markets	Internal Models (*)	Total
Financial assets held for trading	-	-	-	365,922	98,941	464,863
Available-for-sale financial assets	171,818	-	171,818	103,532	-	103,532
Hedging derivatives (assets)	-	111,512	111,512	-	342,049	342,049
Financial liabilities held for trading	-	183,098	183,098	-	116,765	116,765
Hedging derivatives (liabilities)	-	474,776	474,776	-	426,907	426,907

(*) Substantially all of the main variables (inputs) used by the models are obtained from observable market data (Level 2, pursuant to IFRS 7 Financial Instruments: Disclosures).

Financial instruments at fair value, determined on the basis of published price quotations in active markets, include mainly government debt securities and asset-backed bonds.

In cases where data based on market parameters cannot be observed, the Group makes its best estimate of the price that the market would set, using its own internal models. In order to make these estimates, various techniques are employed, including the extrapolation of observable market data. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, unless the fair value of the instrument can be obtained from other market transactions performed with the same or similar instruments or can be measured by using a valuation technique in which the variables used include only observable market data, mainly interest rates. In accordance with the standards in force, any difference between the transaction price and the fair value based on valuation techniques is not initially recognised in the income statement.

Most of the instruments recognised at fair value in the consolidated balance sheet are interest rate swaps (IRSs) and cross currency swaps, which are measured using the present value method. This valuation method is also used to calculate the fair value of financial instruments measured at amortised cost in the consolidated balance sheet (see Note 47). Expected future cash flows are discounted using the yield curves of the related currencies. In general, the yield curves are observable market data and, therefore, this valuation method does not include the use of assumptions that could have a significant effect on the calculation of the fair value of these financial instruments.

iv. Recognition of fair value changes

As a general rule, changes in the carrying amount of financial assets and liabilities are recognised in the consolidated income statement, distinguishing between those arising from the accrual of interest and similar items –which are recognised under “Interest and Similar Income” or “Interest Expense and Similar Charges”, as appropriate– and those arising for other reasons, which are recognised at their net amount under “Gains/Losses on Financial Assets and Liabilities”.

Adjustments due to changes in fair value arising from:

- “Available-for-Sale Financial Assets” are recognised temporarily under “Valuation Adjustments - Available-for-Sale Financial Assets”, unless they relate to exchange differences, in which case they are recognised in “Valuation Adjustments - Exchange Differences” in the consolidated balance sheet (exchange differences arising on monetary financial assets are recognised in “Exchange Differences” in the consolidated income statement).

- Items charged or credited to “Valuation Adjustments - Available-for-Sale Financial Assets” and “Valuation Adjustments - Exchange Differences” in the consolidated balance sheet remain in the Group's consolidated equity until the related assets are derecognised, whereupon they are charged to the consolidated income statement.

v. Hedging transactions

The consolidated entities use financial derivatives to manage the risks of the Group entities’ own positions and assets and liabilities (“hedging derivatives”) or for the purpose of obtaining gains from changes in the prices of these derivatives.

Financial derivatives that do not qualify for hedge accounting are treated for accounting purposes as trading derivatives.

A derivative qualifies for hedge accounting if all the following conditions are met:

1. The derivative hedges one of the following three types of exposure:

   - Changes in the fair value of assets and liabilities due to fluctuations, among others, in the interest rate and/or exchange rate to which the position or balance to be hedged is subject (“fair value hedge”);

   - Changes in the estimated cash flows arising from financial assets and liabilities, commitments and highly probable forecast transactions (“cash flow hedge”);

   - The net investment in a foreign operation (“hedge of a net investment in a foreign operation”).

2. It is effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge, which means that:

   - At the date of arrangement the hedge is expected, under normal conditions, to be highly effective (“prospective effectiveness”).

- There is sufficient evidence that the hedge was actually effective during the whole life of the hedged item or position ("retrospective effectiveness").

The Group ascertains the prospective and retrospective effectiveness of its hedges as follows:

- In the case of fair value hedges, the ratio of the change in the fair value of the hedged item during the measurement period to the change in the fair value of the hedging instrument during the same period is calculated retrospectively. The hedge is deemed to be effective if this ratio is within a range of 80% to 125%. Prospective effectiveness is calculated by comparing the sensitivity of the hedged item (to changes in the yield curve) with the sensitivity of the hedging instrument. The hedge is deemed to be effective if this comparison shows that the two sensitivities offset each other.

  In order to measure the effectiveness of fair value hedges of the interest rate risk of a portfolio of financial instruments, the Group compares the amount of the net asset and/or liability position with the hedged amount designated for each one. The hedge is deemed to be ineffective when the amount of this net position is less than the hedged amount, in which case the ineffective portion is recognised immediately in the consolidated income statement.

- In cash flow hedges, retrospective effectiveness is basically assessed by calculating the ratio of the interest cash flows generated by the hedged item during the measurement period to the interest cash flows generated by the hedging instrument during the same period. The hedge is deemed to be effective if this ratio is within a range of 80% to 125%. Prospective effectiveness is calculated by comparing the future interest cash flows (obtained from the related market yield curve) of the hedged item and the hedging instrument. The hedge is deemed to be effective if the related cash flows offset each other.

3. There must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effective hedge was expected to be achieved and measured, provided that this is consistent with the Group's management of own risks.

The changes in value of financial instruments qualifying for hedge accounting are recognised as follows:

- In fair value hedges, the gains or losses arising on both the hedging instruments and the hedged items attributable to the type of risk being hedged are recognised directly in the consolidated income statement.

  In fair value hedges of interest rate risk on a portfolio of financial instruments, the gains or losses that arise on measuring the hedging instruments are recognised directly in the consolidated income statement, whereas the gains or losses due to changes in the fair value of the hedged amount (attributable to the hedged risk) are recognised in the consolidated income statement with a balancing entry under "Changes in the Fair Value of Hedged Items in Portfolio Hedges of Interest Rate Risk" on the asset or liability side of the consolidated balance sheet, as appropriate.

- In cash flow hedges, the effective portion of the change in value of the hedging instrument is recognised temporarily under "Valuation Adjustments - Cash Flow Hedges" in the consolidated balance sheet until the forecast transactions occur, when it is recognised in the consolidated income statement, unless, if the forecast transactions result in the recognition of non-financial assets or liabilities, it is included in the cost of the non-financial asset or liability. The ineffective portion of the change in value of hedging derivatives is recognised under "Gains/Losses on Financial Assets and Liabilities (net)" in the consolidated income statement. The ineffective portion of the gains and losses on the hedging instruments of cash flow hedges are recognised directly under "Gains/Losses on Financial Assets and Liabilities (net)" in the consolidated income statement.

When fair value hedge accounting is discontinued, the adjustments previously recognised on the hedged item under "Valuation Adjustments" are transferred to profit or loss at the effective interest rate re-calculated at the date of hedge discontinuation. The adjustments must be fully amortised at maturity.

When cash flow hedges are discontinued, any cumulative gain or loss on the hedging instrument recognised under "Valuation Adjustments" in the consolidated balance sheet (from the period when the hedge was effective) remains in equity until the forecast transaction occurs, at which time it is recognised in profit or loss, unless the transaction is no longer expected to occur, in which case any cumulative gain or loss is recognised immediately in profit or loss.

Derivatives embedded in other financial instruments or in other host contracts are accounted for separately as derivatives if their risks and characteristics are not closely related to those of the host contracts, provided that the host contracts are not classified as "Other Financial Assets/Liabilities at Fair Value through Profit or Loss" or as "Financial Assets/Liabilities Held for Trading".

d) Derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

- If the Group transfers substantially all the risks and rewards to third parties -unconditional sale of financial assets, sale of financial assets under an agreement to repurchase them at their fair value at the date of repurchase, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitisation of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to the new holders, and other similar cases-, the transferred financial asset is derecognised and any rights or obligations retained or created in the transfer are recognised simultaneously.

- If the Group retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, and other similar cases-, the transferred financial asset is not derecognised and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognised:

    - An associated financial liability, for an amount equal to the consideration received; this liability is subsequently measured at amortised cost.

    - The income from the transferred financial asset not derecognised and any expense incurred on the new financial liability.

- If the Group neither transfers nor retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitisation of assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases- the following distinction is made:

- If the transferor does not retain control of the transferred financial asset, the asset is derecognised and any rights or obligations retained or created in the transfer are recognised.

- If the transferor retains control of the transferred financial asset, it continues to recognise it for an amount equal to its exposure to changes in value and recognises a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognised when the rights on the cash flows they generate have been extinguished or when substantially all the inherent risks and rewards have been transferred to third parties. Similarly, financial liabilities are only derecognised when the obligations they generate have been extinguished or when they are acquired (with the intention either to cancel them or to re-sell them).

The Group habitually performs financial asset securitisation transactions in which it retains substantially all the risks and rewards of ownership of the assets. The detail of the securitisations retained on the consolidated balance sheet at 31 December 2009 is included in Note 10 to the accompanying consolidated financial statements.

e) Offsetting of financial instruments

Financial asset and liability balances are offset, i.e. reported in the consolidated balance sheet at their net amount, only if the subsidiaries currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

f) Impairment of financial assets

i. Definition

A financial asset is considered to be impaired -and therefore its carrying amount is adjusted to reflect the effect of impairment- when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), give rise to an adverse impact on the future cash flows that were estimated at the transaction date.

- In the case of equity instruments, mean that their carrying amount may not be fully recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the period in which the impairment becomes evident. The reversal, if any, of previously recognised impairment losses is recognised in the consolidated income statement for the period in which the impairment is reversed or reduced.

Balances are deemed to be impaired, and the interest accrual is suspended, when there are reasonable doubts as to their full recovery and/or the collection of the related interest for the amounts and on the dates initially agreed upon, after taking into account the guarantees received by the consolidated entities to secure (fully or partially) collection of the related balances. Collections relating to impaired loans and advances are used to recognise the accrued interest and the remainder, if any, to reduce the principal amount outstanding.

When the recovery of any recognised impairment is considered unlikely, the amount is written off, without prejudice to any actions that the consolidated entities may initiate to seek collection until their contractual rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause. The amount of the financial assets that would be deemed to be impaired had the conditions thereof not been renegotiated is not material.

ii. Debt instruments carried at amortised cost

The amount of an impairment loss incurred on a debt instrument measured at amortised cost is equal to the difference between its carrying amount and the present value of its estimated future cash flows, and is presented as a reduction of the balance of the asset adjusted.

In estimating the future cash flows of debt instruments the following factors are taken into account:

- All the amounts that are expected to be obtained over the remaining life of the instrument; including, where appropriate, those which may result from the collateral provided for the instrument (less the costs for obtaining and subsequently selling the collateral). The impairment loss takes into account the likelihood of collecting accrued past-due interest receivable.

- The various types of risk to which each instrument is subject; and

- The circumstances in which collections will foreseeably be made.

These cash flows are subsequently discounted using the instrument's effective interest rate (if its contractual rate is fixed) or the effective contractual rate at the discount date (if it is variable).

Specifically as regards impairment losses resulting from materialisation of the insolvency risk of the obligors (credit risk), a debt instrument is impaired due to insolvency when there is evidence of a deterioration of the obligor's ability to pay, either because it is in arrears or for other reasons.

The Group has certain policies, methods and procedures for covering its credit risk arising both from insolvency allocable to counterparties and from country risk.

These policies, methods and procedures are applied in the granting, examination and documentation of debt instruments and contingent liabilities and commitments, and in the identification of their impairment and the calculation of the amounts necessary to cover the related credit risk.

Impairment losses on these assets are assessed as follows:

- Individually, for all significant debt instruments and for instruments which, although not material, are not susceptible to being classified in homogeneous groups of instruments with similar risk characteristics: instrument type, debtor's industry and geographical location, type of guarantee or collateral, age of past-due amounts, etc.

- Collectively, in all other cases. The Group classifies transactions on the basis of the nature of the obligors, the conditions of the countries in which they reside, transaction status, type of guarantee or collateral and age of past-due amounts. For each risk group, it establishes the minimum impairment losses (“identified losses”) that must be recognised.

  In addition to the identified losses, the Group recognises an allowance for the inherent losses on debt instruments not measured at fair value through profit or loss and on contingent liabilities classified as standard risk, taking into account the historical experience of impairment and other circumstances known at the time of assessment. For these purposes, inherent losses are losses incurred at the reporting date, calculated using statistical methods, that have not yet been allocated to specific transactions. The Bank of Spain, based on experience and on the information available to it on the banking industry, has determined certain parameters for the quantification of inherent impairment losses.

The total allowances recognised at any time is the sum of the allowance for impairment losses on specific transactions and of the allowance for inherent impairment losses (losses incurred at the reporting date, calculated using statistical procedures).

The recognition of accrued interest in the consolidated income statement is suspended for debt instruments individually classified as impaired and for the instruments for which impairment losses have been assessed collectively because they have payments more than three months past due. This interest is recognised as income, when collected, as a reversal of the related impairment losses.

iii. Debt or equity instruments classified as available for sale

The amount of the impairment losses on these instruments is the positive difference between their acquisition cost (net of any principal repayment or amortisation in the case of debt instruments) and their fair value less any impairment loss previously recognised in the consolidated income statement.

When there is objective evidence that the losses arising on measurement of these assets are due to impairment, they are removed from “Valuation Adjustments - Available-for-Sale Financial Assets” in the consolidated balance sheet and are recognised, for their cumulative amount, in the consolidated income statement. If all or part of the impairment losses are subsequently reversed, the reversed amount is recognised in the consolidated income statement for the period in which the reversal occurs.

iv. Equity instruments measured at cost

The impairment loss on equity instruments measured at cost is the difference between the carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities.

Impairment losses are recognised in the consolidated income statement for the period in which they arise as a direct reduction of the cost of the instrument. These losses can only be reversed subsequently if the related assets are sold.

g) Non-current assets held for sale and Liabilities associated with non-current assets held for sale

“Non-Current Assets Held for Sale” includes the carrying amount of individual items, disposal groups or items forming part of a business unit earmarked for disposal (“discontinued operations”), whose sale in their present condition is highly likely to be completed within one year from the reporting date. Therefore, the carrying amount of these items –which can be of a financial nature or otherwise– will foreseeably be recovered through the proceeds from their disposal. Specifically, property or other non-current assets received by the consolidated entities as total or partial settlement of their debtors' payment obligations to them are deemed to be non-current assets held for sale, unless the consolidated entities have decided to make continuing use of these assets.

Similarly, “Liabilities Associated with Non-Current Assets Held for Sale” includes the balances payable arising from the assets held for sale or disposal groups and from discontinued operations.

Non-current assets held for sale are generally measured at the lower of fair value less costs to sell and their carrying amount at the date of classification in this category. Non-current assets held for sale are not depreciated as long as they remain in this category.

Impairment losses on an asset or disposal group arising from a reduction in its carrying amount to its fair value (less costs to sell) are recognised under "Losses on Non-Current Assets Held for Sale Not Classified as Discontinued Operations" in the consolidated income statement. The gains on a non-current asset held for sale resulting from subsequent increases in fair value (less costs to sell) increase its carrying amount and are recognised in the consolidated income statement up to an amount equal to the impairment losses previously recognised.

The income and expenses, of any nature, including those relating to impairment losses, generated in the year from the operations of a component of the entity that has been classified as a "discontinued operation", even if they were generated prior to its classification as such, are presented, net of the related tax effect, as a single amount under "Profit/(Loss) from Discontinued Operations (net)" in the consolidated income statement, irrespective of whether the component remains in the balance sheet or is derecognised. This item also includes the gains or losses obtained on the sale or disposal of the component.

h) Property, plant and equipment for own use

"Property, Plant and Equipment – For Own Use" in the consolidated balance sheet includes the buildings, land, furniture, vehicles, computer hardware and other fixtures owned by the consolidated entities or acquired under finance leases, for their own use.

Property, plant and equipment for own use –including tangible assets received by the consolidated entities in full or partial satisfaction of financial assets representing receivables from third parties which are intended to be held for continuing use and tangible assets acquired under finance leases– are presented at acquisition cost, less the related accumulated depreciation and any impairment losses (net carrying amount higher than recoverable amount). For this purpose, the acquisition cost of foreclosed assets is the carrying amount of the financial assets settled through foreclosure.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated. The period depreciation charge is recognised in the consolidated income statement and is calculated basically using the following depreciation rates (based on the average years of estimated useful life of the various assets):

	Annual Rate
Buildings for own use	1.5%-2%
Furniture and office and automation equipment	10%
IT equipment and related fixtures	25%
Fixtures	12%

The consolidated entities assess at the reporting date whether there is any indication that an asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life (if the useful life has to be re-estimated).

Similarly, if there is an indication of a recovery in the value of a tangible asset, the consolidated entities recognise the reversal of the impairment loss recognised in prior periods and adjust the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

The estimated useful lives of the items of property, plant and equipment for own use are reviewed at least at the end of each reporting period with a view to detecting possible significant changes therein. If changes are detected, the depreciation charges relating to the new useful lives of the assets are adjusted by correcting the charge to be recognised in the consolidated income statement in future years.

Tangible assets that require more than twelve months to get ready for use include as part of their acquisition or production cost the borrowing costs which have been incurred before the assets are ready for use and which have been charged by the supplier or relate to loans or other types of borrowings directly attributable to their acquisition, production or construction. Capitalisation of borrowing costs is suspended during periods in which the development of the asset is interrupted, and ceases when substantially all the activities necessary to prepare the asset for its intended use are complete.

Upkeep and maintenance expenses are charged to the consolidated income statement for the year in which they are incurred.

i) Accounting for leases

i. Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee.

When the consolidated entities act as the lessors of an asset, the sum of the present value of the lease payments receivable from the lessee plus the guaranteed residual value –which is generally the exercise price of the purchase option of the lessee at the end of the lease term– is recognised as lending to third parties and is therefore included under “Loans and Receivables” in the consolidated balance sheet.

When the consolidated entities act as the lessees, they present the cost of the leased assets in the consolidated balance sheet, based on the nature of the leased asset, and, simultaneously, recognise a liability for the same amount (which is the lower of the fair value of the leased asset and the sum of the present value of the lease payments payable to the lessor plus, if appropriate, the exercise price of the purchase option). The depreciation policy for these assets is consistent with that for property, plant and equipment for own use.

When the consolidated entities act as the lessees, the lease expenses, including any incentives granted by the lessor, are charged on a straight-line basis to “Administrative Expenses - Other General Administrative Expenses” in the consolidated income statement.

In both cases, the finance income and finance charges arising from these contracts are credited and debited, respectively, to “Interest and Similar Income” and “Interest Expense and Similar Charges” in the consolidated income statement so as to achieve a constant rate of return over the lease term.

ii. Operating leases

In operating leases, ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

“Tangible Assets – Property, Plant and Equipment – Leased out Under an Operating Lease” in the consolidated balance sheets includes the amount of the assets, other than land and buildings, leased out under an operating lease.

The criteria used to recognise the acquisition cost of assets leased out under operating leases, to calculate their depreciation and their respective estimated useful lives and to recognise the impairment losses thereon are consistent with those described in relation to property, plant and equipment for own use.

When the consolidated entities act as the lessors, they present the acquisition cost of the leased assets under “Tangible Assets” (see Note 15) in the consolidated balance sheet. The depreciation policy for these assets is consistent with that for similar items of property, plant and equipment for own use and income from operating leases is recognised on a straight-line basis under “Other Operating Income” in the consolidated income statement.

When the consolidated entities act as the lessees, the lease expenses, including any incentives granted by the lessor, are charged on a straight-line basis to “Administrative Expenses - Other General Administrative Expenses” in the consolidated income statement.

j) Intangible assets

“Intangible Assets” in the consolidated balance sheet includes identifiable non-monetary assets (separable from other assets) without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated entities. Only intangible assets whose cost can be estimated reliably and from which the consolidated entities consider it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

i. Goodwill

Any excess of the cost of the investments in entities accounted for using the equity method over the corresponding underlying carrying amounts at the date of acquisition, adjusted at the date of first-time consolidation, is allocated as follows:

- If it is attributable to specific assets and liabilities of the companies acquired, by increasing the value of the assets (or reducing the value of the liabilities) whose fair values were higher (lower) than the carrying amounts at which they had been recognised in the acquired entities' balance sheets.

- If it is attributable to specific intangible assets, by recognising it explicitly in the consolidated balance sheet provided that the fair value of these assets at the date of acquisition can be measured reliably.

- The remaining amount is recognised as goodwill, which is allocated to one or more specific cash-generating units (a cash-generating unit is the smallest identifiable group of assets that, as a result of continuing operation, generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets). The cash-generating units represent the Group's geographical and/or business segments.

  Goodwill is only recognised when it has been acquired for consideration and represents, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired entity that are not capable of being individually identified and separately recognised.

  Goodwill acquired on or after 1 January 2004 is presented at acquisition cost and that acquired prior to that date is presented at its carrying amount at 2003 year-end. In both cases, at the end of each reporting period goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to "Impairment Losses on Other Assets (net) – Goodwill and Other Intangible Assets" in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

ii. Other intangible assets

Intangible assets can have an indefinite useful life –when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the consolidated entities– or a finite useful life, in all other cases.

Intangible assets with indefinite useful lives are not amortised, but rather at the end of each reporting period the consolidated entities review the remaining useful lives of the assets in order to determine whether they continue to be indefinite and, if this is not the case, to take the appropriate steps.

Intangible assets with finite useful lives are amortised over those useful lives using methods similar to those used to depreciate tangible assets. The intangible asset amortisation charge is recognised under "Depreciation and Amortisation Charge" in the consolidated income statement.

In both cases the consolidated entities recognise any impairment loss on the carrying amount of these assets with a charge to "Impairment Losses on Other Assets (net) - Goodwill and Other Intangible Assets" in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are similar to those used for tangible assets (see Note 2-h).

Internally developed computer software is recognised as an intangible asset if, among other requisites (basically the Group's ability to use or sell it), it can be identified and its ability to generate future economic benefits can be demonstrated.

Expenditure on research activities is recognised as an expense in the year in which it is incurred and cannot be subsequently capitalised.

k) Other assets and Other liabilities

"Other Assets" in the consolidated balance sheets includes the amount of assets not recorded in other items, the breakdown being as follows:

- Inventories: this item includes the amount of assets, other than financial instruments, that are held for sale in the ordinary course of business, that are in the process of production, construction or development for such purpose, or that are to be consumed in the production process or in the provision of services. "Inventories" includes the assets that have been acquired for the purpose of leasing them to third parties and for which the related operating lease agreements had not been formalised at the date of the consolidated balance sheets.

  Inventories are measured at the lower of cost and net realisable value, which is the estimated selling price of the inventories in the ordinary course of business, less the estimated costs of completion and the estimated costs required to make the sale.

  Any write-downs of inventories –such as those due to damage, obsolescence or reduction of selling price– to net realisable value and other losses are recognised as expenses for the year in which the write-down or loss occurs. Subsequent reversals are recognised in the consolidated income statement for the year in which they occur.

- Other: this item includes the balance of all prepayments and accrued income (excluding accrued interest), the net amount of the difference between pension plan obligations and the value of the plan assets with a balance in the Group's favour, when this net amount is to be reported in the consolidated balance sheet, and the amount of any other assets not included in other items.

"Other Liabilities" in the consolidated balance sheets includes the balance of all accrued expenses and deferred income, excluding accrued interest, and the amount of any other liabilities not included in other categories.

l) Provisions and contingent assets and liabilities

Provisions are present obligations at the consolidated balance sheet date arising from past events which could give rise to a loss for the consolidated entities, which is considered to be likely to occur and certain as to its nature but uncertain as to its amount and/or timing, and the consolidated entities expect that an outflow of resources embodying economic benefits will be required to settle such obligations.

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated entities. They include the present obligations of the consolidated entities when it is not probable that an outflow of resources embodying economic benefits will be required to settle them and their amount cannot be measured with sufficient reliability.

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. In accordance with current standards, contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed in the notes.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

Provisions are classified according to the obligations covered as follows:

- Provisions for pensions and similar obligations: includes the amount of all the provisions made to cover post-employment benefits, commitments to early retirees and similar obligations (see Note 23).

- Provisions for contingent liabilities and commitments: includes the amount of the provisions made to cover contingent liabilities –defined as those transactions in which the Group guarantees the obligations of a third party, arising as a result of financial guarantees granted or contracts of another kind– and contingent commitments –defined as irrevocable commitments that may give rise to the recognition of financial assets (see Note 23).

- Provisions for taxes and other legal contingencies: includes the amount of the provisions made to cover tax and legal contingencies and litigation (see Note 23).

- Other provisions: includes the amount of other provisions made by the consolidated entities (see Note 23).

The provisions considered necessary pursuant to the foregoing criteria are recognised with a charge or credit to "Provisions (net)" in the consolidated income statement. The provisions for pensions and similar obligations are accounted for as described in Notes 2-p and 2-q.

Contingent assets are possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by, the occurrence or non-occurrence of events beyond the control of the Group. Contingent assets are not recognised in the consolidated balance sheet or in the consolidated income statement, but rather are disclosed in the notes, provided that it is probable that these assets will give rise to an increase in resources embodying economic benefits.

m) Litigation and/or claims in process

At the end of 2009 and 2008 certain litigation and claims were in process against the consolidated entities arising from the ordinary course of their operations. The Group's legal advisers and the Banks directors consider that any economic loss that might ultimately result from these litigation and claims has been adequately provided for (see Note 23) and, therefore, will not have a material effect on the consolidated financial statements.

n) Recognition of income and expenses

The most significant criteria used by the Group to recognise its income and expenses are summarised as follows:

i. Interest income, interest expenses and similar items

Interest income, interest expenses and similar items are generally recognised on an accrual basis using the effective interest method. Dividends received from other companies are recognised as income when the right to receive them arises.

ii. Commissions, fees and similar items:

Fee and commission income and expenses are recognised in the consolidated income statement using criteria that vary according to their nature. The main criteria are as follows:

- Fee and commission income and expenses relating to financial assets and financial liabilities measured at fair value through profit or loss are recognised when paid.

- Those arising from transactions or services that are performed over a period of time are recognised over the life of these transactions or services.

- Those relating to services provided in a single act are recognised when the single act is carried out.

iii. Non-finance income and expenses

These are recognised for accounting purposes on an accrual basis.

iv. Deferred collections and payments

These are recognised for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

v. Loan arrangement fees

Loan arrangement fees, mainly loan origination and application fees, are accrued and credited to income over the term of the loan. The related direct costs incurred in the loan arrangement can be deducted from this amount.

o) Financial guarantees

"Financial guarantees" are defined as contracts whereby an entity undertakes to make specific payments for a third party if the latter does not do so, irrespective of the various legal forms they may have, such as financial and other guarantees, insurance contracts or credit derivatives.

Financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments carried at amortised cost, as described in section f) above.

The provisions made for these transactions are recognised under "Provisions - Provisions for Contingent Liabilities and Commitments" on the liability side of the consolidated balance sheet (see Note 23). These provisions are recognised and reversed with a charge or credit, respectively, to "Provisions (net)" in the consolidated income statement.

If a provision is required for these financial guarantees, the unearned commissions recognised under "Other Liabilities" in the consolidated balance sheet are reclassified to the appropriate provision.

p) Post-employment benefits

Under the collective agreements currently in force, the Spanish banks included in the Group and certain other Spanish and foreign consolidated entities have undertaken to supplement the public social security system benefits accruing to certain employees, and to their beneficiary right holders, for retirement, and other welfare benefits.

The Group's post-employment obligations to its employees are deemed to be "defined contribution plans" when the Group makes pre-determined contributions to a separate entity and will have no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits relating to the service rendered in the current and prior periods. Post-employment obligations that do not meet the aforementioned conditions are classified as “defined benefit plans” (see Note 23).

Defined contribution plans

The Group recognises the defined contributions accrued in the year under “Administrative Expenses – Staff Costs” in the consolidated income statement. At year-end any amount not yet contributed to the external plans funding the obligations, is recognised at its present value under “Provisions - Provisions for Pensions and Similar Obligations” on the liability side of the consolidated balance sheet (see Note 23).

Defined benefit plans

The Group recognises under “Provisions - Provisions for Pensions and Similar Obligations” on the liability side of the consolidated balance sheet (or under “Other Assets - Other” on the asset side, as appropriate) the present value of its defined benefit post-employment obligations, net of the fair value of the plan assets and of the net unrecognised cumulative actuarial gains and/or losses disclosed in the valuation of these obligations, which are deferred using a corridor approach, as explained below (see Note 23).

“Plan assets” are defined as those that will be directly used to settle obligations and that meet the following conditions:

- They are not owned by the consolidated entities, but by a legally separate third party that is not a party related to the Group.

- They can only be used to pay or finance post-employment benefits and cannot be returned to the consolidated entities unless the assets remaining in the plan are sufficient to meet all obligations of the plan and of the entity relating to current or former employee benefits, or to reimburse employee benefits already paid by the Group.

If the consolidated entities can look to an insurer to pay part or all of the expenditure required to settle a defined benefit obligation, and it is practically certain that said insurer will reimburse some or all of the expenditure required to settle that obligation, but the insurance policy does not qualify as a plan asset, the Group recognises its right to reimbursement as an asset item under “Insurance Contracts Linked to Pensions” in the consolidated balance sheet. In all other respects, this asset is treated as a plan asset (see Note 14).

“Actuarial gains and losses” are defined as those arising from differences between the previous actuarial assumptions and what has actually occurred and from the effects of changes in actuarial assumptions. The consolidated entities use, on a plan-by-plan basis, the corridor method and recognise in the consolidated income statement the amount resulting from deferring, over five years, the net amount of the cumulative actuarial gains and/or losses not recognised at the beginning of each year which exceeds 10% of the present value of the obligations or 10% of the fair value of the plan assets at the beginning of the year, whichever amount is higher. The maximum five-year allocation period, which is required by the Bank of Spain for all Spanish financial institutions, is shorter than the average number of remaining years of active service relating to the employees participating in the plans, and is applied systematically.

The “past service cost” –which arises from changes to current post-employment benefits or from the introduction of new benefits– is recognised on a straight-line basis in the consolidated income statement over the period from the time the new commitments arise to the date on which the employee has an irrevocable right to receive the new benefits. At 2009 and 2008 year-end, there were no unrecognised past service costs.

Post-employment benefits are recognised in the consolidated income statement as follows:

- Current service cost –defined as the increase in the present value of the obligations resulting from employee service in the current period–, under “Administrative Expenses – Staff Costs” (see Notes 23 and 41).

- Interest cost –defined as the increase during the year in the present value of the obligations as a result of the passage of time–, under “Interest Expense and Similar Charges” (see Notes 23 and 33). When obligations are presented on the liability side of the consolidated balance sheet, net of the plan assets, the cost of the liabilities recognised in the consolidated income statement relates exclusively to the obligations recognised as liabilities.

- The expected return on plan assets and the gains or losses on the value of the plan assets, less any plan administration costs and less any applicable taxes, under “Interest and Similar Income” (see Notes 14, 23 and 32).

- The actuarial gains and losses calculated using the corridor approach, under “Provisions (net)” (see Note 23).

q) Other long-term benefits and other obligations

Other long-term employee benefits, defined as obligations to early retirees –taken to be those who have ceased to render services at the consolidated entities but who, without being legally retired, continue to have economic rights vis-à-vis the entities until they acquire the legal status of retiree– and long-service bonuses are treated for accounting purposes, where applicable, as established above for defined benefit post-employment plans, except that all past service costs and actuarial gains and losses are recognised immediately in the consolidated income statement (see Note 23).

Certain Spanish Group entities’ obligations for death or disability of current employees until they reach retirement age are covered by an internal fund with renewable temporary annual coverage and, therefore, no contributions are made to plans.

r) Termination benefits

Termination benefits are recognised when there is a detailed formal plan identifying the basic changes to be made, provided that implementation of the plan has begun, its main features have been publicly announced or objective facts concerning its implementation have been disclosed. At 2009 and 2008 year-end there were no objective reasons and the circumstances had not arisen for the recognition of material provisions in this connection.

s) Income tax

The current income tax expense is calculated as the tax payable on the taxable profit, adjusted by the amount of the period changes in the assets and liabilities arising from temporary differences recognised in the consolidated income statement and of any tax credit or tax loss carryforwards.

The expense for Spanish corporation tax and other similar taxes applicable to the foreign consolidated entities is recognised in the consolidated income statement, except when it results from a transaction recognised directly in equity, in which case the tax effect is also recognised in equity.

Deferred tax assets and liabilities include temporary differences, which are identified as the amounts expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their related tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

"Tax Assets" in the consolidated balance sheet includes the amount of all tax assets, which are broken down into "current" –amounts of tax to be recovered within the next twelve months– and "deferred" –amounts of tax to be recovered in future years, including those arising from tax loss and tax credit carryforwards.

"Tax Liabilities" in the consolidated balance sheet includes the amount of all tax liabilities (except provisions for taxes), which are broken down into "current" –the amount payable in respect of the income tax on the taxable profit for the year and other taxes in the next twelve months– and "deferred" –the amount of income tax payable in future years.

Deferred tax assets are only recognised for temporary differences to the extent that it is considered probable that the consolidated entities will have sufficient future taxable profits against which the deferred tax assets can be utilised, and the deferred tax assets do not arise from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit. Other deferred tax assets (tax loss and tax credit carryforwards) are only recognised if it is considered probable that the consolidated entities will have sufficient future taxable profits against which they can be utilised.

Deferred tax liabilities are recognised in respect of taxable temporary differences associated with investments in subsidiaries, associates or joint ventures, except when the Group is able to control the timing of the reversal of the temporary difference and, in addition, it is probable that the temporary difference will not reverse in the foreseeable future.

Income and expenses recognised directly in equity are accounted for as temporary differences.

The deferred tax assets and liabilities recognised are reassessed at each reporting date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

t) *Residual maturity periods and average interest rates*

The analysis of the maturities of the balances of certain items in the consolidated balance sheets at 31 December 2009 and 2008 and of the average annual interest rates in 2009 and 2008 is provided in Note 47.

u) *Consolidated statement of recognised income and expense*

This statement presents the income and expenses generated by the Group as a result of its business activity in the year, and a distinction is made between the income and expenses recognised in the consolidated income statement for the year and the other income and expenses recognised, in accordance with current regulations, directly in consolidated equity.

Accordingly, this statement presents:

a. Consolidated profit for the year.

b. The net amount of the income and expenses recognised temporarily in consolidated equity under "Valuation Adjustments".

c. The net amount of the income and expenses recognised definitively in consolidated equity.

d. The income tax incurred in respect of the items indicated in b) and c) above, except for the valuation adjustments arising from investments in associates or jointly controlled entities accounted for using the equity method, which are presented net.

e. Total consolidated recognised income and expense, calculated as the sum of a) to d) above, presenting separately the amount attributable to the Parent and the amount relating to non-controlling interests.

The amount of the income and expenses relating to entities accounted for using the equity method recognised directly in equity is presented in this statement, irrespective of the nature of the related items, under "Entities Accounted for Using the Equity Method".

The changes in income and expenses recognised in consolidated equity under "Valuation Adjustments" are broken down as follows:

a. Revaluation gains (losses): includes the amount of the income, net of the expenses incurred in the year, recognised directly in consolidated equity. The amounts recognised under this line item in the year remain there, even if in the same year they are transferred to the income statement or are reclassified to another line item.

b. Amounts transferred to income statement: includes the amount of the revaluation gains and losses previously recognised in consolidated equity, albeit in the same year, which are recognised in the consolidated income statement.

c. Amount transferred to initial carrying amount of hedged items: includes the amount of the revaluation gains and losses previously recognised in consolidated equity, albeit in the same year, which are recognised in the initial carrying amount of the assets or liabilities as a result of cash flow hedges.

d. Other reclassifications: includes the amount of the transfers made in the year between valuation adjustment items in accordance with current regulations.

These amounts are presented gross and, except as indicated above for the items relating to valuation adjustments of entities accounted for using the equity method, the related tax effect is recognised in this statement under "Income Tax".

v) *Consolidated statement of changes in total equity*

This statement presents all the changes in consolidated equity, including those arising from changes in accounting policies and from the correction of errors. Accordingly, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all the consolidated equity items, and the changes are grouped together on the basis of their nature into the following items:

a. Adjustments due to changes in accounting policies and to errors: include the changes in consolidated equity arising as a result of the retrospective restatement of the balances in the consolidated financial statements due to changes in accounting policies or to the correction of errors.

b. Income and expense recognised in the year: includes, in aggregate form, the total of the aforementioned items recognised in the consolidated statement of recognised income and expense.

c. Other changes in equity: includes the remaining items recognised in consolidated equity, including, inter alia, increases and decreases in the endowment fund, distribution of profit, transactions involving own equity instruments, equity-instrument-based payments, transfers between equity items and any other increases or decreases in consolidated equity.

w) Consolidated statements of cash flows

The following terms are used in the consolidated statements of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

In preparing the consolidated statement of cash flows, short-term highly liquid investments that are subject to an insignificant risk of changes in value were classified as "cash and cash equivalents". Accordingly, the Group considers the following financial assets to be cash and cash equivalents:

- Net balances with central banks, which are recognised under "Cash and Balances with Central Banks" in the consolidated balance sheet and amounted to EUR 661,218 thousand at 31 December 2009 (31 December 2008: EUR 727,520 thousand).

- Balances receivable on demand from credit institutions other than central banks, which are recognised under "Loans and Receivables - Loans and Advances to Credit Institutions" in the consolidated balance sheet and amounted to EUR 179,210 thousand at 31 December 2009 (31 December 2008: EUR 278,551 thousand) (see Note 6).

3. Santander Consumer Finance Group

a) Santander Consumer Finance, S.A.

The Bank is the parent of the Santander Consumer Finance Group (see Note 1). Following are the condensed balance sheets, income statements, statements of changes in equity and statements of cash flows of the Bank for 2009 and 2008:

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008
(Thousands of Euros)

ASSETS	2009	2008	LIABILITIES AND EQUITY	2009	2008
CASH AND BALANCES WITH CENTRAL BANKS	104,428	104,389	**LIABILITIES**		
FINANCIAL ASSETS HELD FOR TRADING	152,320	168,190			
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	FINANCIAL LIABILITIES HELD FOR TRADING	110,736	74,346
AVAILABLE-FOR-SALE FINANCIAL ASSETS	-	-	OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
LOANS AND RECEIVABLES	21,624,751	21,437,486	FINANCIAL LIABILITIES AT AMORTISED COST	19,351,240	20,554,489
HELD-TO-MATURITY INVESTMENTS	-	-	CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-	HEDGING DERIVATIVES	99,773	119,464
HEDGING DERIVATIVES	93,459	322,119	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-
NON-CURRENT ASSETS HELD FOR SALE	40,978	26,000	PROVISIONS	55,821	63,903
INVESTMENTS	3,960,500	3,567,684			
INSURANCE CONTRACTS LINKED TO PENSIONS	25,208	26,658	TAX LIABILITIES	192,867	146,162
			OTHER LIABILITIES	18,352	46,423
TANGIBLE ASSETS	54	80	**TOTAL LIABILITIES**	**19,828,789**	**21,004,787**
INTANGIBLE ASSETS	8,317	17,323			
TAX ASSETS	194,121	156,952	SHAREHOLDERS' EQUITY	6,424,562	4,873,196
OTHER ASSETS	1,321	4,554	VALUATION ADJUSTMENTS	(47,894)	(46,548)
			TOTAL EQUITY	**6,376,668**	**4,826,648**
TOTAL ASSETS	**26,205,457**	**25,831,435**	**TOTAL LIABILITIES AND EQUITY**	**26,205,457**	**25,831,435**
MEMORANDUM ITEMS:					
CONTINGENT LIABILITIES	2,905,882	1,464,540			
CONTINGENT COMMITMENTS	35,493,306	26,988,479			

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(Thousands of Euros)

	Income/(Expenses)	
	2009	2008
INTEREST AND SIMILAR INCOME	679,277	995,473
INTEREST EXPENSE AND SIMILAR CHARGES	(465,105)	(820,034)
NET INTEREST INCOME	**214,172**	**175,439**
INCOME FROM EQUITY INSTRUMENTS	356,787	501,584
FEE AND COMMISSION INCOME	43,103	52,430
FEE AND COMMISSION EXPENSE	(25,400)	(33,993)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (net)	20,557	28,240
EXCHANGE DIFFERENCES (net)	1,250	85
OTHER OPERATING INCOME	4,809	4,706
OTHER OPERATING EXPENSES	(3,250)	(2,931)
GROSS INCOME	**612,028**	**725,560**
ADMINISTRATIVE EXPENSES	(29,902)	(27,183)
DEPRECIATION AND AMORTISATION CHARGE	(11,762)	(12,282)
PROVISIONS (net)	1,257	(8,029)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (net)	(174,482)	(93,528)
PROFIT FROM OPERATIONS	**397,139**	**584,538**
IMPAIRMENT LOSSES ON OTHER ASSETS (net)	(18,211)	(99,137)
GAINS (LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	120,041	(2,274)
NEGATIVE GOODWILL ON BUSINESS COMBINATIONS	-	-
GAINS (LOSSES) ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	(14,824)	(452)
PROFIT BEFORE TAX	**484,145**	**482,675**
INCOME TAX	(10,421)	16,241
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**473,724**	**498,916**
LOSS FROM DISCONTINUED OPERATIONS (net)	**(8,141)**	**(16,033)**
PROFIT FOR THE YEAR	**465,583**	**482,883**

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(Thousands of Euros)

	2009	2008
PROFIT FOR THE YEAR	**465,583**	**482,883**
OTHER RECOGNISED INCOME AND EXPENSE	**(1,346)**	**(65,477)**
AVAILABLE-FOR-SALE FINANCIAL ASSETS	-	-
CASH FLOW HEDGES	(1,923)	(93,540)
HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS	-	-
EXCHANGE DIFFERENCES	-	-
NON-CURRENT ASSETS HELD FOR SALE	-	-
ACTUARIAL GAINS/(LOSSES) ON PENSION PLANS	-	-
OTHER RECOGNISED INCOME AND EXPENSE	-	-
INCOME TAX	577	28,063
TOTAL RECOGNISED INCOME AND EXPENSE	**464,237**	**417,406**

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED STATEMENTS OF CHANGES IN TOTAL EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

(Thousands of Euros)

	SHAREHOLDERS' EQUITY									
	Share Capital	Share Premium	Reserves	Other Equity Instruments	Less: Treasury Shares	Profit for the Year	Less: Dividends and Remuneration	Total Shareholders' Equity	VALUATION ADJUSTMENTS	TOTAL EQUITY
Ending balance at 31 December 2008	**1,796,142**	**1,139,990**	**1,855,319**	**-**	**-**	**482,883**	**(401,138)**	**4,873,196**	**(46,548)**	**4,826,648**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**1,796,142**	**1,139,990**	**1,855,319**	**-**	**-**	**482,883**	**(401,138)**	**4,873,196**	**(46,548)**	**4,826,648**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**465,583**	**-**	**465,583**	**(1,346)**	**464,237**
Other changes in equity	**1,195,480**	**-**	**81,741**	**-**	**-**	**(482,883)**	**(291,445)**	**1,085,783**	**-**	**1,085,783**
Capital increases	1,195,480	-	(4)	-	-	-	-	1,195,476	-	1,195,476
Distribution of dividends	-	-	-	-	-	-	(109,693)	(109,693)	-	(109,693)
Transfers between equity items	-	-	81,745	-	-	(482,883)	401,138	-	-	-
Ending balance at 31 December 2009	**2,991,622**	**1,139,990**	**1,937,060**	**-**	**-**	**465,583**	**(109,693)**	**6,424,562**	**(47,894)**	**6,376,668**

	SHAREHOLDERS' EQUITY									
	Share Capital	Share Premium	Reserves	Other Equity Instruments	Less: Treasury Shares	Profit for the Year	Less: Dividends and Remuneration	Total Shareholders' Equity	VALUATION ADJUSTMENTS	TOTAL EQUITY
Ending balance at 31 December 2007	**996,213**	**1,139,990**	**1,765,294**	**-**	**-**	**693,112**	**(601,049)**	**3,993,560**	**18,929**	**4,012,489**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**996,213**	**1,139,990**	**1,765,294**	**-**	**-**	**693,112**	**(601,049)**	**3,993,560**	**18,929**	**4,012,489**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**482,883**	**-**	**482,883**	**(65,477)**	**417,406**
Other changes in equity	**799,929**	**-**	**90,025**	**-**	**-**	**(693,112)**	**199,911**	**396,753**	**-**	**396,753**
Capital increases	799,929	-	(2,038)	-	-	-	-	797,891	-	797,891
Distribution of dividends	-	-	-	-	-	-	(401,138)	(401,138)	-	(401,138)
Transfers between equity items	-	-	92,063	-	-	(693,112)	601,049	-	-	-
Ending balance at 31 December 2008	**1,796,142**	**1,139,990**	**1,855,319**	**-**	**-**	**482,883**	**(401,138)**	**4,873,196**	**(46,548)**	**4,826,648**

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

(Thousands of Euros)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES	**357,456**	**529,854**
Profit for the year	465,583	482,883
Adjustments made to obtain the cash flows from operating activities	92,667	238,904
Net increase/decrease in operating assets	(757,724)	2,866,238
Net increase/decrease in operating liabilities	(966,309)	2,674,873
Income tax recovered/paid	7,791	(568)
CASH FLOWS FROM INVESTING ACTIVITIES	**(288,785)**	**(225,791)**
Payments	461,887	262,130
Collections	173,102	36,339
CASH FLOWS FROM FINANCING ACTIVITIES	**(109,697)**	**(201,281)**
Payments	109,697	(201,281)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	-	**85**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(41,026)**	**102,867**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**147,148**	**44,281**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**106,122**	**147,148**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash	-	-
Cash equivalents at central banks	104,428	104,389
Other financial assets	1,694	43,943
Less: Bank overdrafts refundable on demand	-	(1,184)
Total cash and cash equivalents at end of year	**106,122**	**147,148**

The Appendices to these consolidated financial statements contain salient information on the consolidated entities and on the entities accounted for using the equity method.

b) Acquisitions and disposals

The most significant acquisitions and disposals of investments in Group entities and other relevant corporate transactions in 2009 and 2008 were as follows:

Unifin, S.p.A.

On 16 March 2006, the Bank wrote a put option on 30% of the share capital of Unifin, S.p.A. in favour of this company's non-controlling shareholders. Simultaneously, these shareholders wrote a call option on 30% of the share capital of this company in favour of the Bank, the price of which was subject to the growth in this company's assets over the coming years, but would in no case be lower than the price per share paid by the Bank to acquire its controlling interest in Unifin, S.p.A. These options were exercised on 11 June 2009, whereby the Bank acquired 30% of the share capital of this investee for EUR 22,000 thousand and, accordingly, its ownership interest rose to 100% of its share capital.

This acquisition gave rise to goodwill amounting to EUR 13,557 thousand, which was recognised under "Intangible Assets – Goodwill" in the consolidated balance sheet at 31 December 2009 (see Note 16).

GE Money

On 2 June 2008, Banco Santander, S.A. entered into a definitive agreement with General Electric whereby a General Electric Group company would acquire Interbanca and various Santander Group entities would acquire the GE Money units in Germany, Finland and Austria, GE's card units in the UK and Ireland and its car finance unit in the UK.

As a result, on 31 October 2008 the subsidiary Santander Consumer Holding GmbH (Germany) acquired the entire share capital of General Electric Capital Deutschland GmbH for EUR 164,730 thousand.

The condensed balance sheet of the acquiree at the acquisition date, prepared in accordance with EU-IFRSs, is as follows:

	Millions of Euros		Millions of Euros
Cash and balances with central banks	106	Financial liabilities at amortised cost	2,553
Loans and receivables	2,618	Other liabilities	163
Other assets	103	Shareholders' equity	111
	2,827		**2,827**

This acquisition gave rise to goodwill amounting to EUR 53,143 thousand, which was recognised under "Intangible Assets – Goodwill" in the consolidated balance sheet at 31 December 2009 (see Note 16).

In January 2009 the subsidiaries Santander Consumer Holding GmbH (Germany) and Santander Consumer Bank AS (Norway) acquired the entire share capital of GE Money Bank GmbH (Austria) and GE Money Oy (Finland) for EUR 835,916 thousand and EUR 23,512 thousand, respectively. These acquisitions were conditional upon certain adjustments to the purchase price in accordance with the conditions established in the purchase and sale agreements (see Note 1-i).

The condensed balance sheets of the acquirees at the acquisition date, prepared in accordance with EU-IFRSs, are as follows:

GE Money Bank, GmbH (Austria)-

	Millions of Euros		Millions of Euros
Cash and balances with central banks	7	Financial liabilities at amortised cost	242
Loans and receivables	821	Other liabilities	70
Other assets	222	Shareholders' equity	738
	1,050		**1,050**

GE Money Oy (Finland)-

	Millions of Euros		Millions of Euros
Cash and balances with central banks	32	Financial liabilities at amortised cost	1,151
Loans and receivables	1,093	Other liabilities	18
Other assets	26	Shareholders' equity	(18)
	1,151		**1,151**

These acquisitions gave rise to goodwill of EUR 98,074 thousand, in the case of GE Money Bank GmbH (Austria), and of EUR 42,095 thousand, in the case of SCF Rahoitus Oy (Finland), and these amounts were recognised under "Intangible Assets – Goodwill" in the consolidated balance sheet at 31 December 2009 (see Note 16).

As a result of the acquisition of GE Money Bank GmbH and GE Capital Deutschland GmbH, the Group has reorganised its investments in Germany. In this respect, at its meeting of 22 January 2009, Santander Consumer Finance's Executive Committee authorised the merger by absorption of GE Money Bank GmbH (the absorbed entity) into Santander Consumer Bank AG (the absorbing entity). Also, on the same date, the Executive Committee authorised the merger by absorption of Santander Consumer Finance Germany GmbH and GE Capital Deutschland GmbH (the absorbed entities) into Santander Consumer Holding GmbH (the absorbing entity). These mergers were formally executed on 1 July 2009.

On 24 April 2009, GE Money Oy changed its name to SCF Rahoitus Oy.

On the same date, the Group sold all of the share capital of General Electric Money Services GmbH to Geoban, S.A. (a Santander Group entity) for EUR 3,740 thousand. The Bank's directors consider that this transaction, which was performed based on the report prepared by an independent expert, was carried out under conditions similar to those prevailing in arms-length transactions. The loss incurred on this sale amounted to EUR 980 thousand and is recognised under "Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale" in the accompanying consolidated income statement for 2009 (see Note 44).

In addition, on 30 April 2009, the subsidiary Santander Consumer (UK) PLC acquired from GE Capital Bank Limited a line of business mainly consisting of a portfolio of consumer credit financing and vehicle finance lease transactions, for approximately GBP 1,100,983 thousand.

AIG Bank, S.A. and AIG Credit (Poland)

At its meeting held on 20 July 2009, the Executive Committee of Banco Santander, S.A. resolved to authorise a share exchange whereby the AIG Group will contribute AIG Bank, S.A. and AIG Credit to Santander Consumer Bank, S.A. (Poland) in exchange for an ownership interest of 30% in the share capital of this subsidiary. At the date of preparation of these consolidated financial statements, the aforementioned capital increase had not been formalised.

Open Bank Santander Consumer, S.A.

On 30 September 2009, the Bank sold all of the share capital of Open Bank Santander Consumer, S.A. to Banco Santander, S.A. for EUR 168,000 thousand. This amount was based on the report prepared by an independent expert, and the transaction was carried out under conditions similar to those prevailing in arm's length transactions. The gain obtained on this sale amounted to EUR 74,564 thousand and is recognised under "Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale" in the accompanying consolidated income statement for 2009 (see Note 44).

Isban DE, GmbH

In 2009 the Group received EUR 5,927 thousand relating to the settlement of the sale of 100% of the share capital of Isban DE GmbH to Ingeniería de Software Bancario, S.L., a Santander Group subsidiary. The gain arising from this settlement was recognised under "Gains (Losses) on Disposal of Assets not Classified as Non-Current Assets Held for Sale" in the accompanying consolidated income statement for 2009 (see Note 44).

Santander Consumer Chile, S.A.

On 23 October 2008, the Bank sold its ownership interest in this company to Banco Santander, S.A. for EUR 12,679 thousand. The loss incurred on this sale amounted to EUR 725 thousand and is recognised under "Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale" in the consolidated income statement for 2008 (see Note 44).

Grupo Alcanza, S.A. de C.V.

On 30 September 2008, the Bank sold 70% of the share capital of this company to Banco Santander, S.A. for EUR 23,572 thousand. The gain obtained on this sale amounted to EUR 2,314 thousand and is recognised under "Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale" in the accompanying consolidated income statement for 2008 (see Note 44).

Santander Consumer Finance Correduría de Seguros, S.A.

On 1 July 2008, the Bank sold its 99.99% ownership interest in Santander Consumer Finance Correduría de Seguros, S.A. (related to Santander Seguros y Reaseguros, Compañía Aseguradora, S.A. Compañía Aseguradora Banesto Seguros, S.A.) to Santander Insurance Holdings, S.L., a subsidiary of the Santander Group, for EUR 75 thousand. The loss incurred on this sale amounted to EUR 467 thousand and is recognised under "Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale" in the accompanying consolidated income statement for 2008 (see Note 44).

RD Europe

On 30 May 2008, the subsidiaries Santander Consumer Finance Germany GmbH and Santander Consumer Holding GmbH agreed with RBS Deutschland Holdings GmbH and RBS Netherlands Holding B.V., consumer finance companies belonging to Royal Bank of Scotland (RBS) which carry on their business activities in Germany, Belgium, the Netherlands and Austria, to purchase the entire share capital of RBS (RD Europe) GmbH and RBS (RD Europe) B.V., in order to expand the Group's business in Continental Europe. This acquisition became effective on 1 July 2008 and, once the sale price adjustments set in the purchase agreements had been agreed upon and the related transaction expenses had been calculated, the Group paid approximately EUR 309 million relating to the acquisition price of these entities.

On 30 October 2008, RBS (RD Europe) B.V. changed its name to Santander Consumer Finance Benelux B.V.

In addition, on 30 December 2008, RBS (RD Europe) GmbH was merged into the subsidiary Santander Consumer Bank A.G.

These acquisitions gave rise to goodwill amounting to EUR 88,206 thousand, which was recognised under "Intangible Assets – Goodwill" in the accompanying consolidated balance sheets (see Note 16).

Absorption of HBF Auto-Renting, S.A.U. and Santana Credit, E.F.C., S.A. by Santander Consumer, E.F.C., S.A.

At its meeting held on 2 May 2008, the Board of Directors of the Bank approved the merger by absorption of HBF Auto-Renting, S.A.U. and Santana Credit, E.F.C., S.A. (as the absorbed entities) into its subsidiary Santander Consumer, E.F.C., S.A. (as the absorbing entity). This merger was recorded in a public deed on 16 October 2008 and registered in the Madrid Mercantile Register on 3 November 2008.

Banco Santander Consumer Portugal, S.A.

In October 2007, the Bank wrote a put option in favour of SAG Gest - Soluções Automóvel Globais, SGPS, S.A. which entitled this company to sell, within ten days from 4 January 2008, 11.8% of the shares of Banco Santander Consumer Portugal, S.A. for EUR 40,854 thousand. In January 2008 SAG Gest - Soluções Automóvel Globais, SGPS, S.A. exercised the put option and, accordingly, the Bank held all of the share capital of Banco Santander Consumer Portugal, S.A. (80% directly and 20% indirectly).

Other disclosures-

Reorganisation of Santander Consumer Benelux

On 16 March 2009, the Executive Committee of Santander Consumer Finance authorised the merger of Santander Consumer Finance Benelux B.V. and Santander Consumer Finance, B.V. This merger was formally executed on 3 June 2009.

Reorganisation in Russia

In 2009 the Bank continued to reorganise its investments in Russia, by dissolving and liquidating LLC Finance Analyse, which owned 9.5% of the share capital of JSC Santander Consumer Bank. As a result, its direct ownership interest in the latter entity rose to 100%.

Discontinued operations in 2009

In 2009 the Bank's directors decided to treat the activities of Santander Consumer Finance Zrt. (Hungary), Santander Consumer Finance a.s. and Santander Consumer Leasing s.r.o (Czech Republic) as "discontinued operations" since the grounds for classification as such under IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations were met (see Notes 1-d, 12 and 46).

Santander Consumer France, S.A.

On 16 October 2008, the Bank's Executive Committee approved the discontinuation of this entity's operations. Also, on 16 February 2009 the General Assembly of this subsidiary resolved to dissolve it. The Bank's directors decided to treat this subsidiary as a "discontinued operation" (see Notes 12 and 46). At the date on which these consolidated financial statements were authorised for issue this liquidation was in progress. However, the Bank's directors consider that no material liabilities additional to those already recognised in the consolidated financial statements will arise after the completion of liquidation of this investee.

Restructuring in Spain

As a result of the adverse domestic and international economic environment in 2009, the Group restructured its businesses in Spain in order to adapt to the current market situation. This restructuring affected approximately 30% of the workforce in Spain (376 employees, most of whom were employed by the subsidiary Santander Consumer E.F.C., S.A.) and basically consisted of the implementation of a new relationship model with agents, the adaptation of the sales force and the centralisation of the after-sales and administrative activities in other units of the Santander Group.

This process (which was complete at 31 December 2009), was implemented mainly through early retirements, the redeployment of employees to other Santander Group entities and voluntary redundancies for objective reasons. The cost of this process amounted to approximately EUR 61 million and was recognised mainly under "Provisions (net)" in the accompanying consolidated income statement for 2009 (see Note 23).

Capital increases

Furthermore, in 2009 and 2008 certain investees carried out capital increases which were fully subscribed and paid, the detail being as follows:

	Millions of Euros (*)	
	2009	2008
Santander Consumer Finance Germany GmbH (Germany)	-	335
Santander Consumer, E.F.C., S.A.	245	-
Santander Consumer Bank, S.p.A. (Italy)	85	50
Open Bank Santander Consumer, S.A.	16	-
Unifin, S.p.A. (Italy)	5	-
Santander Consumer (UK) Plc.	39	11
Accordfin España, E.F.C., S.A. (Spain)	9	3
Santander Consumer Bank, S.A. (Poland)	36	55
Santander Consumer Bank, A.S. (Norway)	-	98
Santander Consumer France, S.A.	-	16
JSC Santander Consumer Bank (Russia)	-	14
	435	**582**

(*) Includes only the disbursements made by the Group in these capital increases.

Notifications of acquisitions of investments

The notifications made by the Bank, in compliance with Article 86 of the Spanish Public Limited Liability Companies Law, of the acquisition and sale of holdings in investees are listed in Appendix III.

4. Distribution of the Bank's profit and Earnings per share

a) Distribution of the Bank's profit

The distribution of the Bank's net profit for 2009 that the Board of Directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
Dividends	109,693
Legal reserve	46,558
Voluntary reserves	309,332
Net profit for the year (Note 3)	**465,583**

At its meeting on 21 December 2009, the Board of Directors of the Bank resolved to distribute an interim dividend out of 2009 profit of EUR 109,693 thousand. This dividend had not yet been paid at the date of preparation of these consolidated financial statements (see Note 22).

The provisional accounting statement prepared by the Bank’s directors pursuant to legal requirements evidencing the existence of sufficient funds for the distribution of the interim dividend was as follows:

	Thousands of Euros
	30/11/09
Profit before tax	453,742
Less:	
Estimated income tax	(40,896)
Approved dividends	-
Appropriation to legal reserve	(41,285)
Distributable profit	371,561
Interim dividend to be distributed	109,693
Gross dividend per share (euros)	0.11

On 29 April 2009, the Bank distributed an interim dividend out of 2008 profit amounting to EUR 401,138 thousand (see Note 22), which was approved by the Board of Directors at its meeting held on 16 December 2008. The provisional accounting statement prepared by the Bank's directors pursuant to legal requirements evidencing the existence of sufficient funds for the distribution of the interim dividend was included in Note 4 to the Group's consolidated financial statements for 2008.

b) Basic earnings per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year.

In calculating diluted earnings per share, the amount of profit attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted to take into account all the dilutive effects inherent to potential ordinary shares (share options, warrants and convertible debt instruments).

At 31 December 2009 and 2008, there were no share option plans on Bank shares or issues convertible into Bank shares conferring privileges or rights which might, due to any contingency, make them convertible into shares. Therefore, there is no dilutive effect on net profit and diluted earnings per share coincide with basic earnings per share.

Accordingly:

	Thousands of Euros	
	2009	2008
Net profit for the year attributable to the Parent (in thousands of euros)	100,597	378,028
Of which:		
From discontinued operations	*(44,713)*	*(17,447)*
Weighted average number of ordinary shares outstanding	913,141,551	499,447,488
Basic and diluted earnings per share (euros)	0.11	0.76
Of which:		
From discontinued operations	*(0.05)*	*(0.03)*

5. Remuneration and other benefits paid to the Bank's directors and senior managers

a) Bylaw-stipulated emoluments and other fees

The remuneration earned by the Bank's Board members in 2009 and 2008 in respect of bylaw-stipulated emoluments and attendance fees was as follows:

	Thousands of Euros	
	2009	2008
Bylaw-stipulated emoluments	50	38
Attendance fees	18	19
	68	**57**

The detail, by director, of the aforementioned remuneration is as follows:

Directors	Thousands of Euros					
	2009			2008		
	Bylaw-Stipulated Emoluments	Attendance Fees	Total	Bylaw-Stipulated Emoluments	Attendance Fees	Total
Mr. Antonio Escámez Torres	-	-	-	-	-	-
Mr. Javier San Félix García	-	-	-	-	-	-
Mr. José Antonio Álvarez Álvarez	-	-	-	-	-	-
Mr. José María Espí Martínez	-	-	-	-	-	-
Mr. Ernesto Zulueta Benito	-	-	-	-	-	-
Mr. Juan Rodríguez Inciarte	-	-	-	-	-	-
Mr. Luis Valero Artola	25	11	36	25	9	34
Mr. David Turiel López	-	-	-	-	-	-
Ms. Inés Serrano González	-	-	-	-	-	-
Ms. Magdalena Salarich	-	-	-	-	-	-
Mr. Paul Adrian Verburgt	25	7	32	13	10	23
	50	**18**	**68**	**38**	**19**	**57**

In 2009 the Bank's directors received approximately EUR 11,107 thousand from Banco Santander, S.A. (2008: approximately EUR 12,415 thousand), basically in respect of fixed and variable remuneration earned for discharging executive duties at Banco Santander, S.A. and in their capacity as members of the Boards of Directors of other Santander Group entities.

The remuneration in kind paid to the Bank's directors, mainly in respect of share option plans, amounted to approximately EUR 1,329 thousand in 2009 (2008: approximately EUR 3,421 thousand) and was paid in full by other Santander Group companies.

b) Post-employment and other long-term benefits

The Santander Group's supplementary pension obligations to its current and retired employees include the obligations to current and former directors of the Bank who discharge (or have discharged) executive functions thereat. The total accrued pension obligations to these directors, together with the sum insured under life insurance policies and other items, amounted to EUR 70,732 thousand at 31 December 2009 (31 December 2008: EUR 68,248 thousand). Of this amount, EUR 1,210 thousand are recognised under "Provisions – Provisions for Pensions and Similar Obligations" in the accompanying consolidated balance sheet at 31 December 2009 (31 December 2008: EUR 1,274 thousand) (see Note 23) and the remainder is covered mainly by in-house provisions recorded at other Santander Group entities. The expense recognised by the Bank in this connection amounted to EUR 10 thousand in 2009.

The payments made to former members of the Bank's Board of Directors in this connection amounted to EUR 672 thousand in 2009 (2008: EUR 434 thousand).

In addition, in 2009 contributions amounting to EUR 544 thousand were made to defined contribution plans for the Bank's directors (2008: EUR 510 thousand). These contributions were made by Santander Group entities.

c) *Share option plans granted to directors*

The detail of Banco Santander, S.A. share options granted to directors of the Bank in 2009 and 2008 is as follows:

	Options at 1 January 2008	Options Granted	Options Exercised			Options at 31 December 2008	Options Granted	Options Exercised			Options Cancelled	Options at 31 December 2009	Exercise Price (Euros)	Date of Commencement of Exercise Period	Date of Expiry of Exercise Period
		Number	Number	Exercise Price (Euros)	Market Price Applied (Euros)		Number	Number	Exercise Price (Euros)	Market Price Applied (Euros)	Number				
Incentive Plan (I06) (Note 41):															
Mr. Javier San Félix García	87,200	-	87,200	9.09	12.29	-	-	-	-	-	-	-	-	15/01/08	15/01/09
Mr. José A. Álvarez Álvarez	232,000	-	116,000	9.09	14.10	116,000	-	-	-	-	116,000	-	-	15/01/08	15/01/09
Mr. Juan Rodríguez Inciarte	419,000	-	419,000	9.09	11.72	-	-	-	-	-	-	-	-	15/01/08	15/01/09
Mr. José María Espí Martínez	252,900	-	-	-	-	252,900	-	-	-	-	252,900	-	-	15/01/08	15/01/09
Mr. Ernesto Zulueta Benito	41,300	-	-	-	-	41,300	-	-	-	-	41,300	-	-	15/01/08	15/01/09
Ms. Inés Serrano González	61,300	-	61,300	9.09	11.87	-	-	-	-	-	-	-	-	15/01/08	15/01/09
Mr. David Turiel López	58,000	-	58,000	9.09	13.04	-	-	-	-	-	-	-	-	15/01/08	15/01/09
	1,151,700	-	**741,500**	**9.09**	-	**410,200**	-	-	-	-	**410,200**	-	-		
Incentive Plan (I09) (Note 41):															
Mr. Javier San Félix García	12,000	-	-	-	-	12,000	-	10,889	-	-	1,111	-	-	23/06/07	31/07/09
Mr. José A. Álvarez Álvarez	34,300	-	-	-	-	34,300	-	31,124	-	-	3,176	-	-	23/06/07	31/07/09
Mr. Juan Rodríguez Inciarte	43,322	-	-	-	-	43,322	-	39,310	-	-	4,012	-	-	23/06/07	31/07/09
Mr. José María Espí Martínez	35,500	-	-	-	-	35,500	-	32,213	-	-	3,287	-	-	23/06/07	31/07/09
Mr. Ernesto Zulueta Benito	7,400	-	-	-	-	7,400	-	6,715	-	-	685	-	-	23/06/07	31/07/09
Ms. Inés Serrano González	8,900	-	-	-	-	8,900	-	8,076	-	-	824	-	-	23/06/07	31/07/09
Mr. David Turiel López	6,400	-	-	-	-	6,400	-	5,807	-	-	593	-	-	23/06/07	31/07/09
	147,822	-	-	-	-	**147,822**	-	**134,134**	-	-	**13,688**	-	-		
Incentive Plan (I10) (Note 41):															
Mr. Javier San Félix García	18,000	-	-	-	-	18,000	-	-	-	-	-	18,000	-	23/06/07	31/07/10
Mr. José A. Álvarez Álvarez	51,449	-	-	-	-	51,449	-	-	-	-	-	51,449	-	23/06/07	31/07/10
Mr. Juan Rodríguez Inciarte	64,983	-	-	-	-	64,983	-	-	-	-	-	64,983	-	23/06/07	31/07/10
Mr. José María Espí Martínez	53,200	-	-	-	-	53,200	-	-	-	-	-	53,200	-	23/06/07	31/07/10
Mr. Ernesto Zulueta Benito	11,200	-	-	-	-	11,200	-	-	-	-	-	11,200	-	23/06/07	31/07/10
Ms. Inés Serrano González	13,350	-	-	-	-	13,350	-	-	-	-	-	13,350	-	23/06/07	31/07/10
Ms. Magdalena Salarich Fernández de Valderrama	46,560	-	-	-	-	46,560	-	-	-	-	-	46,560	-	23/06/07	31/07/10
Mr. David Turiel López	9,600	-	-	-	-	9,600	-	-	-	-	-	9,600	-	23/06/07	31/07/10
	268,342	-	-	-	-	**268,342**	-	-	-	-	-	**268,342**	-		

	Options at 1 January 2008	Options Granted	Options Exercised			Options at 31 December 2008	Options Granted	Options Exercised			Options Cancelled	Options at 31 December 2009	Exercise Price (Euros)	Date of Commencement of Exercise Period	Date of Expiry of Exercise Period
		Number	Number	Exercise Price (Euros)	Market Price Applied (Euros)		Number	Number	Exercise Price (Euros)	Market Price Applied (Euros)	Number				
Incentive Plan (I11) (Note 41):															
Mr. Javier San Félix García	-	36,000	-	-	-	36,000	-	-	-	-	-	36,000	-	26/06/08	31/07/11
Mr. José A. Álvarez Álvarez	-	59,361	-	-	-	59,361	-	-	-	-	-	59,361	-	26/06/08	31/07/11
Mr. Juan Rodríguez Inciarte	-	50,555	-	-	-	50,555	-	-	-	-	-	50,555	-	26/06/08	31/07/11
Mr. José María Espí Martínez	-	54,801	-	-	-	54,801	-	-	-	-	-	54,801	-	26/06/08	31/07/11
Mr. Ernesto Zulueta Benito	-	11,500	-	-	-	11,500	-	-	-	-	-	11,500	-	26/06/08	31/07/11
Ms. Inés Serrano González	-	17,500	-	-	-	17,500	-	-	-	-	-	17,500	-	26/06/08	31/07/11
Ms. Magdalena Salarich Fernández de Valderrama	-	69,837	-	-	-	69,837	-	-	-	-	-	69,837	-	26/06/08	31/07/11
Mr. David Turiel López	-	14,000	-	-	-	14,000	-	-	-	-	-	14,000	-	26/06/08	31/07/11
	-	**313,554**	-	-	-	**313,554**	-	-	-	-	-	**313,554**	-		
Incentive Plan (I12) (Note 41):														19/06/09	30/06/12
Mr. Javier San Félix García	-	-	-	-	-	-	18,000	-	-	-	-	18,000	-	19/06/09	30/06/12
Mr. José A. Álvarez Álvarez	-	-	-	-	-	-	51,449	-	-	-	-	51,449	-	19/06/09	30/06/12
Mr. Juan Rodríguez Inciarte	-	-	-	-	-	-	64,983	-	-	-	-	64,983	-	19/06/09	30/06/12
Mr. José María Espí Martínez	-	-	-	-	-	-	53,200	-	-	-	-	53,200	-	19/06/09	30/06/12
Mr. Ernesto Zulueta Benito	-	-	-	-	-	-	11,200	-	-	-	-	11,200	-	19/06/09	30/06/12
Ms. Inés Serrano González	-	-	-	-	-	-	13,350	-	-	-	-	13,350	-	19/06/09	30/06/12
Ms. Magdalena Salarich Fernández de Valderrama	-	-	-	-	-	-	46,560	-	-	-	-	46,560	-	19/06/09	30/06/12
Mr. David Turiel López	-	-	-	-	-	-	9,600	-	-	-	-	9,600	-	19/06/09	30/06/12
	-	-	-	-	-	-	**268,342**	-	-	-	-	**268,342**	-		

Additionally, the maximum number of shares acquired or to be acquired under the Obligatory Investment Share Plan (see Note 41) is as follows:

	3rd Cycle (2010-2012)	2nd Cycle (2009-2011)	1st Cycle (2008-2010)
Mr. Juan Rodríguez Inciarte	15,142	14,738	14,617
Mr. José Antonio Álvarez Álvarez	14,653	24,590	12,710
Ms. Magdalena Salarich Fernández de Valderrama	8,869	13,843	-
	38,664	**53,171**	**27,327**

The cost of this remuneration was borne in full by other Santander Group entities. Descriptions of these incentive plans can be consulted in the consolidated financial statements of the Santander Group for the year ended 31 December 2009.

d) *Loans and deposits*

At 2009 year-end, the Group’s direct risk exposure to its directors in respect of loans and credits and guarantees provided amounted to EUR 16 thousand (2008 year-end: EUR 7 thousand). Additionally, at 31 December 2009, the directors did not have any customer deposits with the Group (31 December 2008: EUR 2,511 thousand) (see Note 49).

All the transactions with the Group were arranged on an arm's-length basis or the related remuneration in kind was recognised.

e) *Senior managers*

Following is a detail of the remuneration paid to the Bank's senior managers (who were not directors) in 2009 and 2008:

		Thousands of Euros				
		Salary			Other Remuneration (*)	Total
Year	Number of Persons	Fixed	Variable	Total		
2009	8	-	-	-	2,163	2,163
2008	8	120	72	192	2,299	2,491

(*) The figures for 2009 and 2008 include EUR 2,163 thousand and EUR 2,299 thousand, respectively, relating to fixed and variable remuneration and other remuneration received by senior managers from other Santander Group entities for discharging executive functions at those entities.

The remuneration in kind paid to the Bank's senior managers (excluding directors), mainly in respect of life insurance, totalled approximately EUR 227 thousand in 2009, which were paid by other Santander Group entities (2008: EUR 953 thousand, of which EUR 910 thousand were paid by other Santander Group entities).

The accrued pension obligations to senior managers, together with the sum insured under life insurance policies and other items, amounted to EUR 8,975 thousand at 31 December 2009 (31 December 2008: EUR 9,001 thousand). Of this amount, EUR 2,830 thousand are recognised under "Provisions – Provisions for Pensions and Similar Obligations" in the accompanying consolidated balance sheet at 31 December 2009 (31 December 2008: EUR 2,919 thousand) (see Note 23) and the remainder is covered mainly by in-house provisions recorded at other Santander Group entities. The expense recognised by the Bank in this connection amounted to EUR 789 thousand in 2009. The payments made to members of the senior management team in this connection totalled EUR 434 thousand in 2009 (2008: EUR 397 thousand).

In addition, in 2009 contributions amounting to EUR 421 thousand were made to defined contribution pension plans for the Bank's directors (2008: EUR 133 thousand). These contributions were made by other Santander Group entities.

The Bank's senior managers (excluding directors) did not hold any options on Banco Santander, S.A. shares under Plan I06 at 31 December 2009 (31 December 2008: 94,000 options) (see Note 41). Additionally, in relation to the performance share plans established by the Santander Group in 2008 and 2007, the senior managers held options on a maximum of 42,440 and 64,915 shares (based on the degree of achievement of certain business targets) under the Long-Term Incentive Plans I10 and I11, respectively, at 31 December 2009 (31 December 2008: 71,050 and 95,430 options, respectively, in addition to 48,880 options under Incentive Plan I09) (see Note 41), and the Bank bore the cost of 5,190 and 12,000 options respectively, under the aforementioned plans and of 4,090 options under Incentive Plan I09, up to November 2008. The Bank's senior managers held 85,250 options under Incentive Plan I12 at 31 December 2009. At 31 December 2009, the cost of this remuneration was borne by other Santander Consumer Finance Group entities.

The Group's direct risk exposure to the senior managers who are not directors of the Bank amounted to EUR 40 thousand at 31 December 2009 (31 December 2008: EUR 224 thousand). In addition, at 31 December 2009, these senior managers did not have any customer deposits with Group entities (31 December 2008: EUR 1,829 thousand with other Santander Consumer Finance Group entities) (see Note 49).

All the transactions with the Group were arranged on an arm's-length basis or the related remuneration in kind was recognised.

f) Termination benefits

The Bank's directors have indefinite-term contracts. However, executive directors whose contracts are terminated voluntarily or due to breach of duties are not entitled to receive any economic compensation. If the contracts are terminated for reasons attributable to the Bank, the directors will only be entitled to the benefits established by current legislation for contracts with the same features.

g) Detail of the directors' investments in companies with similar business activities and performance by directors, as independent professionals or as employees, of similar activities

In accordance with the requirements of Article 127 ter.4 of the Spanish Public Limited Liability Companies Law, in order to enhance the transparency of listed companies, following is a detail of the directors' investments in the share capital of entities whose company object is to engage in banking, financing or lending; and of the management or executive functions, if any, that the directors discharge at these entities or at other entities having the same company object:

Owner	Corporate Name	Line of Business	Ownership Interest	Functions
Mr. Antonio Escámez Torres	Banco Santander, S.A.	Financial institution	0.009%	Director
	Open Bank Santander Consumer, S.A.	Financial institution	-	Chairman
	Banco de Valencia, S.A.	Financial institution	Less than 0.001%	-
	Attijariwafa Bank	Financial institution	Less than 0.001%	Deputy Chairman
Mr. Juan Rodríguez Inciarte	Banco Santander, S.A.	Financial institution	0.016%	General Manager
	Banco Bilbao Vizcaya Argentaria, S.A.	Financial institution	Less than 0.001%	-
	Wachovia Corporation, USA	Financial institution	Less than 0.001%	-
	ABN Amro Holding, N.V.	Holding company	-	Non-executive member of the Supervisory Board
	ABN Amro Holding, N.V.	Financial institution	-	Non-executive member of the Supervisory Board
	Santander UK, Plc.	Financial institution	-	Deputy Chairman
	Alliance & Leicester plc	Financial institution	-	Director
	RFS Holding, N.V.	Holding company	-	Director
	Banco Banif, S.A.	Financial institution	-	Director
Ms. Magdalena Salarich Fernández de Valderrama	Banco Santander, S.A.	Financial institution	Less than 0.001%	Manager of the Consumer Finance Division of SCF
	Banco Banif, S.A.	Financial institution	-	Director
Mr. José Antonio Álvarez Álvarez	Banco Santander, S.A.	Financial institution	0.002%	General Manager
	Open Bank Santander, S.A.	Financial institution	-	Director
	Banco Santander (Brasil) S.A.	Financial institution	-	Director
	Santander de Titulización, S.G.F.T.	Management company	-	Chairman
Mr. David Turiel López	Santander Consumer, E.F.C., S.A.	Financial institution	-	Director
	Banco Santander Consumer Portugal, S.A.	Financial institution	-	Director
	Santander Consumer Bank, S.A. (Poland)	Financial institution	-	Member of the Supervisory Board
	Polskie Towarzystwo Finansowe, S.A.	Financial institution	-	Member of the Supervisory Board

Owner	Corporate Name	Line of Business	Ownership Interest	Functions
Mr. José María Espí Martínez	Banco Santander, S.A.	Financial institution	0.004%	General Manager
	Santander de Leasing, E.F.C., S.A.	Financial institution	-	Chairman
	Unión de Créditos Inmobiliarios, E.F.C., S.A.	Financial institution	-	Chairman
	Hipotebansa, E.F.C., S.A.	Financial institution	-	Chairman
	U.C.I., S.A.	Financial institution	-	Director
Mr. Paul Adrian Verburgt (*)	Santander Consumer Finance Germany, GmbH	Financial institution	-	Chairman of the Supervision Committee
	Amodo Finance, N.V.	Financial institution	-	Member of the Supervision Committee
	Santander Consumer Bank, AG (Germany)	Financial institution	-	Deputy Chairman of the Supervision Committee
	Banco Santander (Suisse), S.A.	Financial institution	-	Member of the Supervision Committee
	Santander Consumer Bank, S.p.A. (Italy)	Financial institution	-	Member of the Supervision Committee
	Banco Santander, S.A.	Financial institution	-	Member of the Global Treasury Committee
Mr. Javier San Félix García	Santander Consumer Bank, A.S. (Norway)	Financial institution	-	Chairman of the Board of Directors
	JSC Santander Consumer Bank (Russia)	Financial institution	-	Chairman of the Board of Directors
	Santander Consumer Leasing, s.r.o. (Czech Republic)	Financial institution	-	Chairman of the Supervisory Board
	Santander Consumer Finance Zrt. (Hungary)	Financial institution	-	Member of the Supervisory Board
	Santander Consumer USA, Inc.	Financial institution	-	Director
	Santander Consumer (UK) Plc.	Financial institution	-	Chairman
	Polskie Towarzystwo Finansowe, S.A.	Financial institution	-	Member of the Supervisory Board
	Santander Consumer Bank, S.A. (Poland)	Financial institution	-	Deputy Chairman of the Supervisory Board

Owner	Corporate Name	Line of Business	Ownership Interest	Functions
Ms. Inés Serrano González	Santander Consumer, E.F.C., S.A.	Financial institution	-	Chairman
	Open Bank Santander Consumer, S.A.	Financial institution	-	Deputy Chairman (until 02/11/09)
	Santander Consumer Bank, S.p.A. (Italy)	Financial institution	-	Chairman
	Unifin, S.p.A. (Italy)	Financial institution	-	Director
	Reintegra, S.A.	Financial institution	-	Representative of the Chairman of the Board, Santander Consumer E.F.C., S.A.
	Banco Santander Consumer Portugal, S.A.	Financial institution	-	Chairman
	Santander Consumer Bank, AG	Financial institution	-	Member of the Supervisory Board
	Accordfin España, E.F.C., S.A.	Financial institution	-	Representative of the Chairman of the Board, Santander Consumer, E.F.C., S.A. (until 01/01/10)
	Transolver Finance, E.F.C., S.A.	Financial institution	-	Representative of the Chairman of the Board, S.C.F., S.A.
Mr. Ernesto Zulueta Benito	Santander Consumer Bank, S.p.A. (Italy)	Financial institution	-	Director
	JSC Santander Consumer Bank (Russia)	Financial institution	-	Director
	Santander Consumer Bank, S.A. (Poland)	Financial institution	-	Member of the Supervisory Board
	Santander Consumer Finance Zrt. (Hungary)	Financial institution	-	Member of the Supervisory Board
	Santander Consumer USA, Inc.	Financial institution	-	Director

(*) Ceased to be a director on 4 February 2010. Latest information reported to the Bank.

6. Loans and advances to credit institutions

The breakdown, by type and currency, of “Loans and Advances to Credit Institutions” in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2009	2008
Type:		
Reciprocal accounts	179,210	118,679
Time deposits	4,977,711	3,000,078
Other accounts	128,061	159,872
	5,284,982	3,278,629
Currency:		
Euro	5,209,510	3,253,917
Foreign currency	75,472	24,712
	5,284,982	3,278,629
Add - Valuation adjustments	11,942	33,988
Of which:		
Accrued interest	*12,273*	*34,474*
Fees and commissions	*(331)*	*(486)*
	5,296,924	**3,312,617**

Note 47 contains a detail of the residual maturity periods of these assets at 2009 and 2008 year-end and of the related average interest rates in 2009 and 2008.

Most of the loans and advances to credit institutions relate to balances with associates and Santander Group entities (see Note 49).

7. Debt instruments

The breakdown, by classification, type and currency, of “Loans and Receivables - Debt Instruments” and “Available-for-Sale Financial Assets - Debt Instruments” in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2009	2008
Classification:		
Loans and receivables	-	89,527
Available-for-sale financial assets	164,619	102,702
	164,619	192,229
Type:		
Central banks	159,936	30,830
Foreign government debt securities	4,683	3,558
Issued by non-resident financial institutions	-	68,314
Other fixed-income securities	-	89,527
	164,619	192,229
Currency:		
Euro	164,142	188,671
Foreign currency	477	3,558
	164,619	192,229
Add - Valuation adjustments	-	(2,490)
Of which:		
Impairment losses	-	*(2,490)*
	164,619	**189,739**

At 31 December 2009 and 2008, none of the debt instruments held by the Group was assigned to own or third-party commitments.

Note 47 contains a detail of the residual maturity periods of these assets at 2009 and 2008 year-end and of the related average interest rates in 2009 and 2008.

8. Other equity instruments

The breakdown, by classification, currency and type, of “Other Equity Instruments” in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2009	2008
Classification:		
Financial assets held for trading	-	365,922(*)
Available-for-sale financial assets	1,794	830
	1,794	**366,752**
Type:		
Shares of Spanish companies	-	404
Shares of foreign companies	1,794	366,348
	1,794	**366,752**
Currency:		
Euro	523	366,727
Foreign currency	1,271	25
	1,794	**366,752**

(*) Related to the investment made by securitisation SPV Golden Bar Securitisation S.r.l. Alc. II (Italy) in the monetary investment fund Deutsche Global Liquidity Series, p.l.c. (Dublin) to place the liquidity surpluses arising from the difference between the collections received each month on the loans securitised by Santander Consumer Bank S.p.A. and the quarterly principal and interest payments made to the bondholders. In 2009, the liquidity surpluses of the securitisation SPV Golden Bar Securitisation S.r.l. Alc. II (Italy) were invested in Euro Commercial Paper issued by the Bank (see Notes 10 and 20 and Appendix II).

The changes in 2009 and 2008 in "Available-for-Sale Financial Assets - Equity Instruments" and "Financial Assets Held for Trading - Equity Instruments" in the consolidated balance sheets were as follows:

	Thousands of Euros	
	2009	2008
Balance at beginning of year	366,752	346
Net additions (disposals)	(365,147)	366,157
Valuation adjustments	189	249
Balance at end of year	**1,794**	**366,752**

9. Trading derivatives (assets and liabilities)

The detail, by type of inherent risk, of the fair value of the trading derivatives arranged by the Group at 31 December 2009 and 2008 is as follows:

	Thousands of Euros			
	2009		2008	
	Asset Balance	Liability Balance	Asset Balance	Liability Balance
Interest rate risk	171,818	177,620	98,941	116,765
Foreign currency risk	-	5,478	-	-
	171,818	**183,098**	**98,941**	**116,765**

(*) Of which EUR 131,483 thousand and EUR 142,222 thousand of asset and liability balances, respectively, relate to amounts held with the Santander Group (see Note 49).

The foregoing table shows the maximum credit risk exposure of the asset balances.

10. Loans and advances to customers

Following is a detail, by loan type and status, borrower sector, geographical area of residence, interest rate formula and currency, of "Loans and Advances to Customers" in the consolidated balance sheets, which reflects the Group's exposure to credit risk in its core business, disregarding valuation adjustments:

	Thousands of Euros	
	2009	2008
Loan type and status:		
Commercial credit	183,921	177,784
Secured loans	5,209,887	4,561,291
Other term loans	36,890,414	34,446,951
Finance leases	3,613,437	3,761,497
Receivable on demand and other	4,193,857	4,520,689
Impaired assets	2,922,134	2,290,602
	53,013,650	49,758,814
Borrower sector:		
Public sector - Spain	537	2,903
Individuals	45,889,282	40,927,427
Energy	232	1,799
Construction	262,669	338,263
Manufacturing	1,188,768	1,098,584
Services	2,230,580	3,949,758
Other sectors	3,441,582	3,440,080
	53,013,650	49,758,814
Geographical area:		
Spain and Portugal	10,654,364	13,675,062
Italy	7,711,948	6,104,012
Germany	23,241,687	23,240,310
Scandinavia	5,456,995	3,498,442
Other	5,948,656	3,240,988
	53,013,650	49,758,814
Interest rate formula:		
Fixed interest rate	37,865,679	37,441,092
Floating rate	15,147,971	12,317,722
	53,013,650	49,758,814
Currency:		
Euro	43,933,791	43,115,291
Foreign currency	9,079,859	6,643,523
	53,013,650	49,758,814
Less - Valuation adjustments	(2,098,811)	(1,333,233)
Of which:		
Impairment losses	*(2,714,679)*	*(1,972,951)*
Accrued interest	*50,650*	*65,062*
Other	*565,218*	*574,656*
	50,914,839	**48,425,581**

Note 47 contains a detail of the residual maturity periods of loans and advances to customers at 2009 and 2008 year-end and of the related average annual interest rates in 2009 and 2008.

At 31 December 2009 and 2008, there were no loans and advances to customers for material amounts without fixed maturity dates. At 2009 and 2008 year-end, the loans and advances to customers assigned to own or third-party commitments totalled EUR 1,350,000 thousand in the two years (see Notes 19 and 20).

Impairment losses

The changes in the balance of "Impairment Losses" in the foregoing table in 2009 and 2008 were as follows:

	Thousands of Euros	
	2009	2008
Balance at beginning of year	1,972,951	1,305,868
Net impairment losses charged to consolidated income for the year	1,557,501	861,910
Of which:		
Identified losses	*1,387,195*	*952,101*
Inherent losses	*170,306*	*(90,191)*
Inclusion of entities in the Group in the year	214,258	221,412
Write-off of impaired balances against recorded impairment allowance	(936,048)	(417,168)
Exchange differences and other	(93,983)	929
Balance at end of year	**2,714,679**	**1,972,951**
Of which:		
By method of assessment-		
Identified losses	*2,147,440*	*1,673,006*
Inherent losses	*567,239*	*299,945*
By geographical location of risk-		
Spain	*748,399*	*508,008*
Other	*1,966,280*	*1,464,943*

Previously written-off assets recovered in 2009 and 2008 amounted to EUR 100,446 thousand and EUR 74,934 thousand, respectively, and are presented as a deduction from the balance of "Impairment Losses on Financial Assets - Loans and Receivables" in the accompanying consolidated income statements.

Impaired assets

The changes in 2009 and 2008 in the balance of the financial assets classified as loans and receivables and considered to be impaired due to credit risk at 31 December 2009 and 2008 were as follows:

	Thousands of Euros	
	2009	2008
Balance at beginning of year	2,290,602	1,357,122
Additions net of recoveries	1,583,824	1,349,850
Written-off assets	(936,049)	(417,168)
Exchange differences and other	(16,243)	798
Balance at end of year	**2,922,134**	**2,290,602**

Following is a detail of the financial assets classified as loans and receivables and considered to be impaired due to credit risk at 31 December 2009 and 2008, classified by geographical location of risk and by age of the oldest past-due amount:

2009						
	Thousands of Euros					
	With Balances Past Due by					Total
	0 to 6 Months	6 to 12 Months	12 to 18 Months	18 to 24 Months	More than 24 Months	
Spain and Portugal	251,426	336,611	294,022	190,941	20,688	1,093,688
Germany	588,230	152,160	113,649	103,163	189,696	1,146,898
Italy	108,244	90,180	43,422	29,771	113,940	385,557
Scandinavia	58,486	40,466	22,700	-	-	121,652
Other	76,275	43,380	20,870	10,306	23,508	174,339
	1,082,661	**662,797**	**494,663**	**334,181**	**347,832**	**2,922,134**

2008						
	Thousands of Euros					
	With Balances Past Due by					Total
	0 to 6 Months	6 to 12 Months	12 to 18 Months	18 to 24 Months	More than 24 Months	
Spain and Portugal	448,146	309,323	108,816	60,716	21,237	948,238
Germany	419,750	189,090	115,051	97,794	178,464	1,000,149
Italy	64,379	50,471	28,547	11,632	75,698	230,727
Scandinavia	27,503	18,779	7,718	-	-	54,000
Other	26,454	15,177	8,238	3,359	4,260	57,488
	986,232	**582,840**	**268,370**	**173,501**	**279,659**	**2,290,602**

The non-performing loans ratio amounted to 5.51% at 31 December 2009 and 4.60% at 31 December 2008.

The accrued interest on uncollected impaired assets stood at EUR 59,730 thousand at 31 December 2009 (31 December 2008: EUR 34,153 thousand). This interest income has not been recognised in the income statement as there are doubts as to its collection.

Written-off assets

The changes in 2009 and 2008 in the balance of financial assets classified as loans and receivables and considered to be written-off assets at 31 December 2009 and 2008 were as follows:

	Thousands of Euros	
	2009	2008
Balance at beginning of year	1,251,294	858,182
Inclusion of entities in the Group	47,525	33,750
Additions (*)	946,315	436,732
Disposals	(567,104)	(77,370)
Balance at end of year	**1,678,030**	**1,251,294**

(*) Of which EUR 10,266 thousand in 2009 and EUR 19,564 thousand in 2008 related to uncollected interest more than three months past due.

Securitisation

The balance of “Loans and Receivables – Loans and Advances to Customers” in the consolidated balance sheets includes, inter alia, the securitised loans transferred to third parties on which the Group has retained risks, albeit partially, and which therefore, in accordance with current accounting standards, cannot be derecognised. The breakdown of the securitised loans, classified on the basis of whether the requirements stipulated for derecognition were met (see Note 2-d), is as follows:

	Thousands of Euros	
	2009	2008
Derecognised	**-**	**-**
Retained on the balance sheet:	**12,956,498**	**11,957,415**
Of which:		
Santander Consumer, E.F.C., S.A.	*3,198,949*	*3,865,822*
Santander Consumer Bank, A.G.	*5,628,347*	*5,764,741*
Santander Consumer Bank S.p.A.	*3,447,479*	*2,326,852*
Banco Santander Consumer Portugal, S.A.	*681,723*	-
Total	**12,956,498**	**11,957,415**

The securitised assets relate basically to vehicle financing and consumer finance.

In 2009 and 2008 the subsidiaries mentioned in the foregoing table securitised receivables amounting to EUR 4,223,601 thousand and EUR 4,456,500 thousand, respectively. Since substantially all the risks and rewards associated with these receivables had not been transferred, they were not derecognised.

Note 20 details the liabilities associated with these securitisation transactions.

11. Hedging derivatives

The detail, by type of risk hedged, of the fair value of the derivatives qualifying for hedge accounting is as follows:

	Thousands of Euros			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges:				
Micro-hedges	93,459	-	311,054	72,186
Portfolio hedges	18,053	144,448	21,074	127,174
Cash flow hedges (*):				
Micro-hedges	-	160,587	212	97,903
Portfolio hedges	-	169,741	9,709	129,644
	111,512	**474,776**	**342,049**	**426,907**

(*) Of which EUR 182,613 thousand and EUR 176,238 thousand of losses, net of tax, were recognised as a reduction of consolidated equity at 31 December 2009 and 2008, respectively (see Note 28).

The foregoing table shows the maximum credit risk exposure of the hedging derivatives recognised as assets.

Note 31 includes a description of the hedges arranged by the Group.

12. Non-current assets held for sale and Liabilities associated with non-current assets held for sale

The balance of "Non-Current Assets Held for Sale" in the consolidated balance sheets includes the amount of foreclosed assets, net of impairment losses, and the assets of subsidiaries classified as discontinued operations, the detail being as follows:

	Thousands of Euros	
	2009	2008
Loans and advances to credit institutions	21,806	15,940
Loans and advances to customers	597,358	35,236
Other assets	14,029	6,795
	633,193	57,971
Foreclosed tangible assets	57,030	19,904
Property, plant and equipment for own use	95	2
Other assets from operating leases	14,264	12,744
Other	6,149	2,708
	77,538	35,358
Less - Impairment losses	(18,084)	(1,927)
	692,647	**91,402**

The changes in the balance of "Impairment Losses" in the foregoing table in 2009 and 2008 were as follows:

	Thousands of Euros	
	2009	2008
Balances at beginning of year	1,927	1,707
Net impairment losses charged to consolidated income for the year (Note 45)	16,231	1,153
Amounts used	(74)	(933)
	18,084	**1,927**

The consolidated entities obtained a net loss of EUR 16,326 thousand in 2009 and EUR 605 thousand in 2008 from the sale of non-current assets held for sale (see Note 45).

The balance of "Liabilities Associated with Non-Current Assets Held for Sale" in the consolidated balance sheets includes the amount of the balances payable of the subsidiaries classified as discontinued operations, the detail being as follows:

	Thousands of Euros	
	2009	2008
Deposits from credit institutions	119,841	-
Other financial liabilities	-	162
Tax liabilities	201	137
Accrued expenses and deferred income	10,956	8,662
Other liabilities (*)	159,965	8,352
	290,963	**17,313**

(*) Relates mainly to provisions for credit risk impairment loss on financial assets recognised under "Non-Current Assets Held for Sale" in the consolidated balance sheet.

13. Investments - Associates

The detail, by company, of "Investments - Associates" in the consolidated balance sheets, which is fully denominated in euros, is as follows:

	Thousands of Euros	
	2009	2008
Accordfin España, E.F.C., S.A.	7,806	9,363
Konecta B.T.O., S.L.	11,324	8,452
Reintegra, S.A.	2,381	1,960
Other	7,470	9,130
	28,981	28,905
Of which:		
Goodwill	*8,063*	*4,599*
Less-		
Impairment losses (Note 43)	(7,806)	(7,806)
	21,175	**21,099**

The changes in 2009 and 2008 in the balance of this item in the consolidated balance sheets, disregarding impairment losses, were as follows:

	Thousands of Euros	
	2009	2008
Balance at beginning of year	28,905	30,936
Purchases and capital increases	8,688	1,331
Effect of equity accounting (Note 34)	(8,354)	(3,989)
Exchange differences and other	(258)	627
Balance at end of year	**28,981**	**28,905**

The Group has granted a put option on 20% of the share capital of Reintegra, S.A. to Compañía Española de Seguros de Crédito a la Exportación, S.A., Compañía de Seguros y Reaseguros (CESCE) exercisable until 19 December 2012. Also, CESCE has granted the Group a call option on 20% of the share capital of Reintegra, S.A. exercisable until the same date, the exercise of which is conditional on the compliance of certain agreements entered into between the Bank and CESCE. The exercise price of these options is the carrying amount of the shares of Reintegra, S.A. per the balance sheet at 31 December of the year preceding that in which the options are exercised.

Following is a summary of the financial information on the associates (obtained from their separate financial statements for 2009, not yet approved by their management bodies):

	Thousands of Euros
Total assets	506
Total liabilities	(413)
Equity	(79)
Group's share of the net assets of associates	21
Goodwill	8
Total investment by the Group	**29**
Total income	327
Total profit/(loss)	(14)
Group's share of the profit or loss of associates	(8)

14. Insurance contracts linked to pensions

The detail of "Insurance Contracts Linked to Pensions" in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2009	2008
Assets relating to insurance contracts covering post-employment benefit plan obligations:		
Santander Consumer Finance, S.A. (Note 23)	23,655	24,230
Santander Consumer E.F.C, S.A. (Note 23)	5,994	6,218
	29,649	**30,448**
Assets relating to insurance contracts covering other long-term benefits:		
Santander Consumer Finance, S.A. (Note 23)	1,553	2,428
	1,553	**2,428**
	31,202	**32,876**

The interest earned on these assets amounted to EUR 1,245 thousand in 2009 and EUR 1,326 thousand in 2008 (see Notes 2-p, 2-q and 32).

15. Tangible assets

The changes in 2009 and 2008 in the balance of "Tangible Assets" in the consolidated balance sheets were as follows:

	Thousands of Euros		
	Property, Plant and Equipment for Own Use	Other Assets Leased out under an Operating Lease	Total
Cost:			
Balances at 1 January 2008	282,436	609,953	892,389
Additions/disposals (net)	613	(1,120)	(507)
Additions	*50,121*	*98,426*	*148,547*
Disposals	*(49,508)*	*(99,546)*	*(149,054)*
Exchange differences	(2,008)	(157)	(2,165)
Transfers and other	16,295	(82,046)	(65,751)
Balances at 31 December 2008	297,336	526,630	823,966
Additions/disposals (net)	(2,665)	(29,535)	(32,200)
Additions	*45,804*	*140,573*	*186,377*
Disposals	*(48,469)*	*(170,108)*	*(218,577)*
Net additions due to change in the scope of consolidation	17,603	46,735	64,338
Exchange differences	760	53	813
Transfers and other	(9,907)	(101,014)	(110,921)
Balances at 31 December 2009	**303,127**	**442,869**	**745,996**
Accumulated depreciation:			
Balances at 1 January 2008	(121,021)	(146,239)	(267,260)
Net additions due to change in the scope of consolidation	(4,058)	(618)	(4,676)
Charge for the year	(24,523)	(10,389)	(34,912)
Disposals and retirements	17,883	85,859	103,742
Exchange differences	(2,347)	-	(2,347)
Balances at 31 December 2008	(134,066)	(71,387)	(205,453)
Net additions due to change in the scope of consolidation	(17,535)	(12,944)	(30,479)
Charge for the year	(25,177)	(165)	(25,342)
Disposals and retirements	29,627	49,826	79,453
Exchange differences	(525)	(11)	(536)
Transfers and other	(1,165)	(27,935)	(29,100)
Balances at 31 December 2009	**(148,841)**	**(62,616)**	**(211,457)**
Impairment losses:			
Balances at 1 January 2008 and 2009	-	-	-
Charge for the year (Note 43)	-	(1,554)	(1,554)
Transfers and other	-	(1,120)	(1,120)
Balances at 31 December 2009	**-**	**(2,674)**	**(2,674)**
Net tangible assets:			
Balances at 31 December 2008	**163,270**	**455,243**	**618,513**
Balances at 31 December 2009	**154,286**	**377,579**	**531,865**

The Group in Spain arranges insurance policies to cover the possible risks to which its items of property, plant and equipment are subject.

The Group incurred a net loss of EUR 8,666 thousand in 2009 (2008: EUR 6,789 thousand) on sales of property, plant and equipment, relating mainly to assets leased out under an operating lease (see Note 44).

The detail, by class of asset, of "Property, Plant and Equipment for Own Use" in the foregoing table is as follows:

	Thousands of Euros		
	Cost	Accumulated Depreciation	Carrying Amount
Buildings	88,630	(14,925)	73,705
Furniture	81,228	(39,198)	42,030
IT equipment	92,766	(69,164)	23,602
Other	34,712	(10,779)	23,933
Balances at 31 December 2008	**297,336**	**(134,066)**	**163,270**
Buildings	94,201	(20,071)	74,130
Furniture	85,647	(47,476)	38,171
IT equipment	87,465	(69,044)	18,421
Other	35,814	(12,250)	23,564
Balances at 31 December 2009	**303,127**	**(148,841)**	**154,286**

The net balance of "Property, Plant and Equipment for Own Use" at 31 December 2009 includes approximately EUR 149,912 thousand (31 December 2008: EUR 147,842 thousand) relating to property, plant and equipment owned by Group entities and branches located abroad.

16. Intangible assets

a) Goodwill

The detail of "Goodwill" in the consolidated balance sheets, based on the companies giving rise thereto, is as follows:

	Thousands of Euros	
	2009	2008
Santander Consumer Holding GmbH (Germany)	847,434	794,291
Santander Consumer Bank, S.p.A. (Italy)	199,053	199,053
Santander Consumer Bank, A.S. (Norway)	129,286	112,066
Banco Santander Consumer Portugal, S.A. (Portugal)	121,699	121,699
Unifin, S.p.A. (Italy)	49,994	36,437
Polskie Towarzystwo Finansowe, S.A. (Poland)	20,907	20,660
Santander Consumer Bank, S.A. (Poland)	2,641	2,612
Santander Consumer Finance Benelux B.V. (Netherlands)	35,550	31,448
Santander Consumer Bank, AG (Germany)	53,627	53,627
GE Money Bank GmbH (Germany)	-	50,608
GE Money Bank, GmbH (Austria)	98,074	-
SCF Rahoitus Oy (Finland)	42,095	-
Other companies	2,191	3,060
Total	**1,602,551**	**1,425,561**

The changes in 2009 and 2008 in the balance of “Goodwill” in the consolidated balance sheets were as follows:

	Thousands of Euros	
	2009	2008
Balance at beginning of year	1,425,561	1,396,186
Additions (Note 3-b)	159,373	137,702
Of which:		
Santander Consumer Finance Benelux B.V. (Netherlands)	*3,112*	*31,448*
Santander Consumer Bank, AG (Germany)	-	*53,646*
GE Money Bank GmbH (Germany)	*2,535*	*50,608*
Santander Consumer Leasing S.R.O. (Czech Republic)	-	*2,000*
Unifin, S.p.A.(Italy) (Note 3)	*13,557*	-
SCF Rahoitus Oy (Finland) (Note 3)(*)	*42,095*	-
Santander Consumer Bank GmbH (Austria) (Note 3)	*98,074*	-
Transfer to other intangible assets	-	-
Impairment losses (Note 43)	-	(72,726)
Exchange differences and other	17,617	(35,601)
Balance at end of year	**1,602,551**	**1,425,561**

(*) Formerly GE Money Oy (see Note 3).

At least once per year (or whenever there is any indication of impairment), the Group reviews goodwill for impairment (i.e. a potential reduction in its recoverable value to below its carrying amount). For this purpose, it analyses the following: (i) certain macroeconomic variables that might affect its investments (population data, political situation, economic situation -including bankarisation- among others); (ii) various microeconomic variables comparing the investments of the Group with the financial services industry of the country in which the Group carries on most of its business activities (balance sheet composition, total funds under management, results, efficiency ratio, capital ratio, return on equity, among others); and (iii) the price earnings (P/E) ratio of the investments as compared with the P/E ratio of the stock market in the country in which the investments are located and that of comparable local financial institutions.

At 31 December 2009, the Bank's directors assessed the recoverability of the goodwill recognised and concluded that there was no need to recognise any impairment losses on the aforementioned goodwill.

b) Other intangible assets

The detail of "Other Intangible Assets" in the consolidated balance sheets is as follows:

	Estimated Useful Life	Thousands of Euros	
		2009	2008
With finite useful life:			
Customer base	10 years	53,119	83,131
IT developments	3 years	202,894	151,128
		256,013	**234,259**

The changes in 2009 and 2008 in the balance of "Other Intangible Assets" in the consolidated balance sheets were as follows:

	Thousands of Euros	
	2009	2008
Balance at beginning of year	234,259	181,838
Net additions	108,240	106,805
Amortisation charge	(67,152)	(42,480)
Impairment losses (Note 43)	(19,334)	(11,904)
Balance at end of year	**256,013**	**234,259**

17. Other assets and Other liabilities

The detail of "Other Assets" and "Other Liabilities" in the consolidated balance sheets is as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2009	2008	2009	2008
Inventories	7,498	8,873	-	-
Prepayments	67,685	64,888	-	-
Accrued expenses	-	-	255,937	286,115
Transactions in transit	-	-	12,644	12,167
Other	339,626	210,617	332,523	219,291
	414,809	**284,378**	**601,104**	**517,573**

18. Deposits from central banks and Deposits from credit institutions

The detail of “Financial Liabilities at Amortised Cost – Deposits from Central Banks” in the consolidated balance sheet at 31 December 2009 relates in full to balances with the European Central Bank.

The detail, by type and currency, of the balance of “Financial Liabilities at Amortised Cost – Deposits from Credit Institutions” in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2009	2008
Type:		
Reciprocal accounts	2,127,236	788,809
Time deposits	17,481,828	13,814,406
Other demand accounts	1,257,610	2,404,571
	20,866,674	17,007,786
Currency:		
Euro	13,238,771	13,920,982
Foreign currency	7,627,903	3,086,804
	20,866,674	17,007,786
Add - Valuation adjustments	176,692	206,160
Of which:		
Accrued interest	*177,245*	*206,971*
Other	*(553)*	*(811)*
	21,043,366	**17,213,946**

A portion of these deposits from credit institutions relates to transactions performed with Santander Group entities (see Note 49).

Note 47 contains a detail of the residual maturity periods of these financial liabilities at amortised cost at 2009 and 2008 year-end and of the related average annual interest rates in 2009 and 2008.

At 31 December 2009 and 2008, the consolidated entities had unused credit facilities amounting to EUR 2,169,037 thousand and EUR 1,734,726 thousand, respectively.

19. Customer deposits

The detail, by type, geographical area and currency, of “Customer Deposits” in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2009	2008
Type:		
Public sector	-	22
On demand-		
Current accounts	9,931,574	5,856,674
Savings accounts	885,896	1,300,063
Other demand deposits	7,234	226,917
Time deposits-		
Fixed-term deposits	6,861,913	10,356,395
Home-purchase savings accounts	164	57,921
Other time deposits	150,100	149,211
	17,836,881	17,947,203
Geographical area:		
Spain and Portugal	258,276	4,658,561
Germany	17,091,130	12,888,382
Italy	420,737	340,348
Scandinavia	53,794	52,703
Other	12,944	7,209
	17,836,881	17,947,203
Currency:		
Euros	17,719,194	17,887,291
Foreign currency	117,687	59,912
	17,836,881	17,947,203
Add - Valuation adjustments-	59,313	106,291
Of which:		
Accrued interest	*60,532*	*106,291*
	17,896,194	**18,053,494**

“Other Time Deposits” in the foregoing table includes single mortgage bonds (*cédulas hipotecarias*) issued by the Bank on 17 July 2007 for a nominal amount of EUR 150,000 thousand, which mature on 20 July 2022 and are secured by mortgages registered in the Bank’s favour (see Note 10). These bonds were subscribed by Santander Investment Bolsa, Sociedad de Valores, S.A., which in turn transferred them to the securitisation special-purpose vehicle Programa Independiente de Titulización de Cédulas Hipotecarias. The annual interest rate on these bonds is 5.135%. There are no early redemption options on these bonds for the Bank or for the holder, excluding the legally stipulated events of early redemption.

Note 47 contains a detail of the residual maturity periods of these financial liabilities at amortised cost at 2009 and 2008 year-end and of the related average annual interest rates in 2009 and 2008.

20. Marketable debt securities

The detail, by type, of "Marketable Debt Securities" in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2009	2008
Type:		
Bonds and debentures outstanding	5,814,462	9,174,648
Mortgage bonds (*cédulas hipotecarias*)	1,193,952	1,193,952
Notes and other securities	6,275,270	4,175,926
	13,283,684	14,544,526
Add - Valuation adjustments-	135,285	168,277
Of which:		
Accrued interest	53,912	135,625
Issue premiums/discounts	28,427	6,034
Micro-hedges	57,518	28,288
Other	(4,572)	(1,670)
	13,418,969	**14,712,803**

The balance of "Bonds and Debentures Outstanding" in the foregoing table includes the amount of the bonds and debentures issued by Santander Consumer Bank, S.p.A. and Santander Consumer Bank A.G., amounting to EUR 1,461,556 thousand and EUR 2,531,867 thousand, respectively, at 31 December 2009. It also includes the amount of the bonds issued by Fondo de Titulización de Activos Santander Consumer Spain Auto 06 and Fondo de Titulización de Activos Santander Consumer Auto 07-1, amounting to EUR 620,154 thousand and EUR 1,200,885 thousand, respectively (see Appendix I).

The balance of "Mortgage Bonds" in the foregoing table includes the amount of the mortgage bonds (*cédulas hipotecarias*) issued by the Bank on 23 March 2006. These mortgage bonds, which are listed on the AIAF market, are secured by mortgages registered in the Bank's favour (see Note 10), have a nominal amount of EUR 1,200,000 thousand and mature on 23 March 2016. The annual interest rate on these liabilities is 3.875% and there are no early redemption options for the Bank or for their holders, excluding the legally stipulated events of early redemption.

The balance of "Notes and Other Securities" in the foregoing table relates mainly to notes issues made by the Bank, which were admitted to trading on the AIAC market. These notes, issued at a discount, bore average annual interest of 1.80% in 2009.

At its meetings held on 24 September 2009, 16 October 2008 and 18 October 2007, the Bank's Board of Directors resolved to issue a Notes Programme with a maximum nominal amount outstanding that may not exceed EUR 10,000 million per programme. These notes, whose unit nominal value is EUR 1,000, have maturities ranging from a minimum of three business days to a maximum of 25 months. This programme was registered in the Official Registers of the Spanish National Securities Market Commission (CNMV) at 2009 year-end.

The balance of the notes quoted by the Spanish National Securities Market Commission amounted to EUR 4,045,055 thousand at 31 December 2009 (of which EUR 1,897,330 thousand, EUR 2,141,939 thousand and EUR 5,786 thousand related to the Notes Programmes of 2009, 2008 and 2007, respectively).

At its meeting held on 25 June 2009, the Bank's Board of Directors resolved to launch a Euro Commercial Paper programme with a maximum nominal amount outstanding that may not exceed EUR 8,000 million. These notes have maturities of between a minimum of seven days and a maximum of 364 days. The programme was listed on the Dublin Stock Exchange on 9 July 2009. The outstanding balance of these notes amounted to EUR 2,230,216 thousand at 31 December 2009.

At its meeting held on 22 October 2009, the Bank's Board of Directors resolved to launch a Euro Medium Term Notes programme with a maximum nominal amount outstanding that may not exceed EUR 5,000 million. The programme was listed on the Luxembourg Stock Exchange on 25 November 2009. The outstanding balance of these notes was zero at 31 December 2009.

At 31 December 2009 and 2008, none of these issues was convertible into Bank shares or granted privileges or rights which, in certain circumstances, make them convertible into shares.

Note 47 contains a detail of the residual maturity periods of these financial liabilities at amortised cost at 2009 and 2008 year-end and of the related average annual interest rates in 2009 and 2008.

Information on issues, repurchases or redemptions of debt instruments

Following is a detail of the outstanding balance of the debt instruments issued by the Bank or by any other Group entity, at 31 December 2009 and 2008, and of the changes in this balance in 2009 and 2008:

	Thousands of Euros				
	2009				
	Outstanding Balance at 01/01/09	Issues	Repurchases or Redemptions	Adjustments for Exchange Rates and Other	Outstanding Balance at 31/12/09
Debt instruments issued in a Member State of the European Union, which required registration of a prospectus	14,688,661	27,593,098	(28,839,824)	(22,967)	13,418,969
Debt instruments issued in a Member State of the European Union, which did not require registration of a prospectus	-	-	-	-	-
Other debt instruments issued outside a Member State of the European Union	24,142	-	(24,142)	-	-
	14,712,803	**27,593,098**	**(28,863,966)**	**(22,967)**	**13,418,969**

	Thousands of Euros				
	2008				
	Outstanding Balance at 01/01/08	Issues	Repurchases or Redemptions	Adjustments for Exchange Rates and Other	Outstanding Balance at 31/12/08
Debt instruments issued in a Member State of the European Union, which required registration of a prospectus	19,410,928	31,571,810	(36,383,587)	89,510	14,688,661
Debt instruments issued in a Member State of the European Union, which did not require registration of a prospectus	-	-	-	-	-
Other debt instruments issued outside a Member State of the European Union	38,375	-	(15,428)	1,195	24,142
	19,449,303	**31,571,810**	**(36,399,015)**	**90,705**	**14,712,803**

Other issues guaranteed by the Group

At 31 December 2009 and 2008, there were no debt instruments issued by associates or (non-Group) third parties guaranteed by the Bank or by any other Group entity.

Itemised information on certain issues, repurchases or redemptions of debt instruments

The main characteristics of the most significant issues launched by the Group in 2009 and 2008, or guaranteed by the Bank or Group entities in those years, are as follows:

Data on the Issuing Entity				Data on the Issues Launched in 2009								
Name	Relationship with the Bank	Country	Issuer or Issue Credit Rating	ISIN Code	Type of Instrument	Transaction Date	Amount of the Issue (Thousands of Euros)	Outstanding Balance at 31/12/09 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee to be Assumed by the Group
Silk Finance No. 3 Limited	(*)	Ireland	Fitch AAA Rating	XS0443764401	Senior Debt	04/08/09	500,000	500,000	3M Euribor + 1.5%	Irish Stock Exchange	-	-
Silk Finance No. 3 Limited	(*)	Ireland	Unrated	-	Senior Debt	04/08/09	184,000	184,000	3M Euribor	-	-	-
Silk Finance No. 3 Limited	(*)	Ireland	Unrated	-	Senior Debt	04/08/09	3,900	3,900	3M Euribor	-	-	-
SC Germany Consumer 09-1 Limited	(*)	Ireland	Moody’s Aaa Rating	XS0452851628	Senior Debt	22/09/09	850,000 (**)	723,196	1M Euribor + 1.10%	Irish Stock Exchange	-	-
SC Germany Consumer 09-1 Limited	(*)	Ireland	Moody’s A2 Rating	XS0452851974	Senior Debt	22/09/09	150,000	150,000	1M Euribor + 1.60%	Irish Stock Exchange	-	-
SC Germany Auto 09-1 Limited	(*)	Ireland	Fitch Rating AAA & Moody's Rating Aaa	XS0458704722	Senior Debt	23/11/09	945,000	945,000	1M Euribor + 0.90%	Irish Stock Exchange	-	-
SC Germany Auto 09-1 Limited	(*)	Ireland	Fitch Rating A & Moody's Rating A2	XS0458705455	Senior Debt	23/11/09	55,000	55,000	1M Euribor + 1.40%	Irish Stock Exchange	-	-

Data on the Issuing Entity				Data on the Issues Launched in 2009								
Name	Relationship with the Bank	Country	Issuer or Issue Credit Rating	ISIN Code	Type of Instrument	Transaction Date	Amount of the Issue (Thousands of Euros)	Outstanding Balance at 31/12/09 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee to be Assumed by the Group
FTA, Santander Consumer Spain Auto 09-1	(*)	Spain	Fitch AAA Rating	ES0374973008	Senior Debt	17/02/09	562,800	562,800	3M Euribor + 0.30%	AIAF Fixed-Income Market	-	-
FTA, Santander Consumer Spain Auto 09-1	(*)	Spain	Fitch A Rating	ES0374973016	Senior Debt	17/02/09	99,400	99,400	3M Euribor + 0.50%	AIAF Fixed-Income Market	-	-
FTA, Santander Consumer Spain Auto 09-1	(*)	Spain	Fitch BBB Rating	ES0374973024	Senior Debt	17/02/09	37,800	37,800	3M Euribor + 1.50%	AIAF Fixed-Income Market	-	-
FTA, Santander Consumer Spain Auto 09-1	(*)	Spain	Fitch CCC Rating	ES0374973032	Senior Debt	17/02/09	35,700	35,700	3M Euribor + 3.50%	AIAF Fixed-Income Market	-	-
Golden Bar (Securitisation) S.r.l. - Series 1 2009 - Golden Bar IV	(*)	Luxembourg	S&P AAA Rating	IT0004561012	Senior Debt	23/12/09	648,000	648,000	3M Euribor + 0.60%	Luxembourg Stock Exchange	-	-
Golden Bar (Securitisation) S.r.l. - Series 1 2009 - Golden Bar IV	(*)	Luxembourg	S&P BBB- Rating	IT0004561194	Senior Debt	23/12/09	124,000	124,000	3M Euribor + 1.30%	Luxembourg Stock Exchange	-	-
Golden Bar (Securitisation) S.r.l. - Series 1 2009 - Golden Bar IV	(*)	Luxembourg	Unrated	IT0004561202	Senior Debt	23/12/09	28,000	28,000	-	Luxembourg Stock Exchange	-	-

Data on the Issuing Entity				Data on the Issues Launched in 2008								
Name	Relationship with the Bank	Country	Issuer or Issue Credit Rating	ISIN Code	Type of Instrument	Transaction Date	Amount of the Issue (Thousands of Euros)	Outstanding Balance at 31/12/08 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee to be Assumed by the Group
Golden Bar (Securitisation) S.r.l. - Series 1 2008 - Golden Bar II	(*)	Luxembourg	Moody's Aaa Rating, S&P AAA Rating	IT0004338817	Senior Debt	11/03/08	631,750	631,750	3M Euribor + 0.60%	Luxembourg Stock Exchange	-	-
Golden Bar (Securitisation) S.r.l. - Series 1 2008 - Golden Bar II	(*)	Luxembourg	Moody's Aa2 Rating, S&P A Rating	IT0004338825	Senior Debt	11/03/08	49,000	49,000	3M Euribor + 1.75%	Luxembourg Stock Exchange	-	-
Golden Bar (Securitisation) S.r.l. - Series 1 2008 - Golden Bar II	(*)	Luxembourg	Moody's Baa2 Rating, S&P BBB Rating	IT0004338833	Senior Debt	11/03/08	15,750	15,750	3M Euribor + 3%	Luxembourg Stock Exchange	-	-
Golden Bar (Securitisation) S.r.l. - Series 1 2008 - Golden Bar III	(*)	Luxembourg	S&P AA- Rating	IT0004439045	Senior Debt	23/12/08	691,850	691,850	3M Euribor + 0.60%	Luxembourg Stock Exchange	-	-
Golden Bar (Securitisation) S.r.l. - Series 1 2008 - Golden Bar III	(*)	Luxembourg	S&P A- Rating	IT0004439060	Senior Debt	23/12/08	31,500	31,500	3M Euribor + 1.75%	Luxembourg Stock Exchange	-	-
Golden Bar (Securitisation) S.r.l. - Series 1 2008 - Golden Bar III	(*)	Luxembourg	S&P BBB- Rating	IT0004439052	Senior Debt	23/12/08	21,400	21,400	3M Euribor + 3%	Luxembourg Stock Exchange	-	-
Golden Bar (Securitisation) S.r.l. - Series 1 2008 - Golden Bar III	(*)	Luxembourg	Unrated	IT0004439078	Senior Debt	23/12/08	5,250	5,250	-	Luxembourg Stock Exchange	-	-

Data on the Issuing Entity				Data on the Issues Launched in 2008								
Name	Relationship with the Bank	Country	Issuer or Issue Credit Rating	ISIN Code	Type of Instrument	Transaction Date	Amount of the Issue (Thousands of Euros)	Outstanding Balance at 31/12/08 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee to be Assumed by the Group
SC Germany Auto 08-01 Limited (Class A Notes)	(*)	Ireland	Moody's Aa3 Rating, Fitch A Rating, Standard & Poors A Rating	XS0356823178	Senior Debt	27/05/08	945,000 (**)	762,460	1M Euribor + 0.65%	Irish Stock Exchange	-	-
SC Germany Auto 08-01 Limited (Class B Notes)	(*)	Ireland	Moody's Aaa Rating	XS0356823251	Senior Debt	27/05/08	55,000	55,000	1M Euribor + 1.80%	Irish Stock Exchange	-	-
SC Germany Consumer 08-01 Limited (Class A Notes)	(*)	Ireland	Moody's A2 Rating	XS0389315044	Senior Debt	22/10/08	850,000 (**)	700,461	1M Euribor + 1.10%	Irish Stock Exchange	-	-
SC Germany Consumer 08-01 Limited (Class B Notes)	(*)	Ireland	Fitch AAA Rating Standard & Poors AAA Rating	XS0389315127	Senior Debt	22/10/08	150,000	150,000	1M Euribor + 1.90%	Irish Stock Exchange	-	-
SC Germany Auto 08-02 Limited (Class A Notes)	(*)	Ireland	Fitch A Rating Standard & Poors A Rating	XS0399102762	Senior Debt	27/11/08	475,000	475,000	1M Euribor + 1.25%	Irish Stock Exchange	-	-
SC Germany Auto 08-02 Limited (Class B Notes)	(*)	Ireland		XS0399103653	Senior Debt	27/11/08	25,000	25,000	1M Euribor + 2.50%	Irish Stock Exchange	-	-
FTA, Santander Consumer Spain Auto 08-1	(*)	Spain	Fitch AAA Rating	ES0378638003	Senior Debt	30/07/08	443,000 (**)	397,715	3M Euribor + 0.30%	AIAF Bond Market	-	-
FTA, Santander Consumer Spain Auto 08-1	(*)	Spain	Fitch A Rating	ES0378638011	Senior Debt	30/07/08	35,000	35,000	3M Euribor + 0.50%	AIAF Bond Market	-	-

Data on the Issuing Entity				Data on the Issues Launched in 2008								
Name	Relationship with the Bank	Country	Issuer or Issue Credit Rating	ISIN Code	Type of Instrument	Transaction Date	Amount of the Issue (Thousands of Euros)	Outstanding Balance at 31/12/08 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee to be Assumed by the Group
FTA, Santander Consumer Spain Auto 08-1	(*)	Spain	Fitch BBB Rating	ES0378638029	Senior Debt	30/07/08	10,000	10,000	3M Euribor + 1.50%	AIAF Bond Market	-	-
FTA, Santander Consumer Spain Auto 08-1	(*)	Spain	Fitch BB Rating	ES0378638037	Senior Debt	30/07/08	12,000	12,000	3M Euribor + 1.75%	AIAF Bond Market	-	-
FTA, Santander Consumer Spain Auto 08-1	(*)	Spain	Fitch CCC Rating	ES0378638045	Senior Debt	30/07/08	10,000	10,000	3M Euribor + 3.50%	AIAF Bond Market	-	-

(*) The receivables acquired by these special-purpose vehicles were not derecognised since the risks and rewards associated to these receivables were not substantially transferred.

(**) These bonds had been redeemed in part at the end of the related year.

21. Subordinated liabilities

The detail, by currency of issue, of "Subordinated Liabilities" in the consolidated balance sheets is as follows:

	Thousands of Euros		31 December 2009		31 December 2008	
Currency of Issue	2009	2008	Outstanding Issue Amount in Foreign Currency (Millions)	Annual Interest Rate at 31/12/09	Outstanding Issue Amount in Foreign Currency (Millions)	Annual Interest Rate at 31/12/08
Euro (*)	1,175,888	777,581	-	2.22%	-	4.63%
Norwegian krone (**)	71,393	39,647	590	4.09%	380	6.26%
Polish zloty (***)	37,076	24,158	150	6.19%	100	7.31%
Balance at end of year	**1,284,357**	**841,386**				

(*) Including a subordinated loan and subordinated debentures granted to the Bank by Banco Santander, S.A. for EUR 153,600 thousand and EUR 500,000 thousand, respectively, which, subject to authorisation from the Bank of Spain, may be repaid/redeemed early on or after 27 February 2008 and 28 November 2011, respectively. Also including six subordinated loans granted to Santander Consumer Bank S.p.A. by Open Bank Santander Consumer, S.A., two for EUR 32,500 thousand each, which mature on 22 June 2016, one of which may be fully or partially repaid, subject to authorisation from Banco de Italia, following the first principal repayment date, and four amounting to EUR 16,250 thousand each, which mature on 31 October 2018, two of which may be fully or partially repaid, subject to authorisation from Banco de Italia, following the first principal repayment date. It also includes four subordinated loans granted to Santander Consumer Bank AG by Open Bank Santander Consumer, S.A. for EUR 20 million, EUR 25 million, EUR 20 million and EUR 22 million and which mature on 6 August 2014, 30 November 2014, 20 April 2015 and 20 January 2016, respectively, which may not be repaid early.

(**) Including three subordinated loans granted to the subsidiary Santander Consumer Bank AS by a Santander Group entity for NOK 200 million, NOK 180 million and NOK 210 million, which may be repaid early on or after 28 August 2005, 28 September 2011 and 29 June 2014, respectively.

(***) Including two subordinated loans granted to Santander Consumer Bank Spolka Akcyjna by a Santander Group entity for PLN 100 million and PLN 50 million, which may be repaid early on or after 14 December 2011 and 15 January 2014, respectively.

The changes in the balance of "Subordinated Liabilities" in 2009 and 2008 were as follows:

	Thousands of Euros	
	2009	2008
Balance at beginning of year	841,386	892,130
Additions	448,655(*)	5,153
Of which:		
Spain	31,006	3,855
Poland	12,631	147
Italy	195,318(**)	626
Germany	184,764(**)	236
Norway	24,936	289
Redemptions	(5,112)	(48,318)
Of which:		
Germany	*(5,112)*	*(42,147)*
Exchange differences	(572)	(7,579)
Balance at end of year	**1,284,357**	**841,386**

(*) Includes the balance of accrued interest receivable.

(**) Includes the balance of certain loans granted by Santander Consumer Open Bank, S.A., which left the Group in 2009 (see Note 3).

Note 47 contains a detail of the residual maturity periods of these subordinated liabilities at 2009 and 2008 year-end and of the related average annual interest rates in 2009 and 2008.

22. Other financial liabilities

The detail of “Other Financial Liabilities” in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2009	2008
Declared dividends payable (*)	110,281	401,138
Trade payables	94,601	171,852
Public agency revenue collection accounts	16,707	16,590
Unsettled financial transactions	7,015	21,175
Other financial liabilities (**)	261,541	173,045
	490,145	**783,800**

(*) Of which EUR 109,693 thousand relate to dividends payable by the Bank (see Note 4-a).

(**) The balance payable at 31 December 2009 includes EUR 95,464 thousand relating to credit balances arising from tax consolidation with Banco Santander, S.A. (31 December 2008: EUR 104,759 thousand) (see Note 25).

Note 47 contains a detail of the residual maturity periods of these financial liabilities at 2009 and 2008 year-end.

23. Provisions

The detail of "Provisions" in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2009	2008
Provisions for pensions and similar obligations	310,884	265,795
Provisions for taxes and other legal contingencies	15,283	17,539
Provisions for contingent liabilities and commitments	1,337	1,368
Other provisions	58,358	37,969
	385,862	**322,671**

The changes in 2009 and 2008 in the balance of "Provisions" in the consolidated balance sheets were as follows:

	2009					2008				
	Pensions and Similar Obligations	Taxes and Other Contingencies	Contingent Liabilities and Commitments	Other Provisions	Total	Pensions and Similar Obligations	Taxes and Other Contingencies	Contingent Liabilities and Commitments	Other Provisions	Total
Beginning balances	265,795	17,539	1,368	37,969	322,671	193,042	12,741	1,110	36,401	243,294
Net inclusion (exclusion) of entities in the Group	7,438	(525)	(14)	(2,218)	4,681	60,653	-	-	5,719	66,372
Additions charged to income:										
Interest expense and similar charges (Note 33)	12,705	-	-	-	12,705	9,308	-	-	-	9,308
Staff costs (Note 41)	5,864	-	-	-	5,864	4,445	-	-	-	4,445
Net additions to provisions (amounts used) (**)	43,676	5,844	136	59,760(*)	109,416	21,595	4,798	(270)	765	26,888
	62,245	5,844	136	59,760	127,985	35,348	4,798	(270)	765	40,641
Payments to retired employees and early retirees with a charge to internal provisions (***)	(25,671)	-	-	-	(25,671)	(16,879)	-	-	-	(16,879)
Insurance premiums paid	(1,854)	-	-	-	(1,854)	(1,369)	-	-	-	(1,369)
Payments to retired employees by insurance companies	-	-	-	-	-	(1,140)	-	-	-	(1,140)
Amounts used	-	(2,104)	-	(25,812)	(27,916)	-	-	-	(4,916)	(4,916)
Transfers and other	2,931	(5,471)	(153)	(11,341)	(14,034)	(3,860)	-	528	-	(3,332)
	(24,594)	(7,575)	(153)	(37,153)	(69,475)	(23,248)	-	528	(4,916)	(27,636)
Ending balances	**310,884**	**15,283**	**1,337**	**58,358**	**385,862**	**265,795**	**17,539**	**1,368**	**37,969**	**322,671**

(*) Relates mainly to the restructuring process performed by the Group in Germany following the acquisitions of GE Money and RBS (RD Europe) GmbH, and to certain costs arising from the restructuring of the business in Spain in 2009 (see Note 3). At the date on which these consolidated financial statements were authorised for issue, there were no significant unrecognised restructuring costs in the consolidated income statement.

(**) The detail of "Net Additions to Provisions (Amounts Used)" with respect to pensions and similar obligations is as follows:

	Thousands of Euros	
	2009	2008
Post-employment benefits - Spanish entities:		
Recognised actuarial gains/losses	20	117
Past service cost	154	447
Early retirements	880	96
Curtailments/settlements	(55)	2
	999	662
Other long-term benefits - Spanish entities:		
Recognised actuarial gains/losses (obligations and assets)	1,198	-
Early retirements	51,207	22,160
Curtailments/settlements	(105)	(27)
	52,300	22,133
Foreign entities:		
Recognised actuarial gains/losses (obligations and assets)	612	(215)
Curtailments/settlements	(10,235)	(985)
	(9,623)	(1,200)
	43,676	**21,595**

(***) The detail of "Payments to Retired Employees and Early Retirees with a Charge to Internal Provisions" is as follows:

	Thousands of Euros	
	2009	2008
Payments with a charge to the internal provision:		
Post-employment benefits - Spanish entities	2,772	2,238
Other long-term benefits - Spanish entities	14,623	10,076
Foreign entities	8,276	4,565
	25,671	**16,879**

Provisions for pensions and similar obligations

i. Post-employment benefits: Defined contribution plans - Spanish entities

The Group has classified the following obligations as defined contribution plans:

Santander Consumer Finance, S.A.

Obligations guaranteed from the date of effective retirement to employees who took early retirement after May 1996, which were externalised through an insurance policy taken out with a non-related entity (Banco Vitalicio de España, Compañía Anónima de Seguros y Reaseguros).

No premiums were paid to the insurance company in 2009 and 2008 (see Note 2-p).

Santander Consumer, E.F.C., S.A.

Obligations guaranteed to employees who retired after May 1996 and the disability and surviving spouse/child benefits of employees who took early retirement after May 1996, which were externalised through insurance policies taken out with a non-related entity (Banco Vitalicio de España, Compañía Anónima de Seguros y Reaseguros).

No premiums were paid to the insurance company in 2009 and 2008 (see Note 2-p).

ii. Post-employment benefits: Defined benefit plans - Spanish entities

The Group has classified the following obligations as defined benefit plans:

Santander Consumer Finance, S.A.

- Pension obligations under the Private Banking Collective Labour Agreement to current employees, employees who took early retirement prior to May 1996 (including future insurance premiums for disability and surviving spouse/child benefits) and retired employees, which are funded by an internal provision partly covered by insurance policies (that do not meet the requirements for externalisation) taken out with a non-related entity (Banco Vitalicio de España, Compañía Anónima de Seguros y Reaseguros). The premiums paid to the insurance company amounted to EUR 161 thousand in 2009 (2008: EUR 403 thousand).

- Life insurance guaranteed to retired employees from Banco de Fomento, S.A., covered by an insurance policy (that does not meet the requirements for externalisation) taken out with a non-related entity (Axa España S.A.). The present value of future premiums is funded by an internal provision.

- Company store and coal and gas benefits guaranteed to retired employees by virtue of the Internal Regulations of Banking Company Stores, which are funded by an internal provision.

Santander Consumer, E.F.C., S.A.

Pension obligations under the Private Banking Collective Labour Agreement to current employees, early retirees (including future insurance premiums for disability and surviving spouse/child benefits for employees who took early retirement prior to May 1996) and employees who retired prior to May 1996, which are funded by an internal provision partly covered by insurance policies (that do not meet the requirements for externalisation) taken out with a non-related entity (Banco Vitalicio de España, Compañía Anónima de Seguros y Reaseguros). The premiums paid to the insurance company amounted to EUR 16 thousand in 2009 (2008: EUR 103 thousand).

The present value of the post-employment benefit obligations of the Spanish consolidated entities and the value of the reimbursement rights under the insurance policies linked to these obligations at 31 December 2009 and 2008 were as follows:

	Thousands of Euros	
	2009	2008
Present value of the obligations:		
To current employees	61	1,480
Vested obligations to retired employees and early retirees	32,917	31,927
Other obligations to retired employees (*)	978	960
	33,956	34,367
Less - Unrecognised actuarial gains/losses	(1,918)	(2,010)
Provisions - Provisions for pensions and similar obligations (Note 2-p)	**32,038**	**32,357**
Insurance contracts linked to pensions, taken out with non-related entities (Note 14)	**29,649**	**30,448**

(*) Including the life insurance obligations to retired employees of Banco de Fomento, S.A., plus other welfare benefits to retired employees.

The present value of the obligations was determined by independent actuaries using the following actuarial techniques:

1. Valuation method: projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

2. Actuarial assumptions used: unbiased and mutually compatible. Specifically, the most significant actuarial assumptions used in the calculations were as follows:

	2009	2008
Annual discount rate	4.0%	4.0%
Mortality tables	GRM/F-95	GRM/F-95
Cumulative annual CPI growth	1.5%	1.5%
Annual salary increase rate	2.5%	2.5%
Annual social security pension increase rate	1.5%	1.5%

3. The estimated retirement age of each employee is the first at which the employee is entitled to retire or the agreed-upon age, as appropriate.

The fair value of the insurance contracts was determined as the present value of the related payment obligations, taking into account the following assumptions:

	2009	2008
Expected rate of return on reimbursement rights	4.0%	4.0%

The changes in 2009 and 2008 in the cumulative net unrecognised actuarial gains and/or losses were as follows:

	Thousands of Euros	
	2009	2008
Balance at beginning of year	2,010	2,153
Exclusion of companies from the scope of consolidation	(7)	
Net actuarial gains arising in the year	(53) (*)	(117)
Amount recognised in the year (Note 2-p)	(32)	(26)
Balance at end of year	**1,918**	**2,010**

(*) Relates to obligations amounting to EUR 448 thousand and assets amounting to EUR 395 thousand.

The changes in 2009 and 2008 in the present value of the accrued defined benefit obligations were as follows:

	Thousands of Euros	
	2009	2008
Present value of the obligations at beginning of year	34,367	35,461
Net exclusion of group companies from the scope of consolidation	(351)	-
Current service cost (Notes 2-p and 41)	46	112
Interest cost (Notes 2-p and 33)	1,306	1,369
Early retirements	880	96
Effect of curtailments/settlements	(55)	2
Benefits paid	(2,772)	(2,238)
Past service cost	154	447
Actuarial (gains)/losses arising in the year (Note 2-p)	395	(1,140)
Other	(14)	-
Present value of the obligations at end of year	**33,956**	**34,367**

The changes in 2009 and 2008 in the fair value of the insurance contracts linked to pensions were as follows:

	Thousands of Euros	
	2009	2008
Fair value of insurance contracts at beginning of year	30,448	31,585
Expected return on insurance contracts linked to pensions (Notes 2-p and 32)	1,166	1,212
Actuarial gains/(losses) arising in the year (Note 2-p)	448	(308)
Premiums paid	177	599
Benefits paid	(2,590)	(2,238)
Other	-	(402)
Fair value of insurance contracts at end of year	**29,649**	**30,448**

iii. Post-employment benefits - Other foreign subsidiaries

Certain of the consolidated foreign entities have acquired commitments to their employees similar to post-employment benefits. The actuarial assumptions used by these entities (discount rates, mortality tables and cumulative annual CPI growth) are consistent with the economic and social conditions prevailing in the countries in which they are located.

	Thousands of Euros	
	2009	2008
Present value of the obligations:	201,224	173,406
Of which:		
Germany	*154,752*	*141,696*
Less-		
Unrecognised actuarial gains/losses	(8,915)	8,971
Plan assets	(19,278)	(15,107)
Provisions - Provisions for pensions and similar obligations (Note 2-p)	**173,031**	**167,270**
Of which:		
Germany	*154,503*	*155,380*

The most significant actuarial assumptions used by the entities located in Germany were as follows:

	2009	2008
Annual discount rate	5.5%	6.5%
Mortality tables	R2005G of Heubeck-Richttafeln-	R2005G of Heubeck-Richttafeln-GmbH
Cumulative annual CPI growth	2%	1.5%
Annual salary increase rate	2%	3.0%
Annual social security pension increase rate	2%	2.0%
Estimated retirement age	65 (M/F)	65 (M/F)

Also, certain foreign entities have defined contribution plans (mainly Santander Consumer Bank, S.p.A., Santander Consumer Bank, AS and Santander Consumer Bank, AG). The contributions made to these plans amounted to EUR 6,527 thousand in 2009 and EUR 4,854 thousand in 2008 (see Note 41).

The changes in 2009 and 2008 in the present value of the accrued defined benefit obligations and in the plan assets were as follows:

	Thousands of Euros	
	2009	2008
Present value of the obligations at beginning of year	173,406	140,334
Net inclusion of entities in the Group	7,716	60,653
Current service cost (Notes 2-p and 41)	5,803	4,317
Interest cost (Notes 2-p and 33)	10,066	6,019
Early retirements	-	-
Effect of curtailments/settlements	(10,235)	(985)
Benefits paid	(8,276)	(4,565)
Past service cost	-	-
Actuarial (gains)/losses arising in the year (Note 2-p)	18,576	(27,782)
Exchange differences and other items	4,168	(4,585)
Present value of the obligations at end of year	**201,224**	**173,406**

The changes in 2009 and 2008 in the fair value of the plan assets were as follows:

	Thousands of Euros	
	2009	2008
Fair value of plan assets at beginning of year	15,107	18,070
Expected return on plan assets (Notes 2-p and 33)	1,109	227
Actuarial gains/(losses) arising in the year (Note 2-p)	(702)	(1,114)
Contributions	1,677	2,057
Benefits paid	(659)	(652)
Exchange differences and other items	2,746	2,445
Fair value of plan assets at end of year	**19,278**	**15,107**

iv. Other long-term benefits - Spanish entities

The long-term benefit obligations (other than post-employment benefit obligations) guaranteed by the Group and classified as defined benefit plans are as follows:

Santander Consumer Finance, S.A.

- Obligations to early retirees until the date of effective retirement, which are funded by an internal provision partly covered by insurance policies (that do not meet the requirements for externalisation) taken out with a non-related entity (Banco Vitalicio de España, Compañía Anónima de Seguros y Reaseguros). No premiums were paid in 2009 and 2008.

- Life insurance guaranteed to early retirees by virtue of the Santander Consumer Finance (Spain) Group's Collective Labour Agreement, taken out with a non-related entity (Banco Vitalicio de España, Compañía Anónima de Seguros y Reaseguros). The present value of future premiums is funded by an internal provision.

- Health insurance guaranteed to early retirees by virtue of the Santander Consumer Finance (Spain) Group's Collective Labour Agreement. The present value of future premiums is funded by an internal provision.

- Long-service bonus guaranteed to current employees, by virtue of the Santander Consumer Finance (Spain) Group's Collective Labour Agreement, which is funded by an internal provision.

Santander Consumer, E.F.C., S.A.

- Obligations to early retirees until the effective date of retirement, which are funded by an internal provision.

- Life insurance guaranteed to early retirees by virtue of the Santander Consumer Finance (Spain) Group's Collective Labour Agreement, taken out with a non-related entity (Banco Vitalicio de España, Compañía Anónima de Seguros y Reaseguros). The present value of future premiums is funded by an internal provision.

- Health insurance guaranteed to early retirees by virtue of the Santander Consumer Finance (Spain) Group's Collective Labour Agreement. The present value of future premiums is funded by an internal provision.

- Long-service bonus guaranteed to current employees, by virtue of the Santander Consumer Finance (Spain) Group's Collective Labour Agreement, which is funded by an internal provision.

- Obligations to early retirees until the effective date of retirement, which are funded by an internal provision.

- Life insurance guaranteed to early retirees by virtue of the Santander Consumer Finance (Spain) Group's Collective Labour Agreement, taken out with a non-related entity (Banco Vitalicio de España, Compañía Anónima de Seguros y Reaseguros). The present value of future premiums is funded through an internal provision.

- Health insurance guaranteed to early retirees by virtue of the Santander Consumer Finance (Spain) Group's Collective Labour Agreement. The present value of future premiums is funded by an internal provision.

The present value of the aforementioned obligations and the fair value of the assets arising from insurance contracts linked to these obligations at 31 December 2009 and 2008 were as follows:

	Thousands of Euros	
	2009	2008
Present value of the obligations:		
To early retirees	105,680	65,936
Long-service bonuses	135	232
	105,815	66,168
Provisions - Provisions for pensions and similar obligations (Note 2-q)	**105,815**	**66,168**
Insurance contracts linked to pensions, taken out with non-related entities (Note 14)	**1,553**	**2,428**

The present value of the obligations was determined by qualified independent actuaries using the following actuarial techniques:

1. Valuation method: projected unit credit method.

2. Actuarial assumptions used: unbiased and mutually compatible. Specifically, the most significant actuarial assumptions used in the calculations were as follows:

	2009	2008
Annual discount rate	4.0%	4.0%
Mortality tables	GRM/F-95	GRM/F-95
Cumulative annual CPI growth	1.5%	1.5%
Annual increase in early retirements	0% - 1.5%	0% - 1.5%
Annual increase in bonuses	2%	2%

3. The estimated retirement age of each employee is the first at which the employee is entitled to retire or the agreed-upon age, as appropriate.

The fair value of the insurance contracts was determined as the present value of the related payment obligations, taking into account the following assumptions:

	2009	2008
Expected rate of return on reimbursement rights	4.0%	4.0%

The changes in 2009 and 2008 in the present value of the accrued obligations for other long-term benefits were as follows:

	Thousands of Euros	
	2009	2008
Present value of the obligations at beginning of year	66,168	52,001
Current service cost (Notes 2-p and 41)	15	16
Interest cost (Notes 2-q and 33)	2,442	1,920
Early retirements	51,207	22,160
Effect of curtailments/settlements	(105)	(27)
Benefits paid	(14,623)	(10,076)
Past service cost	-	-
Actuarial (gains)/losses recognised in the year (Note 2-q)	1,139	174
Exchange differences and other items	(428)	-
Present value of the obligations at end of year	**105,815**	**66,168**

The changes in 2009 and 2008 in the present value of the insurance contracts linked to pensions were as follows:

	Thousands of Euros	
	2009	2008
Fair value of insurance contracts at beginning of year	2,428	3,330
Expected return on insurance contracts linked to pensions (Notes 2-q and 32)	79	113
Actuarial gains/(losses) recognised in the year (Note 2-q)	(60)	(5)
Benefits paid	(894)	(1,010)
Fair value of insurance contracts at end of year	**1,553**	**2,428**

The funding status of the defined benefit obligations in 2009 and the four preceding years is as follows:

	Thousands of Euros									
	Post-Employment Benefits					Other Long-Term Employee Benefits				
	2009	2008	2007	2006	2005	2009	2008	2007	2006	2005
Present value of the obligations:										
To current employees	61	1,480	1,280	887	1,120	-	-	-	-	-
Vested obligations to retired employees	32,917	31,927	33,191	34,919	35,293	-	-	-	-	-
To early retirees	-	-	-	-	-	105,680	65,936	51,759	51,772	43,703
Long-service bonuses and other benefits	-	-	-	-	-	135	232	242	232	197
Other	978	960	990	763	2,246	-	-	-	-	-
	33,956	34,367	35,461	36,569	38,659	105,815	66,168	52,001	52,004	43,900
Less-										
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-
Unrecognised actuarial (gains)/losses	1,918	2,010	2,153	2,419	2,611	-	-	-	-	-
Unrecognised past service	-	-	-	-	-	-	-	-	-	-
Provisions - Provisions for pensions	**32,038**	**32,357**	**33,308**	**34,150**	**36,048**	**105,815**	**66,168**	**52,001**	**52,004**	**43,900**
Of which:										
Insurance contracts linked to pensions (Note 14)	*29,649*	*30,448*	*31,585*	*32,512*	*33,433*	*1,553*	*2,428*	*3,330*	*4,194*	*5,178*

24. Tax matters

The balance of “Tax Assets - Current” in the consolidated balance sheet includes basically income tax prepayments made by the consolidated entities to the public authorities of the countries in which they reside. The balance of “Tax Liabilities - Current” in the consolidated balance sheet includes the liability for the various taxes applicable to the Group.

The reconciliation of the accounting profit to the estimated taxable profit for 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Consolidated profit before tax	206,979	516,164
Of which:		
From continuing operations	*250,153*	*525,514*
From discontinued operations	*(43,174)*	*(9,350)*
Income tax	62,094	154,849
Permanent differences (*)	(14,703)	7,183
Income tax of Group companies	**47,391**	**162,032**
Net increases (decreases) due to the consolidation process (**)	53,645	(22,961)
Current income tax, per consolidated books	**101,036**	**139,071**
Of which:		
From continuing operations	*99,497*	*130,974*
From discontinued operations	*1,539*	*8,097*

(*) These include the net tax effect of permanent differences at the Group companies and differences arising from the difference in tax rates in Spain and other countries.

(**) These include the effect of matching the tax result obtained in the measurement of derivatives that are considered to be speculative by certain subsidiaries in their individual books and are eliminated on consolidation or are treated as hedging instruments with the gains or losses arising on these derivatives and recognised in the consolidated income statement. They also include the tax result of any transactions giving rise to gains or losses exclusively in the Group's consolidated financial statements, but not in the separate financial statements of subsidiaries.

The balance of "Tax Assets - Deferred" in the consolidated balance sheets includes the balances receivable from the tax authorities in respect of deferred income tax assets. The balance of "Tax Liabilities - Deferred" in the consolidated balance sheets includes the liability for the various deferred taxes.

The detail of the two balances is as follows:

	Thousands of Euros	
	2009	2008
Tax assets:		
Credit loss allowance	77,735	113,955
Tax credit for reinvestment and double taxation of gains on disposal of investments	57,343	42,121
Pensions	46,726	45,080
Fees and commissions	3,266	7,012
Derivatives	82,917	19,948
Germany	34,748	83,208
Italy	67,752	88,424
Investments	21,420	36,593
Tax assets and tax credits recognised	131,486	10,654
Other	33,435	7,484
	556,828	**454,479**
Tax liabilities:		
Fees and commissions	2,347	3,398
Goodwill	51,704	41,853
Gains on disposal of investments	139,192	102,199
Germany	102,644	105,752
Italy	17	452
Other	10,490	46,660
	306,394	**300,314**

The increase in 2009 in the balance of deferred tax assets relates mainly to the tax assets recognised by certain subsidiaries which reported losses in 2009.

In 2006 the Bank obtained a gain of EUR 340,665 thousand on the sale of its holding in U.C.I., S.A. to Banco Santander, S.A. The Bank recognised a deferred tax liability of EUR 102,199 thousand arising from the gain on this intra-group transfer and a deferred tax asset amounting to EUR 2,071 thousand in respect of the tax credit for double taxation of Spanish-source gains, in accordance with Article 30 of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Law. Also, the Bank plans to avail itself of the tax credit for reinvestment of extraordinary income provided for in Article 42 of the aforementioned Royal Decree. Effective entitlement to this tax credit is conditional on the reinvestment of the proceeds from this transfer within the legally stipulated periods, and will arise once this investment has been sold by Banco Santander, S.A. to non-Santander Group entities. The amount arising from the tax credit for reinvestment of this gain, totalling EUR 42,121 thousand, was recognised as a deferred tax asset in the consolidated balance sheets at 31 December 2009 and 2008.

In 2009 the Bank obtained a gain of EUR 123,310 thousand on the transfer for consideration to Banco Santander, S.A. of its holding in Open Bank Santander Consumer, S.A. The Bank recognised a deferred tax liability of EUR 36,994 thousand arising from the gain on this intra-group transfer and a deferred tax asset amounting to EUR 708 thousand in respect of the tax credit for double taxation of Spanish-source gains, in accordance with Article 30 of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Law. Also, the Bank plans to avail itself of the tax credit for reinvestment of extraordinary income provided for in Article 42 of the aforementioned Royal Decree. Effective entitlement to this tax credit is conditional on the reinvestment of the proceeds from this transfer within the legally stipulated periods, and will arise once this investment has been sold by Banco Santander, S.A. to non-Santander Group entities. The amount arising from the tax credit for reinvestment of this gain, totalling EUR 15,222 thousand, was recognised as a deferred tax asset in the consolidated balance sheet for 2009.

The Bank and certain of the other consolidated companies availed themselves in prior years of the tax benefits relating to the tax credits provided for in income tax legislation. The tax credits for 2009 and 2008 generated by the consolidated tax Group are taken by the same consolidated Group.

In addition to the income tax recognised in the consolidated income statements, in 2009 and 2008 the Group recognised the following amounts in consolidated equity:

	Thousands of Euros	
	2009	2008
Tax charged to equity:		
Measurement of available-for-sale equity securities	-	10,296
Tax credited to equity:		
Measurement of available-for-sale equity securities	(17,215)	-
Measurement of cash flow hedges	(4,880)	(87,241)
Total	**(22,095)**	**(76,945)**

The Spanish consolidated entities have the last four years open for review by the tax authorities for the main taxes applicable to them, except for those entities in which the running of the statute of limitations period was interrupted as a result of tax audits. Specifically, in 2007 a tax audit of the transactions performed by the Bank and its subsidiary Santander Consumer, Establecimiento Financiero de Crédito, S.A. was initiated in relation to all the taxes applicable to them for 2003 and 2004. At the date of preparation of these consolidated financial statements, these tax reviews had not finalised and, therefore, the final tax inspectors' report had not been issued (see Note 23).

In 1995 the Madrid Special Tax Office of the Spanish Tax Agency reviewed the income tax returns for 1990 and 1991 of the subsidiary HBF Auto-Renting, S.A.U., which was absorbed by Santander Consumer, E.F.C., S.A. in 2008. Also, in recent years this entity had its VAT reviewed by the tax authorities for 1997 to 2002. The amount of the assessments outstanding at 31 December 2009 and 2008 relating to these tax reviews and the related late-payment interest totalled EUR 6,443 thousand and EUR 8,444 thousand, respectively.

The other consolidated entities have the appropriate years, based on their local tax legislation, open for review by the tax authorities. Specifically, tax audits are being performed at GE Money Bank GmbH (Austria) in connection with VAT for 2005 to 2007 and for 2002 to 2005 for certain German subsidiaries. The latter were partially completed at the date of preparation of these consolidated financial statements.

In the opinion of the Bank's directors and of the tax Group's advisers, the provisions recognised by the Group at 2009 year-end are sufficient to cover the amount of the liabilities, if any, that might arise as a result of the aforementioned tax audits in progress (see Note 23).

In view of the varying interpretations that can be made of the tax legislation applicable to the Group's operations, the outcome of the tax audits of the open years that could be conducted by the tax authorities in the future could give rise to contingent tax liabilities which cannot be objectively quantified. However, the directors of the Bank and the Group's tax advisers consider that the possibility of these contingent liabilities becoming actual liabilities is remote and, therefore, there would be no material effect on the consolidated financial statements.

25. Registered capital

At 31 December 2007, the Bank's share capital consisted of 332,071,008 fully subscribed and paid registered shares of EUR 3 par value each, all with the same voting and dividend rights.

On 26 December 2007, the Extraordinary General Meeting of the Bank resolved to increase capital by EUR 199,950 thousand by issuing at par 66,650,000 ordinary shares of EUR 3 par value each. This capital increase was fully subscribed and paid by the shareholders on 28 December 2007, and it was executed in a public deed on 11 January 2008 and registered in the Mercantile Register on 7 February 2008.

On 26 May 2008, the Extraordinary General Meeting of the Bank resolved to increase capital by EUR 599,979 thousand by issuing at par 199,992,852 ordinary shares of EUR 3 par value each. This capital increase was fully subscribed and paid by Banco Santander, S.A., through a non-monetary contribution consisting of 12,198 bonds issued by Golden Bar (securitisation) S.r.l., denominated in euros, of EUR 50,000 par value each (see Note 7), which mature on 20 November 2024 and relate to series A of the securitisation called “Golden Bar (securitisation) S.r.l. - Serie 1 - 2008”. The value of these bonds, based on the report prepared by an independent expert, did not differ substantially from the amount of the capital increase carried out by the Bank. This capital increase was executed in a public deed on 4 June 2008 and registered in the Mercantile Register on 17 June 2008. On 30 June 2008, Banco Santander, S.A. sold 49,998,213 shares to Holneth B.V. and 23,613,145 shares to Fomento de Inversiones, S.A. so that these shareholders would maintain the percentage of ownership held by them in the Bank’s share capital before the capital increase.

Therefore, at 31 December 2008, the Bank's share capital consisted of 598,713,860 fully subscribed and paid registered shares of EUR 3 par value each, all with the same voting and dividend rights.

On 4 March 2009, the Extraordinary General Meeting of the Bank resolved to increase capital by EUR 1,195,480 thousand by issuing at par 398,493,428 ordinary shares of EUR 3 par value each. This capital increase was fully subscribed and paid by Banco Santander, S.A., through a non-monetary contribution consisting of four loans granted by Banco Santander, S.A. to the subsidiaries SC Holding GmbH (Germany), GE Money Bank GmbH (Austria), Santander Consumer Bank S.A. (Poland) and Santander Consumer Bank A.S. (Norway), for the ordinary financing of their business, together with two cross currency swaps associated with the last two aforementioned loans, which are not denominated in euros. The value of these loans, based on the report prepared by an independent expert, does not differ substantially from the amount of the capital increase carried out by the Bank. This capital increase was executed in a public deed on 5 March 2009 and registered in the Mercantile Register on 18 March 2009. On 30 and 31 March 2009, Banco Santander, S.A. sold 99,623,357 shares to Holneth B.V. and 47,050,097 shares to Fomento de Inversiones, S.A. so that these shareholders would maintain the percentage of ownership held by them in the Bank’s share capital before the capital increase.

Therefore, at 31 December 2009, the Bank's share capital, the only share capital included in the consolidated balance sheet as a result of the consolidation process, consisted of 997,207,288 fully subscribed and paid registered shares of EUR 3 par value each, all with the same voting and dividend rights. At 31 December 2009, the Bank’s shareholders were as follows:

	Percentage of Ownership
Banco Santander, S.A.	63.19%
Holneth, B.V. (*)	25.00%
Fomento e Inversiones, S.A. (*)	11.81%
	100.00%

(*) Santander Group companies.

At the Extraordinary General Meeting of the Bank held on 25 June 2009, the shareholders empowered the Board of Directors to issue bonds convertible into pre-existing shares of the Bank or of other entities up to an amount of EUR 30,000 million. These powers can be exercised within five years and the Board may, in each case, decide on the redemption of the bonds or modify the related terms and conditions, and on the applicable interest rates.

At 31 December 2009, the capital increases in progress at Group companies and the additional capital authorised by their shareholders at the respective Annual General Meetings were not material at Group level.

26. Share premium

The balance of "Share Premium" in the consolidated balance sheets includes the amount paid up by the Bank's shareholders in capital issues in excess of the par value. The Consolidated Spanish Public Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital at the entities at which it is recognised and does not establish any specific restrictions as to its use.

27. Reserves

The balance of "Shareholders' Equity - Reserves - Accumulated Reserves" in the consolidated balance sheets includes the net amount of the accumulated profit or loss recognised in previous years through the consolidated income statement that, in the distribution of profit, was appropriated to equity, and the own equity instrument issuance expenses and the differences between the selling price of treasury shares and the cost of acquisition thereof.

The balance of "Shareholders' Equity - Reserves - Reserves of Entities Accounted for Using the Equity Method" in the consolidated balance sheets includes the net amount of the accumulated profit or loss generated in previous years by entities accounted for using the equity method, recognised through the consolidated income statement.

The detail of these reserve accounts at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Accumulated reserves:		
Legal reserve	247,531	199,242
Unrestricted, voluntary and other reserves	1,689,524	1,656,078
Consolidation reserves attributed to the Bank	228,263	496,638
Reserves at subsidiaries	(1,466,561)	(1,614,518)
	698,757	**737,440**
Reserves of entities accounted for using the equity method:		
Associates	**27,606**	**22,652**

Legal reserve

Under the Consolidated Spanish Public Limited Liability Companies Law, Spanish entities must transfer 10% of net profit for each year to the legal reserve. These transfers must be made until the balance of this reserve reaches 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Reserves at subsidiaries

The detail, by company, of “Reserves at Subsidiaries”, based on the subsidiaries' contribution to the Group (considering the effect of consolidation adjustments), is as follows:

	Thousands of Euros	
	2009	2008
Santander Consumer, E.F.C., S.A.	3,131	59,594
Open Bank Santander Consumer, S.A. (*)	-	38,756
Santander Consumer Holding GmbH	(1,760,527)	(1,776,996)
Santander Consumer Bank, S.p.A.	21,459	6,241
Santander Consumer Bank A.S.	76,737	28,402
Polskie Towarzystwo Finansowe, S.A.	(13,379)	(8,014)
Santander Consumer Bank, S.A. (Poland)	36,904	12,635
Other companies	169,114	24,864
	(1,466,561)	**(1,614,518)**

(*) Entity sold in 2009 (see Note 3).

28. Valuation adjustments

The balances of “Valuation Adjustments” in the consolidated balance sheets include the amounts, net of the related tax effect, of the adjustments to assets and liabilities recognised temporarily in equity through the consolidated statement of changes in equity (consolidated statement of recognised income and expense) until they are extinguished or realised, when they are recognised definitively in the consolidated income statement.

“Valuation Adjustments” include the following items:

a) Available-for-sale financial assets

The balance of this item includes the net amount of unrealised changes in the fair value of assets classified as available-for-sale financial assets.

The changes in 2009 and 2008 were as follows:

	Thousands of Euros	
	2009	2008
Balance at beginning of year	34,319	-
Revaluation gains/(losses)	(47,421)	49,270
Amounts transferred to income statement	(1,496)	(243)
Income tax	14,675	(14,708)
Balance at end of year	**77**	**34,319**
Of which:		
Equities	*129*	-
Bonds	*(52)*	*34,319*

b) Cash flow hedges

The balance of this item includes the net amount of the changes in value of financial derivatives designated as hedging instruments in cash flow hedges, in respect of the portion of these changes considered to be effective hedges (see Note 11).

The changes in 2009 and 2008 were as follows:

	Thousands of Euros	
	2009	2008
Balance at beginning of year	(176,238)	37,619
Revaluation gains/(losses)	(197,112)	(287,702)
Amounts transferred to income statement	183,242	91,653
Income tax	7,495	(17,808)
Balance at end of year	**(182,613)**	**(176,238)**

c) Exchange differences

The balance of "Valuation Adjustments - Exchange Differences" includes the net amount of exchange differences arising on non-monetary items whose fair value is adjusted against equity and the differences arising on the translation to euros of the balances of the consolidated entities whose functional currency is not the euro (see Note 2-a).

29. Non-controlling interests

"Non-Controlling Interests" in the consolidated balance sheets includes the net amount of the equity of subsidiaries attributable to equity instruments that are not held, directly or indirectly, to the Group, including the portion attributed to them of profit for the year.

The detail, by Group company, of "Non-Controlling Interests" in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2009	2008
Asesora de Titulización, S.A., S.G.F.T.	-	1,234
Santander Consumer (UK) plc	76,573	35,391
Unifin S.p.A.	(843)	5,558
Santander Consumer Iber-Rent, S.L.	20,187	18,402
Santander Consumer Finance Media, S.R.L.	2,263	2,276
Suzuki Servicios Financieros, S.L.	213	156
Sánchez Ramade Santander Financiera S.A.	(3)	65
Santander Consumer Multirent Spolka Z Ograniczona Odpowiedzialnoscia	2,570	2,870
Santander Consumer France	-	1,961
Grupo Alcanza, S.A. de C.V.	-	1,175
Santander Consumer Chile, S.A.	-	47
	100,960	69,135
Profit/(loss) for the year attributable to non-controlling interests		
Of which:		
Asesora de Titulización, S.A., S.G F.T.	-	*(76)*
Santander Consumer Finance, (UK) plc	*5,856*	*(669)*
Unifin, S.p.A.	*843*	*1,707*
Santander Consumer Iber-Rent, S.L.	*(1,952)*	*1,690*
Santander Consumer Finance Media, S.R.L.	*320*	*(91)*
Suzuki Servicios Financieros, S.L.	*771*	*57*
Sánchez Ramade Santander Financiera S.A.	*50*	*(68)*
Santander Consumer Multirent Spolka Z Ograniczona Odpowiedzialnoscia	*(542)*	*(302)*
Santander Consumer France	-	*(1,961)*
Grupo Alcanza, S.A., de C.V.	-	*(1,175)*
Santander Consumer Chile, S.A.	-	*(47)*
	5,346	(935)
	106,306	**68,200**

The changes in 2009 and 2008 in “Non-Controlling Interests” were as follows:

	Thousands of Euros	
	2009	2008
Balance at beginning of year	68,200	80,300
Net inclusion of companies	(1,158)	-
Change in proportion of ownership interest	(7,589)	(10,997)
Changes in capital	39,257	226
Exchange differences and other	2,250	(394)
Profit/(loss) for the year attributable to non-controlling interests	5,346	(935)
Balance at end of year	**106,306**	**68,200**

30. Memorandum items

The detail of memorandum items is as follows:

	Thousands of Euros	
	2009	2008
Contingent liabilities:		
Bank guarantees and other indemnities provided	757,152	940,280
Of which:		
Credit institutions	*655,876*	*827,999*
Other sectors	*101,276*	*112,281*
Other contingent liabilities	*80,200*	*133,547*
	837,352	**1,073,827**
Contingent commitments:		
Drawable by third parties	13,666,569	18,072,042
Of which:		
Drawable by credit institutions	7,681,948	7,394,385
Other sectors	5,984,621	10,677,657
Other contingent commitments	12,221	25,535
	13,678,790	**18,097,577**

a) Contingent liabilities

The balance of “Contingent Liabilities” in the consolidated balance sheets includes the amounts that would be payable by the consolidated entities on behalf of third parties as a result of the commitments assumed by those entities in the course of their ordinary business, if the parties who are originally liable to pay failed to do so.

A significant portion of these amounts will expire without any payment obligation materialising for the consolidated entities and, therefore, the aggregate balance of these commitments cannot be considered as an actual future need for financing or liquidity to be provided by the Group to third parties.

Income from guarantee instruments is recognised under “Fee and Commission Income” in the consolidated income statements and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee.

b) Contingent commitments

“Contingent Commitments” in the consolidated balance sheets includes those irrevocable commitments that could give rise to the recognition of financial assets.

31. Notional amounts of trading and hedging derivatives

The detail of the notional and/or contractual amounts and of the market values of the trading and hedging derivatives held by the Group at 31 December 2009 is as follows:

	Thousands of Euros	
	Notional Amount	Market Value
Trading derivatives:		
Interest rate risk-		
Forward rate agreements	-	-
Interest rate swaps	13,409,096	1,407
Options and futures	76,094	95
Currency risk-		
Foreign currency purchases and sales	-	-
Foreign currency options	-	-
Currency swaps	745,545	(12,782)
Securities and commodities derivatives	-	-
	14,230,735	(11,280)
Hedging derivatives:		
Interest rate risk-		
Forward rate agreements	-	-
Interest rate swaps	18,988,768	(345,211)
Options and futures	-	-
Currency risk-		
Foreign currency purchases and sales	-	-
Foreign currency options	-	-
Currency swaps	-	-
Securities and commodities derivatives	-	-
	18,988,768	(345,211)
	33,219,503	**(356,491)**

The detail, by residual maturity period, of the notional and/or contractual amounts of the trading and hedging derivatives held by the Group at 31 December 2009 is as follows:

	Thousands of Euros				
	Less than 1 Year	1 to 5 Years	5 to 10 Years	More than 10 Years	Total
Other interest rate transactions:					
Interest rate swaps (IRSs)	3,685,000	15,337,686	13,375,178	-	32,397,864
Currency swaps	435,987	309,558	-	-	745,545
Options and futures	76,094	-	-	-	76,094
Total	**4,197,081**	**15,647,244**	**13,375,178**	**-**	**33,219,503**

The notional and/or contractual amounts of the contracts entered into do not reflect the actual risk assumed by the Group, since the net position in these financial instruments is the result of offsetting and/or combining them. This net position is used by the Group basically to hedge the interest rate, underlying asset price or foreign currency risk. The results on these financial instruments are recognised under “Gains/Losses on Financial Assets and Liabilities (net)” in the consolidated income statements or increasing or offsetting, as appropriate, the gains or losses on the investments hedged (see Notes 11 and 20).

The fair value of the hedging derivatives is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement.

Following is a description of the main hedges (including the results of the hedging instrument and the hedged item attributable to the hedged risk):

i. Fair value hedges

Fair value hedges are used to reduce the changes in the fair value (attributable to interest rate risk) of the hedged items. The overall aim of these hedges is to use interest rate derivatives to convert the fixed interest rate of net hedged assets to a floating interest rate.

At 2009 year-end, the Group held IRS contracts with a nominal value of EUR 1,200 million, the fair value of which represented a gain of EUR 57,518 thousand at that date, which was offset by the loss of the same amount on the hedged items, and this amount is recognised under “Marketable Debt Securities” in the consolidated balance sheet (see Note 20).

In addition, at consolidated level the Group has arranged a fair value hedge of the interest rate risk of a portfolio of financial assets issued. The adjustment to the fair value of the hedged financial assets (long-term, fixed rate loans) was recognised under “Changes in the Fair Value of Hedged Items in Portfolio Hedges of Interest Rate Risk” on the asset side of the accompanying consolidated balance sheets with a charge to “Gains/Losses on Financial Assets and Liabilities (net)” in the accompanying consolidated income statements. This adjustment is offset by an adjustment of the opposite sign rising from the measurement of the hedging derivatives (IRSs) associated with the aforementioned hedged financial assets, the notional amount of which was EUR 5,131 million at 31 December 2009, recognised in “Gains/Losses on Financial Assets and Liabilities (net)” in the consolidated income statement.

In 2009 the Group recognised losses amounting to EUR 816 thousand and EUR 211 thousand under “Gains/Losses on Financial Assets and Liabilities (net)” in the accompanying consolidated income statement for 2009, which relate to the ineffective portions of these macrohedges (see Note 37).

ii. Cash flow hedges

Cash flow hedges are used to reduce the variability of cash flows. These hedges use interest rate swaps to convert the floating interest rate of financial liabilities to a fixed interest rate.

The fair value of the IRSs associated with the hedged instruments, discounting the portion already accrued and recognised in the consolidated income statement, was recognised in the Group’s consolidated equity at 31 December 2009.

32. Interest and similar income

"Interest and Similar Income" in the consolidated income statements includes the interest earned in the year on all financial assets, the implicit or explicit return on which is calculated by applying the effective interest method, irrespective of measurement at fair value; and the rectifications of income as a result of hedge accounting. Interest is recognised gross, without deducting any tax withheld at source.

The detail of the main items of interest and similar income earned by the Group in 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Balances with the Bank of Spain and other central banks	6,424	20,985
Loans and advances to credit institutions	201,087	147,196
Debt instruments	39,308	50,973
Loans and advances to customers	3,564,660	3,256,078
Insurance contracts linked to pensions (Note 14)	1,245(*)	1,326
Doubtful assets	17,163	15,952
Rectification of income as a result of hedge accounting	270,937	68,682
Other interest	402	187
	4,101,226	**3,561,379**

(*) Includes the return on insurance policies of Spanish entities funding post-employment and other long-term benefits, amounting to EUR 1,166 thousand and EUR 79 thousand, respectively (2008: EUR 1,213 thousand and EUR 113 thousand, respectively) (see Note 23).

33. Interest expense and similar charges

"Interest Expense and Similar Charges" in the consolidated income statements includes the interest accruing in the year on all financial liabilities with an implicit or explicit return, including remuneration in kind, calculated by applying the effective interest method, irrespective of measurement at fair value; the rectifications of cost as a result of hedge accounting; and the interest cost attributable to provisions for pensions.

The detail of the main items of interest expense and similar charges incurred by the Group in 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Deposits from the Bank of Spain and other central banks	11,888	13,523
Deposits from credit institutions	613,104	609,283
Customer deposits	658,224	544,950
Marketable debt securities	423,541	916,294
Subordinated liabilities	35,539	47,127
Provisions for pensions (Notes 2-p, 2-q and 23)	12,705(*)	9,308
Rectification of expenses as a result of hedge accounting	433,457	39,896
Other interest	2,797	3,469
	2,191,255	**2,183,850**

(*) Includes the interest on post-employment and other long-term benefits of Spanish entities, amounting to EUR 1,306 thousand and EUR 2,442 thousand, respectively, and of foreign entities, amounting to EUR 8,957 thousand (see Note 23).

34. Share of results of entities accounted for using the equity method - Associates

The balance of "Share of Results of Entities Accounted for Using the Equity Method - Associates" in the consolidated income statements includes the amount of profit or loss attributable to the Group generated during the year by associates.

The detail of this item is as follows (see Note 13);

	Thousands of Euros	
	2009	2008
Accordfin España, E.F.C., S.A.	(10,070)	(6,582)
Konecta Canarias, S.A.	-	1,980
Other companies	1,716	613
	(8,354)	**(3,989)**

35. Fee and commission income

The balance of "Fee and Commission Income" in the consolidated income statements comprises the amount of the fees and commissions earned in the year, except those that form an integral part of the effective interest rate on financial instruments, which are recognised under "Interest and Similar Income" in the consolidated income statements.

The detail of this item is as follows:

	Thousands of Euros	
	2009	2008
Collection and payment services:		
Bills	128	148
Demand accounts	11,444	3,444
Cards	56,929	61,820
Cheques and orders	33,384	22,229
	101,885	87,641
Marketing of non-banking financial products:		
Investment and pension funds	2,828	6,831
Insurance	602,226	542,158
Other	3,102	3,252
	608,156	552,241
Securities services:		
Securities underwriting and placement	-	116
Securities trading	5,322	4,679
Administration and custody	720	1,142
Asset management	193	-
	6,235	5,937
Other:		
Financial guarantees	7,244	6,832
Other fees and commissions	255,625	224,369
	262,869	231,201
	979,145	**877,020**

36. Fee and commission expense

The balance of “Fee and Commission Expense” in the consolidated income statements shows the amount of fees and commissions paid or payable by the Group in the year, except those that form an integral part of the effective interest rate on financial instruments, which are recognised under “Interest Expense and Similar Charges” in the consolidated income statements.

The detail of this item is as follows:

	Thousands of Euros	
	2009	2008
Brokerage fees on lending and deposit transactions	12,497	10,917
Fees and commissions assigned in respect of off-balance-sheet risks	42	21
Fees and commissions assigned for collection and return of bills	5,866	6,560
Fees and commissions assigned in other connections	16,726	12,724
Fees and commissions assigned for cards	23,013	27,284
Fees and commissions assigned for securities	1,732	1,726
Fees and commissions assigned to intermediaries	45,792	44,451
Other fees and commissions for placement of insurance	46,632	35,563
Other fees and commissions	17,261	12,644
	169,561	**151,890**

37. Gains/losses on financial assets and liabilities (net)

The balance of "Gains/Losses on Financial Assets and Liabilities (net)" in the consolidated income statements includes the amount of the valuation adjustments of financial instruments, except those attributable to interest accrued as a result of application of the effective interest method and to allowances, and the gains or losses obtained from the sale and purchase thereof.

The detail of this item, by type of instrument, is as follows:

	Thousands of Euros	
	2009	2008
Financial derivatives	2,950	(4,704)
Bonds	71,214(*)	13,479
Equities	2,932	6,208
Other	5,954	19,332
	83,050	**34,315**

(*) On 26 June 2009 the Group repurchased from Banco Santander, S.A. asset-backed bonds with a nominal value of EUR 672,657 thousand issued by Santander Consumer Spain Auto 07-2, Fondo de Titulización de Activos (a fully consolidated vehicle) for EUR 604,054 thousand. The Group determined that this transaction was carried out at market prices, based, in part, on a review performed by an independent expert, under its responsibility. This acquisition gave rise to a gain of EUR 69,698 thousand, which was recognised under "Gains/Losses on Financial Assets and Liabilities (net)" in the accompanying consolidated income statement for the year ended 31 December 2009.

38. Exchange differences (net)

The balance of “Exchange Differences (net)” in the consolidated income statements shows basically the gains or losses on currency trading, the differences that arise on translating monetary items in foreign currencies to the functional currency, and those disclosed on non-monetary assets in foreign currency at the time of their disposal.

39. Other operating income

The detail of “Other Operating Income” in the consolidated income statements is as follows:

	Thousands of Euros	
	2009	2008
Sales and income from the provision of non-financial services	115,480	118,031
Other	49,657	68,052
	165,137	**186,083**

40. Other operating expenses

The detail of “Other Operating Expenses” in the consolidated income statements is as follows:

	Thousands of Euros	
	2009	2008
Contributions to the Deposit Guarantee Fund (Note 1-g)	13,219	6,180
Changes in inventories	99,574	81,993
Other	32,604	22,371
	145,397	**110,544**

41. Staff costs

The detail of “Staff Costs” in the consolidated income statements includes the remuneration accruing in the year in any respect to permanent or temporary employees on the payroll, regardless of their function or duties.

The detail of “Staff Costs” is as follows:

	Thousands of Euros	
	2009	2008
Wages and salaries	305,543	238,921
Social security costs	56,823	47,459
Additions to pension provisions (Note 23) (*)	5,864	4,445
Contributions to defined contribution pension funds (Note 23)	6,527	4,854
Contributions to plans - foreign entities	*6,527*	*4,854*
Share-based payment costs	3,190	2,751
Of which:		
Payments granted to the Bank's directors	*3,190*	-
Payments granted to the Bank's senior managers	-	*22*
Other staff costs	16,857	13,811
Termination benefits	2,927	12,299
	397,731	**324,540**

(*) Of which:

- In 2009, EUR 46 thousand relate to “current service cost of defined benefit post-employment obligations - Spanish entities” (2008: EUR 112 thousand) (see Notes 2-p and 23).
- In 2009, EUR 5,803 thousand relate to “current service cost of defined benefit post-employment obligations - foreign entities” (2008: EUR 4,317 thousand) (see Notes 2-p and 23).
- In 2009 and 2008, EUR 15 thousand relate to “current service cost of other long-term defined benefit obligations - Spanish entities” (see Notes 2-q and 23).

The average number of employees at the Group in 2009 and 2008, by professional category and gender, was as follows:

	2009			2008		
	Total	Men	Women	Total	Men	Women
Senior executives	385	294	91	210	168	42
Other line personnel	1,144	569	575	1,744	763	981
Clerical staff and other	5,461	2,247	3,214	4,020	1,763	2,257
	6,990	**3,110**	**3,880**	**5,974**	**2,694**	**3,280**

Also, at 31 December 2009 and 2008, the number of employees at the Group, by professional category and gender, was as follows:

	Number of Employees at 31 December 2009			Number of Employees at 31 December 2008		
	Total	Men	Women	Total	Men	Women
Senior executives	371	283	88	227	182	45
Other line personnel	1,100	547	553	1,887	826	1,061
Clerical staff and other	5,254	2,163	3,091	4,351	1,908	2,443
	6,725	**2,993**	**3,732**	**6,465**	**2,916**	**3,549**

At 31 December 2009, the Board of Directors of the Bank had 11 members, of whom 2 were women (31 December 2008: 13 members, of whom 2 were women).

The labour relations between employees and the various Group companies are governed by the related collective labour agreements or similar regulations.

Share-based payments

In recent years the Group has set up remuneration systems tied to the performance of the stock market price of the shares of Banco Santander, S.A. based on the achievement of certain targets. The detail of thereof at 2009 and 2008 year-end is as follows:

	Number of Shares	Euros Exercise Price	Year Granted	Employee Group	Number of Persons	Date of Commencement of Exercise Period	Date of Expiry of Exercise Period
Plans outstanding at 1 January 2008	6,111,890	9.09 (*)					
Options granted (Plan I09)	-	-	2007	Managers	-	23/06/07	31/07/09
Options granted (Plan I10)	-	-	2007	Managers	-	23/06/07	31/07/10
Options granted (Plan I11)	586,761	-	2008	Managers	190	21/06/08	31/07/10
Options exercised, net (Plan I06)	(833,300)	9.09	2005	Managers	40	15/01/08	15/01/09
Plans outstanding at 31 December 2008	5,865,351	-					
Options granted (Plan I12)	671,941	-	2009	Managers	207	19/06/09	30/06/12
Options exercised (Plan I09)	(344,371)	-	2007	Managers	183	23/06/07	31/07/09
Options cancelled, net (Plan I06)	(4,214,900)	9.09	2005	Managers	105	15/01/08	15/01/09
Options cancelled, net (Plan I09)	(81,239)	-	2007	Managers	43	23/06/07	31/07/09
Plans outstanding at 31 December 2009	**1,896,782**						
Of which:							
Plan I06	-	*9.09*	*2005*	Managers	-	15/01/08	15/01/09
Plan I09	-	-	*2007*	Managers	-	23/06/07	31/07/09
Plan I10	*638,080*	-	*2007*	Managers	232	23/06/07	31/07/10
Plan I11	*586,761*	-	*2008*	Managers	190	21/06/08	31/07/11
Plan I12	*671,941*	-	*2009*	Managers	207	19/06/09	30/06/12

(*) The exercise price of the options under Plan I06 was EUR 9.09 per share, which was the weighted average of the daily average market price of the Banco Santander, S.A. share on the Spanish Stock Market Interconnection System in the first 15 trading days of January 2005. This was the criterion established in the resolution approving Plan 106 adopted at the Annual General Meeting of Banco de Santander, S.A. held on 18 June 2005. The documentation on the aforementioned resolution stated correctly the method to be used to set the exercise price but, by mistake, an amount of EUR 9.07 per share was mentioned rather than the correct amount of EUR 9.09 per share.

Plan I06-

In 2004 the Santander Group designed a new long-term incentive plan (I06) which, consisting of options on shares of Banco Santander, S.A., is tied to the achievement of two targets: appreciation of the Banco Santander, S.A. share price (based on the average market price in the first 15 trading days of 2007 compared with the average market price for the same period of 2005) and growth in earnings per share (considering 2004, 2005 and 2006), in both cases above a sample of comparable banks. This plan was approved by the shareholders of Banco Santander, S.A. at the Annual General Meeting on 18 June 2005.

The fair value of the equity instruments granted to Group employees was charged by Banco Santander, S.A. to the Bank over the term of the plan.

The beneficiaries of this plan included the Bank's directors, as indicated in Note 5-c.

Long-term incentive policy-

At its meeting on 26 March 2007, following the report of the Nomination and Remuneration Committee, the Board of Directors of Banco Santander, S.A. approved a long-term incentive policy aimed at the executive directors of Banco Santander, S.A. and certain executive personnel of Banco Santander, S.A. and of other Santander Group companies (excluding Banesto). Implementation of this policy required, in conformity with the Law and the Bank's bylaws, specific resolutions to be adopted by the Annual General Meeting.

Were it necessary or advisable for legal, regulatory or other similar reasons, the delivery mechanisms described below may be adapted in specific cases without altering the maximum number of shares linked to the plan or the essential conditions to which the delivery thereof is subject. These adaptations may involve replacing the delivery of shares with the delivery of cash amounts of an equal value.

The plans shaping the aforementioned incentive policy are as follows: (i) Performance Share Plan; (ii) Obligatory Investment Share Plan; (iii) Selective Delivery Share Plan; and (iv) Minimum Investment Programme. The characteristics of the plans are set forth below.

i. Performance share plan

The incentive policy is divided into several plans and certain Group employees are included in the Performance Share Plan, the characteristics of which are set forth below.

This multiannual incentive plan is payable in shares of Banco Santander, S.A. The beneficiaries of the plan are the executive directors of Banco Santander, S.A. and the other members of senior management, together with any other Santander Group executives determined by the Board of Directors of Banco Santander, S.A. or, when delegated by it, by its Executive Committee.

This plan involves successive three-year cycles of share deliveries to the beneficiaries, so that each year one cycle will begin and, from 2009 onwards, another cycle will also end. The aim is to establish an adequate sequence between the end of the incentive programme linked to the previous Plan I06 and the successive cycles of this plan. Thus, the first two cycles commenced in July 2007, the first cycle having a duration of two years (PI09) and the second cycle having a standard three-year term (PI010). In June 2008 and 2009 the third and fourth three-year cycles of the performance share plan (PI11 and Pl12) were approved.

For each cycle a maximum number of shares is established for each beneficiary who remains in the Santander Group's employ for the duration of the plan. The targets, which, if met, will determine the number of shares to be delivered, are defined by the cycles approved until June 2008, by comparing the Group's performance with that of a group of benchmark financial institutions, and are linked to two parameters, namely Total Shareholder Return (TSR) and growth in Earnings per Share (EPS). With regard to Plan Pl12, the targets, which, if met, will determine the number of shares to be delivered, are defined by comparing the Group's performance with that of a group of benchmark financial institutions and are linked solely to Total Shareholder Return (TSR).

The ultimate number of shares to be delivered will be determined in each of the cycles by the degree of achievement of the targets on the third anniversary of commencement of each cycle (with the exception of the first cycle, for which the second anniversary will be considered), and the shares will be delivered within a maximum period of seven months from the end of the cycle.

For the cycles approved until June 2008, at the end of each cycle, the TSR and the EPS growth will be calculated for the Santander Group and each of the benchmark entities and the results will be ranked from first to last. Each of the two criteria (TSR and EPS growth) will be separately weighted at 50% in the calculation of the percentage of shares to be delivered, based on the following scale and in accordance with the Santander Group's relative position among the group of benchmark financial institutions:

Santander's Place in the TSR Ranking	Percentage of Maximum Shares to Be Delivered	Santander's Place in the EPS Growth Ranking	Percentage of Maximum Shares to Be Delivered
1st to 6th	50%	1st to 6th	50%
7th	43%	7th	43%
8th	36%	8th	36%
9th	29%	9th	29%
10th	22%	10th	22%
11th	15%	11th	15%
12th and below	0%	12th and below	0%

With regard to PI12, the application of TSR criteria will determine the percentage of shares to be delivered, based on the following scale and in accordance with the Santander Group's relative position among the group of benchmark financial institutions:

Santander's Place in the TSR Ranking	Percentage of Maximum Shares to Be Delivered
1st to 5th	100%
6th	82.5%
7th	65.0%
8th	47.5%
9th	30.0%
10th and below	0%

Any benchmark entity that is acquired by another company, whose shares cease trading or that ceases to exist will be excluded from the benchmark group. In an event of this or any similar nature, the comparison with the benchmark group will be performed in such a way that, for each of the measures considered (TSR and EPS growth, where appropriate) the maximum percentage of shares will be delivered if the Santander Group ranks within the first quartile of the benchmark group; 30% of the maximum amount of shares will be delivered if Santander is placed at the median. The linear interpolation method will be used for calculating the corresponding percentage for positions between the median and the first quartile (neither included).

In 2009, the fair value of the equity instruments granted was charged to income, when charged by Banco Santander, S.A. to the Bank, over the period in which the beneficiaries provided their services to the Santander Group.

The beneficiaries of this plan include the Bank's directors, as indicated in Note 5-c.

ii. Obligatory investment share plan

This multiannual incentive plan is payable in shares of Banco Santander, S.A. and is conditional upon compliance with certain investment and continued service requirements.

The beneficiaries of the plan are the executive directors and other members of the senior management of Banco Santander, S.A., as well as other key executives of the Santander Group, giving a current total of 32 beneficiaries at the Santander Group, of whom three are directors of the Bank (see Note 5-c).

This plan is structured in three-year cycles which start each year. The beneficiaries of the plan must use 10% of their gross annual variable remuneration (or bonus) to acquire shares of the Bank in the market (the "Obligatory Investment"). As resolved by the shareholders at the relevant General Meeting, the Obligatory Investments were made before 29 February 2008.

Participants who hold the shares acquired through the Obligatory Investment and remain in the Santander Group's employ for three years from the date on which the Obligatory Investment is made will be entitled to receive the same number of Banco Santander shares as that composing their initial Obligatory Investment.

The shares will be delivered within a maximum period of one month from the third anniversary of the date on which the Obligatory Investment was made.

iii. Selective delivery share plan

This plan envisages the selective delivery of shares in special circumstances relating to the hiring or retention of employees. All employees and executives, except for the executive directors of Banco Santander, S.A., are eligible for this plan, provided that they have completed a minimum of three to four years of service at the Santander Group. Participants will be entitled to receive the shares upon completion of the minimum period of service established in each case.

iv. Minimum investment programme

This programme consists of the obligation of the Santander Group's top 32 executives (including executive directors) to hold Banco Santander, S.A. shares equal to one year's fixed remuneration. This amount must be reached within a maximum period of five years from the date when the programme was approved.

42. Other general administrative expenses

The detail of "Other General Administrative Expenses" in the consolidated income statements is as follows:

	Thousands of Euros	
	2009	2008
Property, fixtures and supplies	71,871	53,410
Other administrative expenses	38,355	24,052
Communications	44,499	37,146
Taxes other than income tax	22,307	26,029
Technology and systems	93,785	64,619
Public relations, advertising and publicity	58,198	63,359
Per diems and travel expenses	9,802	10,284
Outside services	148,836	102,757
Technical reports	26,492	19,205
Insurance premiums	3,594	3,248
Surveillance and cash courier services	753	664
	518,492	**404,690**

The balance of "Technical Reports" in the foregoing table includes the fees paid by the various Group companies to their respective auditors, the detail being as follows:

	Thousands of Euros	
	2009	2008
Recurrent annual audits of the financial statements of the companies audited by member firms of the Deloitte worldwide organisation	2,279	1,756
Of which:		
Audit of the Bank's separate and consolidated financial statements	*373*	*268*
Annual audits as a result of new inclusions in the Group	800	523
Other services	638	671
	3,717	**2,950**

In addition to the audits of financial statements, the internal control audit required by the US Sarbanes-Oxley Act was performed (for EUR 524 thousand in 2009 and EUR 436 thousand in 2008) and other reports were prepared in accordance with the requirements of the legal and tax regulations issued by the national supervisory authorities of the countries in which the Group operates (for a total of EUR 620 thousand in 2009 and EUR 224 thousand in 2008).

Also, due diligence review and other corporate transaction services were provided to the Group companies in 2009 for a total amount of EUR 772 thousand (2008: EUR 2,268 thousand).

The services commissioned from the Group's auditors meet the independence requirements stipulated by Law 44/2002, of 22 November, on Financial System Reform Measures and by the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC). Accordingly, they did not involve the performance of any work that is incompatible with the audit function.

The services provided by other audit firms amounted to EUR 1,601 thousand in 2009 (2008: EUR 1,682 thousand).

43. Impairment losses on other assets

The detail of “Impairment Losses on Other Assets” in the consolidated income statements is as follows:

	Thousands of Euros	
	2009	2008
Goodwill and other intangible assets:		
Goodwill (Note 16)	-	(72,726)
Other intangible assets (Note 16)	(19,334)	(11,904)
	(19,334)	(84,630)
Other assets:		
Investments (Note 13) (*)	-	(7,806)
Other (**)	(2,042)	638
	(2,042)	(7,168)
	(21,376)	**(91,798)**

(*) Relates to the impairment loss on the investment in Accordfin España, E.F.C., S.A. (see Notes 1-i and 13).

(**) In 2009, includes impairment losses on property, plant and equipment amounting to EUR 1,554 thousand (see Note 15).

44. Gains/(losses) on disposal of assets not classified as non-current assets held for sale

The detail of “Gains/(Losses) on Disposal of Assets not Classified as Non-Current Assets Held For Sale” in the consolidated income statements is as follows:

	Thousands of Euros	
	2009	2008
Gains:		
Property, plant and equipment (Note 15)	594	3,940
Investments (Note 3)	79,614	5,422
Of which:		
Santander Consumer Open Bank, S.A.	*74,564*	-
Isban DE GmbH	*5,050*	*3,108*
Grupo Alcanza, S.A. de C.V.	-	*2,314*
	80,208	9,527
Losses:		
Property, plant and equipment (Note 15)	(9,260)	(10,729)
Investments (Note 3)	(980)	(1,410)
Of which:		
Santander Consumer Finance Correduría de Seguros, S.A.	-	*(467)*
Santander Consumer Chile, S.A.	-	*(725)*
GE Money Services GmbH	*(980)*	-
Other	-	*(218)*
	(10,240)	(12,139)
	69,968	**(2,777)**

45. Gains/(losses) on non-current assets held for sale not classified as discontinued operations

The detail of "Gains/(Losses) on Disposal of Non-Current Assets Held for Sale not Classified as Discontinued Operations" in the consolidated income statements is as follows:

	Thousands of Euros	
	2009	2008
Net gains (losses) on disposals:	(16,326)	(605)
Of which:		
Tangible assets (Note 12)	*(16,326)*	*(605)*
	(16,326)	(605)
Impairment losses (net) (Note 12)	(16,231)	(1,153)
	(32,557)	**(1,758)**

46. Discontinued operations

As indicated in Note 3-b, the directors of the Bank classified as "discontinued operations" the investments in the subsidiaries Santander Consumer France, S.A., Santander Consumer Finance Zrt. (Hungary), and Santander Consumer Leasing, s.r.o. and Santander Consumer Finance a.s., both located in the Czech Republic.

The results generated by discontinued operations in 2009 and 2008 are indicated below:

	Thousands of Euros	
	2009	2008
Interest and similar income	69,258	80,610
Interest expense and similar charges	(16,344)	(24,719)
Net interest income	52,914	55,891
Income from equity instruments	-	12
Fee and commission expense	(432)	(24,116)
Fee and commission income	2,035	27,362
Exchange differences	(926)	3,235
Other operating income	490	721
Other operating expenses	-	(170)
Gross income	54,081	62,935
Administrative expenses	(15,398)	(36,896)
Depreciation and amortisation charge	(1,165)	(5,425)
Provisions (net)	24	(417)
Impairment losses on financial assets (net)	(73,332)	(29,619)
Loss from operations	(35,790)	(9,422)
Impairment losses on other assets (net)	-	-
Gains/(losses) on disposal of assets not classified as non-current assets held for sale	(7,384)	72
Profit before tax	(43,174)	(9,350)
Income tax	(1,539)	(8,097)
Loss from discontinued operations	**(44,713)**	**(17,447)**

Additionally, following is a detail of the net cash flows attributable to the operating, investing and financing activities of discontinued operations in 2009 and 2008:

	Thousands of Euros	
	2009	2008
Cash and cash equivalents at beginning of year	124	26
Cash flows from operating activities	(4,093)	(11,237)
Cash flows from investing activities	4,073	(6,532)
Cash flows from financing activities	(97)	17,867
Cash and cash equivalents at end of year	**7**	**124**

Loss per share relating to discontinued operations

The loss per share relating to discontinued operations, which coincides with the diluted loss per share, was EUR 0.05 in 2009 and EUR 0.03 in 2008 (see Note 4).

47. Other disclosures

a) Residual maturity periods and average interest rates

The detail, by maturity, of the balances of certain items in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

	2009								
	Thousands of Euros								
	Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Undetermined or Undefined Maturity	Total	Average Interest Rate in 2009
Assets:									
Cash and balances with central banks	659,904	1,314	-	-	-	-	-	661,218	0.39%
Available-for-sale financial assets-									
Debt instruments (Note 7)	321	3,139	-	4,683	128,453	28,023	-	164,619	1.33%
Loans and receivables-									
Loans and advances to credit institutions (Note 6)	295,373	1,516,476	773,596	1,224,446	1,483,742	3,291	-	5,296,924	1.53%
Loans and advances to customers (Note 10)	2,124,806	1,750,680	2,856,675	10,148,627	26,375,593	7,658,458	-	50,914,839	8.49%
	3,080,404	3,271,609	3,630,271	11,377,756	27,987,788	7,689,772	-	57,037,600	
Liabilities:									
Financial liabilities at amortised cost-									
Deposits from central banks (Note 18)	330,779	-	-	-	-	-	-	330,779	2.68%
Deposits from credit institutions (Note 18)	207,794	5,347,817	4,509,940	5,698,941	4,878,354	400,520	-	21,043,366	3.49%
Customer deposits (Note 19)	10,934,219	75,946	2,221,674	1,483,487	2,927,018	253,850	-	17,896,194	1.81%
Marketable debt securities (Note 20)	1,656	3,684,179	1,993,306	1,390,066	2,293,632	4,056,130	-	13,418,969	1.13%
Subordinated liabilities (Note 21)	1	14,996	-	5,574	-	1,263,786	-	1,284,357	3.73%
Other financial liabilities (Note 22)	174,270	172,961	19,314	5,596	6,881	111,123	-	490,145	-
	11,648,719	9,295,899	8,744,234	8,583,664	10,105,885	6,085,409	-	54,463,810	
Difference (assets less liabilities)	**(8,568,315)**	**(6,024,290)**	**(5,113,963)**	**2,794,092**	**17,881,903**	**1,604,363**	**-**	**2,573,790**	

	2008								
	Thousands of Euros								
	Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Undetermined or Undefined Maturity	Total	Average Interest Rate in 2008
Assets:									
Cash and balances with central banks	727,520	-	-	-	-	-	-	727,520	1.56%
Available-for-sale financial assets									
Debt instruments (Note 7)		329,844	72,140	718	-	-	-	102,702	3.86%
Loans and receivables-	-								
Loans and advances to credit institutions (Note 6)	281,439	748,235	150,164	-	2,132,780	-	-	3,312,617	4.12%
Loans and advances to customers (Note 10)	44,587	3,219,459	3,943,546	10,579,414	21,851,508	6,989,231	1,797,835(*)	48,425,581	7.13%
Debt instruments (Note 7)	-	15,236	62,763	9,038	-	-	-	87,037	3.89%
	1,053,546	4,012,775	4,228,613	10,589,170	23,984,288	6,989,231	1,797,835	52,655,457	
Liabilities:									
Financial liabilities at amortised cost-									
Deposits from credit institutions (Note 18)	1,036,980	5,213,050	2,230,964	3,082,913	4,443,311	1,202,487	4,241	17,213,946	3.04%
Customer deposits (Note 19)	-	1,495,966	2,342,107	10,985,551	2,558,963	670,907	-	18,053,494	4.09%
Marketable debt securities (Note 20)	-	2,071,907	1,456,560	2,612,840	6,582,494	1,989,001	-	14,712,803	3.17%
Subordinated liabilities (Note 21)	-		-	-	734,193	107,193	-	841,386	3.73%
Other financial liabilities (Note 22)	-	783,800	-	-	-	-	-	783,800	2.03%
	1,036,980	9,564,722	6,029,632	16,681,304	14,318,961	3,969,589	4,241	51,596,530	
Difference (assets less liabilities)	**16,566**	**(5,551,948)**	**(1,801,019)**	**(6,092,135)**	**9,665,327**	**3,019,643**	**1,793,594**	**1,050,028**	

(*) Relates mainly to loans and advances to customers held by recently acquired subsidiaries at 2008 year-end for which this information was not available at the date on which the 2008 consolidated financial statements were authorised for issue.

b) Equivalent euro value of assets and liabilities

The detail of the main foreign currency balances in the consolidated balance sheets at 31 December 2009 and 2008, based on the nature of the related items, is as follows:

	Equivalent Value in Millions of Euros			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Cash and balances with central banks	41	-	36	-
Financial assets held for trading	-	-	-	-
Available-for-sale financial assets	2	-	4	-
Loans and receivables	9,155	-	6,668	-
Non-current assets held for sale	619	-	5	-
Tangible assets	15	-	21	-
Intangible assets	57	-	38	-
Financial liabilities at amortised cost	-	7,888	-	3,411
Liabilities associated with non-current assets held for sale	-	283	-	-
Other assets and liabilities	65	99	148	147
	9,954	**8,270**	**6,920**	**3,558**

c) *Fair value of financial assets and liabilities not measured at fair value*

The financial assets owned by the Group are measured at fair value in the consolidated balance sheets, except for loans and receivables. Similarly, the Group's financial liabilities -except for financial liabilities held for trading and derivatives- are measured at amortised cost in the consolidated balance sheets.

i. Financial assets measured at other than fair value

Following is a comparison of the carrying amounts of the Group's financial assets measured at other than fair value and their respective fair values at year-end:

	Millions of Euros			
	2009		2008	
Assets	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans and receivables:				
Loans and advances to credit institutions	5,297	5,297	3,313	3,313
Loans and advances to customers	50,915	51,870	48,425	48,813
Debt instruments	-	-	87	87
	56,212	**57,167**	**51,825**	**52,213**

ii. Financial liabilities measured at other than fair value

Following is a comparison of the carrying amounts of the Group's financial liabilities measured at other than fair value and their respective fair values at year-end:

	Millions of Euros			
	2009		2008	
Liabilities	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities at amortised cost:				
Deposits from central banks and credit institutions	21,374	21,374	17,214	17,239
Customer deposits (*)	17,897	17,895	18,053	18,048
Marketable debt securities	13,419	13,419	14,713	14,713
Subordinated liabilities	1,284	1,284	841	841
Other financial liabilities	490	490	784	784
	54,464	**54,462**	**51,605**	**51,625**

(*) For these purposes, the fair value of customer demand deposits is taken to be the same as their carrying amount.

48. Geographical and business segment reporting

a) Geographical segments

This primary level of segmentation, which is based on the Group's management structure, comprises five segments relating to five operating areas. The operating areas, which include all the business activities carried on therein by the Group, are Spain, Italy, Germany, Scandinavia and Other Areas.

The financial statements of each operating segment are prepared by aggregating the figures for the Group's various business units. The basic information used for segment reporting comprises the accounting data of the legal units composing each segment and the data available from the management information systems. All segment financial statements have been prepared on a basis consistent with the accounting policies used by the Group. Consequently, the sum of the figures in the income statements of the various segments is equal to those in the consolidated income statements. With regard to the balance sheet, due to the required segregation of the various business units (included in a single consolidated balance sheet), the effect of intra-group financing has to be considered, eliminated from the balance sheets of each area and assigned to the financing area, in such a way that the sum of each line item matches the amount recognised in the consolidated balance sheet.

Additionally, for segment presentation purposes, the equity of each geographical unit is that reflected in the related separate financial statements and is offset by a capital endowment made by the Spain area, which acts as the holding unit for the other businesses and, therefore, reflects the Group's total equity.

The condensed balance sheets and income statements of the various geographical segments are as follows:

(Condensed) Consolidated Balance Sheet	Thousands of Euros											
	2009						2008					
	Spain	Italy	Germany	Scandinavia	Rest of the World (*)	Total	Spain	Italy	Germany	Scandinavia	Rest of the World (*)	Total
Loans and advances to customers	8,702,570	7,696,263	21,008,163	5,344,159	8,163,684	50,914,839	13,240,016	6,157,069	22,359,791	3,480,181	3,188,524	48,425,581
Financial assets held for trading	36,068	7,053	123,334	-	5,363	171,818	-	365,552	99,311	-	-	464,863
Debt instruments	2	-	160,136	605	5,670	166,413	89,470	70	96,641	-	3,558	189,739
Loans and advances to credit institutions	4,373,086	386,983	304,166	21,166	211,523	5,296,924	2,663,451	396,723	204,307	27,041	21,095	3,312,617
Tangible and intangible assets	345,139	263,464	1,177,158	257,320	347,348	2,390,429	1,813,929	13,933	390,095	35,076	25,300	2,278,333
Other asset accounts	685,447	269,893	829,575	113,590	825,022	2,723,527	1,043,083	248,075	844,758	60,621	78,597	2,275,134
Total assets	**14,142,312**	**8,623,656**	**23,602,532**	**5,736,840**	**9,558,610**	**61,663,950**	**18,849,949**	**7,181,422**	**23,994,903**	**3,602,919**	**3,317,074**	**56,946,267**
Customer deposits	233,864	421,601	17,147,307	53,794	39,628	17,896,194	4,718,690	346,067	12,928,825	52,703	7,209	18,053,494
Marketable debt securities	9,402,222	1,463,393	2,551,573	-	1,781	13,418,969	8,563,033	2,560,731	3,564,897	-	24,142	14,712,803
Subordinated liabilities	689,941	295,346	190,601	71,393	37,076	1,284,357	640,017	100,011	21,143	56,057	24,158	841,386
Deposits from central banks and credit institutions	7,441,825	1,330,441	4,252,524	3,441,171	4,908,184	21,374,145	6,805,340	976,080	6,193,002	421,826	2,817,698	17,213,946
Other liability accounts	889,314	249,079	886,829	149,595	667,177	2,841,994	1,224,456	186,399	886,298	89,181	65,190	2,451,524
Equity	5,861,561	134,802	(1,364,550)	182,559	33,921	4,848,291	5,397,979	10,482	(1,756,631)	25,689	(4,405)	3,673,114
Total funds under management	**24,518,727**	**3,894,662**	**23,664,284**	**3,898,512**	**5,687,767**	**61,663,950**	**27,349,515**	**4,179,770**	**21,837,534**	**645,456**	**2,933,992**	**56,946,267**

(Condensed) Consolidated Income Statement	Thousands of Euros											
	2009						2008					
	Spain	Italy	Germany	Scandinavia	Rest of the World (*)	Total	Spain	Italy	Germany	Scandinavia	Rest of the World (*)	Total
NET INTEREST INCOME	**426,280**	**188,115**	**668,420**	**250,229**	**376,927**	**1,909,971**	**432,216**	**91,795**	**608,618**	**141,690**	**103,210**	**1,377,529**
Share of results of entities accounted for using the equity method	(8,331)	-	-	-	(23)	(8,354)	(3,989)	-	-	-	-	(3,989)
Net fee and commission income	69,721	145,112	523,226	971	70,554	809,584	133,038	110,827	449,197	3,451	28,617	725,130
Gains/losses on financial assets and liabilities (net)	87,797	3,290	(15,520)	1,133	6,350	83,050	39,868	14,856	(23,806)	5,296	(1,899)	34,315
Other operating income/(expenses)	(4,325)	17,203	(15,155)	(363)	17,695	15,055	34,071	28,562	3,905	4,130	10,453	81,121
GROSS INCOME	**571,142**	**353,720**	**1,160,971**	**251,970**	**471,503**	**2,809,306**	**635,204**	**246,040**	**1,037,914**	**154,567**	**140,381**	**2,214,106**
Administrative expenses	(202,443)	(89,121)	(448,917)	(89,791)	(85,951)	(916,223)	(178,920)	(82,160)	(332,610)	(61,045)	(74,495)	(729,230)
Staff costs	(82,360)	(41,473)	(221,567)	(45,765)	(6,566)	(397,731)	(61,273)	(37,648)	(152,243)	(33,313)	(40,063)	(324,540)
Other general administrative expenses	(120,083)	(47,648)	(227,350)	(44,026)	(79,385)	(518,492)	(117,686)	(44,512)	(180,367)	(27,732)	(34,393)	(404,690)
Depreciation and amortisation charge	(13,419)	(10,111)	(46,598)	(6,270)	(16,096)	(92,494)	(23,935)	(6,549)	(35,944)	(5,391)	(5,573)	(77,392)
Provisions (net)	(25,376)	(20,867)	14,200	(1,199)	(76,174)	(109,416)	(23,752)	-	(3,042)	(94)	(197)	(27,085)
Impairment losses on financial assets (net)	(606,520)	(187,948)	(381,408)	(94,879)	(186,300)	(1,457,055)	(310,461)	(97,193)	(288,479)	(17,683)	(44,736)	(758,552)
PROFIT/(LOSS) FROM OPERATIONS	**(276,616)**	**45,673**	**298,248**	**59,831**	**106,982**	**234,118**	**98,136**	**60,138**	**377,839**	**70,354**	**15,380**	**621,847**
Other gains/(losses)	78,004	2,326	13,110	5,647	(83,052)	16,035	(94,641)	(6,405)	2,856	(24)	1,881	(96,333)
PROFIT/(LOSS) BEFORE TAX	**(198,612)**	**47,999**	**311,358**	**65,478**	**23,930**	**250,153**	**3,495**	**53,733**	**380,695**	**70,330**	**17,261**	**525,514**
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(150,985)**	**22,413**	**240,791**	**46,853**	**(8,416)**	**150,656**	**62,065**	**25,342**	**248,877**	**50,219**	**8,037**	**394,540**
Profit/(Loss) from discontinued operations (net)	-	-	-	-	(44,713)	(44,713)	-	-	-	-	(17,447)	(17,447)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**(150,985)**	**22,413**	**240,791**	**46,853**	**(53,129)**	**105,943**	**62,065**	**25,342**	**248,877**	**50,219**	**(9,410)**	**377,093**
Profit/(loss) attributable to the Parent	**(149,854)**	**21,250**	**240,791**	**46,853**	**(58,443)**	**100,597**	**62,423**	**23,726**	**248,877**	**50,219**	**(7,217)**	**378,028**

(*) Includes the reconciliation of segment reporting to the consolidated financial statements of the Group.

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Also, pursuant to CNMV Circular 1/2008, following is a detail:

1. By the geographical areas indicated in the aforementioned Circular, of the balance of "Interest and Similar Income" recognised in the consolidated income statements for 2009 and 2008:

	Thousands of Euros	
	31/12/09	31/12/08
Spain	847,680	932,958
Abroad:		
European Union	2,948,163	2,008,521
OECD countries	284,321	595,118
Other countries	21,062	24,782
	3,253,546	2,628,421
Total	**4,101,226**	**3,561,379**

2. Of revenue, by the geographical segments used by the Group. For the purposes of the table below, revenue is deemed to be that recognised under “Interest and Similar Income”, “Income from Equity Instruments”, “Fee and Commission Income”, “Gains/Losses on Financial Assets and Liabilities (net)” and “Other Operating Income” in the consolidated income statements for 2009 and 2008:

	Revenue (Thousands of Euros)					
	Revenue from External Customers		Inter-Segment Revenue		Total Revenue	
	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
Spain and Portugal	1,227,914	1,380,316	514,746	1,448,215	1,742,660	2,828,531
Italy	640,481	563,983	31,504	6,909	671,985	570,892
Germany	2,449,562	2,129,099	172,915	134,031	2,622,477	2,263,130
Scandinavia	420,194	391,213	-	(18,606)	420,194	372,607
Other	591,646	194,606	41,688	1,363	633,334	195,969
Inter-segment revenue adjustments and eliminations	-	-	(760,853)	(1,571,912)	(760,853)	(1,571,912)
Total	**5,329,797**	**4,659,217**	**-**	**-**	**5,329,797**	**4,659,217**

b) Business segments

At the secondary level of segment reporting, the Group is structured into three businesses, one for each of the main products marketed.

The Automotive Business comprises all the businesses related to the financing of new and used vehicles, including operating and finance leases.

The Consumer Finance and Cards Business reflects the income from the consumer finance business relating to consumer products not included in the Direct Finance Business and the card financing, issue and management business.

The Direct Finance Business includes the results from the consumer finance business conducted through own channels, with no dealer intermediation.

Other Business includes operations that are not included in any of the aforementioned categories, mainly mortgages and the contribution to consolidated results of all the activities performed by the Group related to mortgage lending and the Stock Credit business, which includes the contribution to the Group of all the transactions related to the “Crédito Stock” product.

The condensed consolidated income statements for 2009 and 2008, by business, are as follows:

(Condensed) Consolidated Income Statement	Thousands of Euros				
	2009				
	Automotive	Consumer Finance and Cards	Direct Finance	Other (*)	Total
NET INTEREST INCOME	**965,296**	**280,359**	**577,628**	**86,688**	**1,909,971**
Share of results of entities accounted for using the equity method	0	0	0	(8,354)	(8,354)
Net fee and commission income	348,529	114,851	252,708	93,496	809,584
Gains/losses on financial assets and liabilities (net)	22	13	7	83,008	83,050
Other operating income/(expenses)	32,086	(1,551)	(768)	(14,712)	(15,055)
GROSS INCOME	**1,345,933**	**393,672**	**829,575**	**240,126**	**2,809,306**
Administrative expenses	(308,101)	(135,339)	(197,175)	(275,608)	(916,223)
Staff costs	(137,907)	(50,088)	(85,138)	(124,598)	(397,731)
Other general administrative expenses	(170,194)	(85,251)	(112,037)	(151,010)	(518,492)
Depreciation and amortisation charge	(37,781)	(8,990)	(16,183)	(29,540)	(92,494)
Provisions (net)	-	-	-	(109,416)	(109,416)
Impairment losses on financial assets (net)	(673,823)	(205,429)	(479,888)	(97,915)	(1,457,055)
PROFIT/(LOSS) FROM OPERATIONS	**326,228**	**43,914**	**136,329**	**(272,353)**	**234,118**
Other gains/(losses)	1,176	-	-	14,859	16,035
PROFIT/(LOSS) BEFORE TAX	**327,404**	**43,914**	**136,329**	**(257,494)**	**250,153**
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**197,183**	**26,448**	**82,106**	**(155,081)**	**150,656**
Loss from discontinued operations (net)	(44,713)	-	-	-	(44,713)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**152,470**	**26,448**	**82,106**	**(155,081)**	**105,943**

(*) “Other” includes mainly the results from the deposit and managed asset businesses, which are not individually material for the Group as a whole, and those arising from the Group’s financial management activity.

(Condensed) Consolidated Income Statement	Thousands of Euros 2008 Automotive	Consumer Finance	Direct Finance	Other (*)	Total
NET INTEREST INCOME	**651,151**	**122,800**	**371,380**	**232,198**	**1,377,529**
Share of results of entities accounted for using the equity method	-	-	-	(3,989)	(3,989)
Net fee and commission income	320,932	60,610	228,330	115,258	725,130
Gains/losses on financial assets and liabilities (net)	-	(10)	-	34,325	34,315
Other operating income/(expenses)	20,336	(310)	4,590	56,505	81,121
GROSS INCOME	**992,419**	**183,090**	**604,300**	**434,297**	**2,214,106**
Administrative expenses	(256,597)	(84,560)	(122,140)	(265,933)	(729,230)
Staff costs	(134,529)	(31,270)	(45,200)	(113,541)	(324,540)
Other general administrative expenses	(122,068)	(53,290)	(76,940)	(152,392)	(404,690)
Depreciation and amortisation charge	(26,206)	(5,810)	(7,250)	(38,126)	(77,392)
Provisions (net)	(16,329)	-	(6,453)	(4,303)	(27,085)
Impairment losses on financial assets (net)	(279,733)	(107,610)	(218,827)	(152,382)	(758,552)
PROFIT/(LOSS) FROM OPERATIONS	**413,554**	**(14,890)**	**249,630**	**(26,442)**	**621,847**
Other gains/(losses)	13,078	7,640	(2,400)	(114,651)	(96,333)
PROFIT/(LOSS) BEFORE TAX	**426,632**	**(7,250)**	**247,230**	**(141,098)**	**525,514**
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**298,794**	**(3,168)**	**165,866**	**(66,952)**	**394,540**
Loss from discontinued operations (net)	(17,447)	-	-	-	(17,447)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**281,347**	**(3,168)**	**165,866**	**(66,952)**	**377,093**

49. Related parties

The parties related to the Group are deemed to include, in addition to its subsidiaries, associates and jointly controlled entities, the Bank’s key management personnel (the members of its Board of Directors and the General Managers, together with their close family members) and the entities over which the key management personnel may exercise significant influence or control.

Following is a detail of the transactions performed by the Group with its related parties at 31 December 2009 and 2008, distinguishing between associates, Santander Group entities, members of the Bank's Board of Directors and the Bank’s senior managers, and of the income and expenses arising from the transactions with these related parties in 2009 and 2008. Related-party transactions were made on terms equivalent to those prevailing in arm's-length transactions.

	Thousands of Euros							
	2009				2008			
	Associates	Santander Group Entities	Members of the Board of Directors	Senior Managers	Associates	Santander Group Entities	Members of the Board of Directors	Senior Managers
Assets:								
Available-for-sale financial assets (Note 7)	-	-	-	-	-	2,490	-	-
Loans and advances to credit institutions (Note 6)	62,850	4,829,093	-	-	86,249	2,958,487	-	-
Loans and receivables-								
Loans and advances to customers (Note 10)	-	13,433	16	40	-	14,218	7	224
Debt instruments (Note 7)	-	-	-	-	-	87,037	-	-
Trading derivatives (Note 9)	-	131,483	-	-	-	66,379	-	-
Hedging derivatives (Note 11)	-	-	-	-	-	278,616	-	-
Other assets (Note 17)	9,105	1,704	-	-	-	16,038	-	-
Liabilities:								
Deposits from credit institutions (Note 18)	548	17,993,273	-	-	-	9,467,604	-	-
Customer deposits (Note 19)	1,714	9,083	-	-	463	12,214	2,511	1,829
Marketable debt securities (Note 20)	-	3,037,402	-	-	-	3,209,212	-	-
Subordinated liabilities (Note 21)	-	1,284,357	-	-	-	390,738	-	-
Other financial liabilities (Note 22)	172	164,936	-	-	46	503,626	-	-
Trading derivatives (Note 9)	-	142,222	-	-	-	66,083	-	-
Hedging derivatives (Note 11)	-	-	-	-	-	426,721	-	-
Other liabilities (Note 17)	16	-	-	-	5,539	4,455	-	-
Income statement:								
Interest and similar income (Note 32)	2,757	246,723	-	-	4,659	205,893	-	13
Interest expense and similar charges (Note 33)	8	1,029,842	-	1	9	526,211	16	-
Fee and commission income (Note 35)	38,064	9,774	-	-	1,411	97,497	-	-
Fee and commission expense (Note 36)	1,252	10,355	-	-	1,260	4,065	-	-
Gains/losses on financial assets and liabilities (net) (Note 37)	-	23,657	-	-	-	91,333	-	-
Exchange differences (Note 38)	-	26	-	-	4,089	167	-	-
Other operating income (Note 39)	-	1,640	-	-	146	146	-	-
Other operating expenses	-	7,510	-	-	-	1,964	-	-
Other general administrative expenses (Note 42)	-	96,306	-	-	-	64,001	-	-
Gains/(losses) on disposal of assets not classified as non-current assets held for sale	-	78,634	-	-	-	4,230	-	-
Memorandum items:	-							
Contingent liabilities (Note 30)	50	648,869	-	-	45	697,669	-	-
Contingent commitments (Note 30)	62,886	7,598,745	-	-	39,795	2,559,640	-	-

50. Risk management

Corporate risk management principles

As part of the Santander Group, Santander Consumer Finance's risk management is based on the following principles:

- Involvement of senior management The Santander Group's Risk Committee and the Group's units senior management committees are structured so as to involve management in the overall risk oversight process.

- Independence of the risk function with respect to the business. The Risk Area Manager at Santander Consumer Finance, as Deputy General Manager of the Santander Group, reports directly to the General Manager of the Group's Risk Division, who in turn reports to Mr Matías Rodríguez Inciarte who, as Third Deputy Chairman and in his capacity as Chairman of the Risk Committee, reports directly to the Executive Committee and the Board.

- Commitment to supporting the business by contributing, without undermining the preceding principle, to the achievement of commercial objectives whilst safeguarding risk quality. To this end, the organisational structure responsible for implementing risk policies is adapted to the commercial structure so as to encourage cooperation between business and risk managers.

- Decisions by consensus, which ensure that different opinions are taken into account and avoid individual decision making.

- Decisions on credit transactions are taken jointly by the risk and commercial areas.

- Well-established tradition of using internal rating and scoring tools, economic capital, etc.

- Risk measurement. Risk measurement takes into account all risk exposures assumed across the business spectrum and uses measures based on risk components and dimensions, over the entire risk cycle, for the management of risk at any given time.

- From a qualitative standpoint, this integrated vision translates into the use of certain integrating measures, which are mainly the risk capital charge and return on risk-adjusted capital (RORAC).

- Desire to continue to target a medium-low risk profile, emphasising its low volatility and its predictability, by:

    - seeking to achieve a high degree of risk diversification, thus limiting risk concentration on particular customers, groups, sectors, products or geographical locations;

    - maintaining a low level of complexity in Markets operations;

    - paying ongoing attention to risk monitoring in order to prevent potential portfolio impairment sufficiently in advance.

- Establishment of risk policies and procedures. The risk policies and procedures are the basic regulatory framework, consisting of circulars, frameworks and operating rules, throughout which risk activities and processes are regulated.

- Definition and assessment of risk methodologies. Risk methodologies provide the definitions of the internal risk models applicable by the Group, and, therefore, stipulate the risk measures, product valuation methods, yield curve and market data series building methods, calculation of risk-based capital requirements and other risk analysis methods, and the respective calibration and testing processes. Risk assessment methodologies must be strict, systematic and subject to validation.

As part of the Santander Group, the risk management and control process at Santander Consumer Finance is structured in the following phases:

- Establishment of risk management frameworks and policies that reflect Santander's risk management principles;

  The Santander Group has a series of risk policies and procedures that constitute its regulatory framework, consisting of circulars, frameworks (formerly the Risk Management Policy Manuals) and operating rules, through which risk activities and processes are regulated.

  Within this regulatory framework, the Corporate Risk Management Framework, approved by senior management, regulates the principles and standards governing the general modus operandi of the Santander Group's risk activities, based on an organisational model and a management model.

  The organisational model comprises the management map, the risk function and governance, and the regulatory framework itself. The management model contains the basic pillars for risk management, the channels for the planning and setting of targets, the budgeting and risk limit setting process, the control of operations, the framework for risk reporting to senior management and the benchmark technology model for risk management.

  One of the main characteristics of this Corporate Risk Management Framework is that it leads to the regulation, through a series of more specific corporate frameworks, of the functions reporting to the Risk Unit.

- Identification of risks, through the constant review and monitoring of exposures, the assessment of new products and businesses and the specific analysis of singular transactions;

- Measurement of risks using extensively tested methods and models;

- Definition of the Group's risk appetite by setting overall and specific limits for the various types of risks, products, customers, groups, sectors and geographical locations;

- Preparation and distribution of a complete set of reports that are reviewed daily by the heads at all levels of Santander management;

- Implementation of a risk control system which checks, on a daily basis, the degree to which Santander's risk profile matches the risk policies approved and the risk limits set.

For many years the Santander Group has managed risk using a number of techniques and tools which are described in detail in various sections of this Note. The most noteworthy of these techniques and tools, due to the foresight with which Santander implemented them at the time and their current significance in light of the New Basel Capital Accord (BIS II), are as follows:

- Internal ratings- and scorings-based models which, by assessing the various qualitative and quantitative risk components by customer and transaction, make it possible to estimate, firstly, the probability of default and, subsequently, the expected loss, based on LGD estimates.

- Economic capital, as a homogeneous measure of the risk assumed and a basis for the measurement of the management performed.

- RORAC, which is used both as a transaction pricing tool (bottom-up approach) and in the analysis of portfolios and units (top-down approach).

- VaR, which is used for controlling market risk and setting the market risk limits for the various trading portfolios.

- Scenario analysis and stress testing to supplement market and credit risk analyses in order to assess the impact of alternative scenarios, even on provisions and capital.

Consequently, Santander Consumer Finance’s risk management fully identifies with BIS II principles, insofar as it recognises and supports the leading-edge industry practices that the Group has implemented in advance.

The publication of Bank of Spain Circular 3/2008 on the determination and control of minimum capital requirements for credit institutions enabled Santander to use these internal models to calculate its regulatory capital. Given the medium-low risk profile characterising Santander’s business activities, strongly focused on retail banking (corporations, SMEs and individuals), the authorisation granted by the Bank of Spain, approving the use of the internal models at the Parent, Banesto and Abbey in the second quarter of 2008 and at Santander Totta in the first half of 2009, gave rise to regulatory capital savings under the so-called Pillar 1 (which establishes the capital requirements to cover credit, market and operational risks), in keeping with forecasts.

In the coming years, the Santander Group will extend the use of the internal models for the calculation of regulatory capital to the remaining business units, which include the Santander Consumer Finance Group, based on a timetable agreed upon with its supervisor. The Santander Group will assign for this purpose all the human and technology resources necessary to meet the stringent requirements established by the Bank of Spain, the supervisory authority responsible for the validation of these internal models.

Credit risk-

Introduction to the treatment of credit risk

Credit risk is the possibility of loss stemming from the total or partial failure of our customers or counterparties to meet their financial obligations to the Group.

The specialisation of the Group's risk function is based on the type of customer and, accordingly, a distinction is made between individualised customers and standardised customers in the risk management process:

- Individualised customers are defined as those to which a risk analyst has been assigned, basically because of the risk assumed. This category includes wholesale banking customers and certain enterprises belonging to retail banking. Risk management is performed through expert analysis supplemented by decision-making support tools based on internal risk assessment models.

- Standardised customers are those which have not been expressly assigned a risk analyst. This category generally includes individuals, individual entrepreneurs, and retail banking enterprises not classified as individualised customers. Management of these risks is based on internal risk assessment and automatic decision-making models, supplemented subsidiarily, when the model is not comprehensive enough or is not sufficiently accurate, by teams of analysts specialising in this type of risk.

Main aggregates and variations

The profile of the credit risk assumed by Santander Consumer Finance is characterised by a diversified geographical distribution and the prevalence of retail banking operations.

a) Global map of credit risk - 2009

The following table shows the global map of credit risk, expressed in nominal amounts, to which the Group was exposed at 31 December 2009:

SCF Group - Gross Credit Risk Exposure			
	2009 (Millions of Euros)	Change/ December 2008	% of Portfolio
Germany	22,314	12.6%	40.7%
The Netherlands	945	4.1%	1.7%
Spain	9,870	(19.6%)	18.1%
Italy	7,887	12.7%	14.4%
Portugal	1,284	0%	2.3%
United Kingdom	2,593	260%	4.7%
Nordic countries	5,572	57%	10.2%
Poland	2,396	1.5%	4.4%
Czech Republic	350	(24.9%)	0.6%
Hungary	242	(18.8%)	0.4%
Russia	107	(47.2%)	0.2%
Austria	1,265	100%	2.3%
SCF Group	**54,825 (*)**	**12%**	**100%**

(*) Group management information which, therefore, does not coincide with the amounts recognised in the consolidated financial statements.

Germany and Spain account for 59% of the nominal credit risk exposure, a decline with respect to 2008. Particularly noteworthy among the other European countries were Italy, the Nordic countries and the United Kingdom, which account for 29% of the exposure.

b) Variations in main aggregates in 2009

The changes in non-performing loans and the cost of credit reflect, on the one hand, the across-the-board deterioration of the economic environment that has affected the financial system as a whole, and, on the other hand, prudent risk management, which enabled the Group to hold these data at adequate levels and to increase the NPL coverage ratio.

c) Distribution of lending

The Group is geographically diversified, since it is present in more than 16 countries, and concentrates its activities on its core markets**.** Santander Consumer Finance has a mainly retail profile (consumer loans represent 95.6% and stock financing for dealers 4.4%) as it mainly engages in vehicle financing.

Measures and measurement tools

Scoring and rating tools

In keeping with the Santander Group's tradition of using proprietary rating models since 1993, the credit quality of customers and transactions is also measured by internal scoring and rating systems at Santander Consumer Finance. Each rating assigned by models relates to a certain probability of default or non-payment, determined on the basis of the Group's historical experience.

Since the Group focuses mainly on the retail business, assessments are primarily based on scoring models or tables which, together with other credit policy regulations, issue an automatic decision on the applications received. These tools have the dual advantage of allocating an objective appraisal of the level of risk and speeding up the response time that would be required by a purely manual analysis.

In addition to scoring models for the approval and management of portfolios (by rating the transactions that comprise the portfolios in order to assess their credit quality and estimating their potential losses), tools are also available to assess existing accounts and customers which are used in the defaulted loan recovery process. This method is intended to cover the entire "loan cycle" (approval, monitoring and recovery) by means of statistical rating models based on the Entity's internal historical data.

For individualised corporates and institutions which, at the Group, include mainly agents, the assessment of the level of credit risk is based on expert rating models that combine in the form of variables the most relevant factors to be taken into account in the assessment, in such a way that the allocation process generates appraisals that are consistent and comparable among customers and summarise all the relevant information.

Ratings assigned to customers are reviewed periodically to include any new financial information available and the experience in the banking relationship. The frequency of the reviews is increased in the case of customers that reach certain levels in the automatic warning systems and of customers classified as requiring special monitoring. The rating tools themselves are also reviewed in order to progressively fine-tune the ratings they provide.

To a lesser extent, global rating tools are also applied to certain exposures in the global wholesale banking segment. Management of this segment is centralised at the Risk Division of the Santander Group, for both rating calculation and risk monitoring purposes. These tools assign a rating to each customer, which is obtained from a quantitative or automatic module, based on balance sheet ratios or macroeconomic variables, supplemented by the analyst's expert judgement.

Santander Consumer Finance's portfolio of individualised companies is not representative of the total risks managed, which relate mainly to dealer stock financing (4.4% of the total portfolio).

Credit risk parameters

The rating or scoring assigned to a customer or transaction represents a quantified assessment of the credit quality that, through calibration processes, is transformed into Probability of Default (PD), a standard risk measure for the various types of borrowers.

In addition to customer assessment, the quantitative risk analysis considers others aspects such as exposure at default (EAD) and the percentage of EAD that will not be recovered (loss given default or LGD). Therefore, other relevant factors are taken into account in estimating the risk involved in transactions, such as the quantification of off-balance-sheet exposures, which depends on the type of product and the analysis of expected recoveries, which is related to existing guarantees.

These factors are the main credit risk parameters. Their combination facilitates calculation of the probable loss or expected loss (EL). This loss is considered to be an additional cost of the activity which is reflected in the risk premium to be charged in the transaction price.

Risk parameters will make it possible to calculate, in the coming years, the regulatory capital in accordance with the guidelines of the new Basel Capital Accord (BIS II). Regulatory capital is established to cover the unexpected loss, which is estimated as the difference between total loss and expected loss, to be covered by provisions.

Unexpected loss is the basis for the capital requirements calculation and refers to a very high, albeit scantly probable level of loss, which is not deemed to be recurring and must be catered for using capital.

The estimates of the risk parameters (PD, LGD and EAD) should be based on internal experience, i.e. on default observations and on the experience in defaulted loan recoveries.

For portfolios with scant internal default experience, such as banks, sovereign risk and global wholesale banking, parameter estimates are based on alternative sources: market prices or studies conducted by external agencies gathering the shared experience of a sufficient number of entities. These portfolios are known as low default portfolios.

For all other portfolios, parameter estimates are based on the entity's internal experience. The PD is calculated by observing the cases of new arrears in relation to the rating assigned to customers or to the scoring assigned to the related transactions.

LGD calculation is based on the observation of the recoveries of defaulted loans, taking into account not only the income and expenses associated with the recovery process, but also the timing thereof and the indirect costs arising from the recovery process.

EAD for loans that are not repaid by instalments (i.e. revolving credit) is estimated by comparing the use of committed facilities at the time of default and their use under normal (performing) circumstances, so as to identify the actual use of the facilities at the time of default.

The estimated parameters for the global portfolios are the same for all the Group's units. Accordingly, a financial institution with an 8.5 rating has the same PD, regardless of the Group unit in which its exposure is accounted for. By contrast, the retail portfolios have specific scoring systems in each of the Group's units, which require separate estimates and specific assignments of parameters in each case.

The parameters are assigned after the transactions are recognised on the units' balance sheets in order to calculate the expected losses and the capital requirements associated with their exposure.

Observed loss: measures of cost of credit

To supplement the predictiveness provided by the advanced models described above, other habitual measures are used to facilitate prudent and effective management of credit risk based on observed loss.

As part of the Santander Group, the cost of credit risk at Santander Consumer Finance is measured using different approaches: variation in non-performing loans in the recovery process (ending doubtful assets - beginning doubtful assets + assets written off - recovery of assets written off), net credit loss provisions (gross provisions to specific allowances - recovery of assets written off); and net assets written off (assets written off - recovery of assets written off).

The three indicators measure the same reality and, consequently, converge in the long term although they represent successive moments in credit cost measurement: flows of non-performing loans (change in NPL), coverage of doubtful loans (net credit loss provisions) and classification as write-offs (net write-offs), respectively. Although they converge in the long term within the same business cycle, the three approaches show differences at certain times, which are particularly significant at the start of the change of cycle. These differences are due to the different timing of recognition of losses, which is basically determined by accounting rules (for example, mortgage loans have a longer coverage schedule and are classified as write-offs more "slowly" than consumer loans). In addition, the analysis can be complicated due to changes in the policy of coverage and classification as write-offs, the composition of the portfolio, doubtful loans of entities acquired, changes in accounting rules, sale of portfolios, etc.

Credit risk cycle

The risk management process consists of identifying, measuring, analysing, controlling, negotiating and deciding on, as appropriate, the risks incurred in the operations of Santander Consumer Finance. The parties involved in this process are the risk taking areas, senior management and the risk function.

As Santander Consumer Finance is part of the Santander Group, the process begins at senior management level, through the Board of Directors and the Risk Committee, which establishes the risk policies and procedures, and the limits and delegations of powers, and approves and supervises the scope of action of the risk function.

The risk cycle comprises three different phases: pre-sale, sale and post-sale:

- Pre-sale: this phase includes the risk planning and target setting processes, determination of the Santander Group's risk appetite, approval of new products, risk analysis and credit rating process, and limit setting.

- Sale: this is the decision-making phase for both pre-classified and specific transactions.

- Post-sale: this phase comprises the risk monitoring, measurement and control processes and the recovery process.

a) Risk limit planning and setting

Risk limit setting is a dynamic process that identifies the Santander Group's risk appetite through the discussion of business proposals and the attitude to risk.

This process is defined in the Global Risk Limit Plan, an agreed-upon comprehensive document for the integrated management of the balance sheet and the inherent risks, which establishes risk appetite on the basis of the various factors involved.

The risk limits are founded on two basic structures: customers/segments and products.

b) Risk analysis and credit rating process

Risk analysis is one of the fundamental factors in the assessment of credit risk and, therefore, in the approval of loans to customers by the Santander Group. This analysis consists of examining the counterparty's ability to meet its contractual obligations to Santander Consumer Finance, which involves analysing the customer's credit quality, its risk transactions, its solvency and the return to be obtained in view of the risk assumed.

The risk analysis is conducted every time a new customer or transaction arises or with a pre-established frequency, depending on the segment involved. Additionally, the credit rating is examined and reviewed whenever a warning system is triggered or an event affecting the counterparty/transaction occurs.

c) Transaction decision-making

The purpose of the transaction decision-making process is to analyse transactions and adopt resolutions thereon, taking into account the risk appetite and any transaction elements that are important in achieving a balance between risk and return.

Since 1993 the Group has been using, among others, the RORAC (return on risk-adjusted capital) methodology for risk analysis and pricing in the decision-making process on transactions and deals.

d) Risk monitoring and control

In order to ensure adequate credit quality control in addition to the tasks performed by the Internal Audit Division, the Risk Unit has a specific risk monitoring function, consisting of local and global teams, to which specific resources and persons in charge have been assigned.

This monitoring function is based on an ongoing process of permanent observation to enable early detection of any incidents that might arise in the evolution of the risk, the transactions, the customers and their environment, with a view to adopting mitigating actions. The risk monitoring function is specialised by customer segment.

For this purpose a system called “companies under special surveillance” (FEVE, using the Spanish acronym) has been designed that distinguishes four categories based on the degree of concern raised by the circumstances observed (extinguish, secure, reduce and monitor). The inclusion of a company in the FEVE system does not mean that there has been a default, but rather that it is deemed advisable to adopt a specific policy for this company, to place a person in charge and to set the policy implementation period. Customers classified as FEVE are reviewed at least every six months, or every three months for those classified in the most severe categories. A company can be classified as FEVE as a result of the monitoring process itself, a review performed by Internal Audit, a decision made by the sales manager responsible for that company or the triggering of the automatic warning system.

Assigned ratings are reviewed at least annually, but should any weakness be detected, or depending on the rating itself, more frequent reviews are performed.

For exposures to standardised customers, the key indicators are monitored in order to detect any variance in the performance of the loan portfolio with respect to the forecasts contained in the credit management programmes.

Scenario analysis

Stress tests are performed periodically in order to monitor and control the various loan portfolios. The scenario analysis is a relevant tool intended to measure the sensitivity of a portfolio value to changes in the surrounding circumstances. Thus, taking into account factors such as interest rate variations, the unemployment rate or housing prices, the Group is able to ascertain that the general allowances recognised are adequate in relation to the estimated impacts obtained in the stress tests.

Risk control function

Supplementing the management process, the risk control function obtains a global view of the Santander Consumer Finance's loan portfolio, through the various phases of the risk cycle, with a sufficient level of detail to permit the assessment of the current risk position and any changes therein.

Any changes in the Group's risk position are controlled on an ongoing and systematic basis against budgets, limits and benchmarks, and the impacts of these changes in future situations, both of an exogenous nature and those arising from strategic decisions, are assessed in order to establish measures that place the profile and amount of the loan portfolio within the parameters set by Santander Consumer Finance and the Santander Group.

The risk control function is performed by assessing risks from various complementary perspectives, the main pillar being control by geographical location, business area, management model, product and process, thus facilitating the detection of specific areas of action requiring decision-making.

In 2006, within the corporate framework established in the Santander Group for compliance with the Sarbanes-Oxley Act, a corporate tool was made available on the Group's intranet for the documentation and certification of all the subprocesses, operational risks and related mitigating controls. The Risk Division, as part of the Group, assesses annually the efficiency of the internal control of its activities.

e) Recovery process

As part of the Santander Group, Santander Consumer Finance defines recovery management as a strategic, integrated business activity**.**

The Santander Group has a global model which is applied and implemented locally, considering the specific features of the business in each area of activity.

The specific objectives of the recovery process are as follows:

- To seek collection or regularisation of unpaid balances, so that accounts can return to the performing status; if this is not possible, the aim is to fully or partially recover debts, regardless of their status for accounting or management purposes.

- To maintain and strengthen the Group's relationship with customers, paying attention to customer payment behaviour.

In the recovery process, general or standardised customers are segregated or differentiated from individualised customers, using specific integrated management models in each case, in accordance with certain basic specialisation criteria.

Additionally, various management stages are identified in the recovery process for customers so segmented: preventive management, management of impaired loans, management of defaults and written-off assets, which have their own specific models, structures, strategies and circuits. Recovery management is shared with other business areas.

In the general customer segment, management is performed through multi-channel systems and, subsequently, through case-by-case or individualised management, if appropriate, in accordance with specific rules that consider, among other issues, the market situation, defaulted products, etc.

The individualised customer segment is managed by specialist managers.

The management models are proactive and, in general, they can be automated, thereby enabling the generation of standardised workflows and "industrial" management methods, always with the possibility of applying a case-by-case or exception-based treatment.

Santander Consumer Finance has internal and external structures to cater for customer management requirements, implementing monthly capacity plans and regular training and using tools that facilitate management and provide solutions for customers.

Concentration risk

With regard to credit risk, concentration risk is an essential management tool. The Santander Group continuously monitors the degree of credit risk concentration, by geographical area/country, economic sector, product and customer group.

The Risk Committee establishes the risk policies and reviews the exposure limits required to ensure adequate management of credit risk concentration.

The Group is subject to Bank of Spain regulations on large exposures (defined as those exceeding 10% of eligible capital). In accordance with Bank of Spain Circular 3/2008, no exposure to a single individual or economic group, including all types of credit and equity risks, should exceed 25% of the Group's capital. Also, the total amount of large exposures may not exceed 8 times the Group's capital. Exposures to governments and central banks belonging to the OECD are excluded from this treatment.

The Santander Group's Risk Division works closely with the Finance Division in the active management of credit portfolios, which includes reducing the concentration of exposures through several techniques, such as the arrangement of credit derivatives for hedging purposes or the performance of securitisation transactions, in order to optimise the risk/return ratio of the total portfolio.

Market risk-

Activities subject to market risk

The measurement, control and monitoring of the Market Risk area comprises all operations in which net worth risk is assumed. This risk arises from changes in the risk factors -interest rate, exchange rate, equities and the volatility thereof- and from the solvency and liquidity risk of the various products and markets in which the Santander Consumer Group operates.

The activities are segmented by risk type as follows:

- *Trading*: this item includes financial services for customers, trading operations and positioning in fixed-income, equity and foreign currency products.

  The Group does not carry out trading activities at local level, and the scope of its treasury operations is limited to managing and hedging its structural balance sheet risk and managing the liquidity required to finance its business activity.

- *Balance sheet management*: interest rate risk and liquidity risk arising as a result of the maturity and repricing gaps of all assets and liabilities.

- *Structural risks:*

- Structural foreign currency risk/hedges of results: foreign currency risk arising from the currency in which investments in consolidable and non-consolidable companies are made (structural exchange rate). This item also includes the positions taken to hedge the foreign currency risk on future results generated in currencies other than the euro (hedges of results).

  Structural exchange rate risk arises mainly from investments in banks in currencies other than euro.

- Structural equities risk: this item includes equity investments in non-consolidated financial and non-financial companies that give rise to equities risk. Structural equities risk does not apply to the Group.

The Financial Management area is responsible for managing the balance sheet management risk and structural risks centrally through the application of uniform methodologies adapted to the situation of each market in which the Group operates. Thus, in the convertible currencies area, Financial Management directly manages the Parent's risks and coordinates the management of the other units operating in these currencies. Decisions affecting the management of these risks are taken through the ALCO Committees in the respective countries and, ultimately, by the Parent's ALCO Committee.

The aim pursued by Financial Management is to ensure the stability and recurring nature of both the net interest margin of the commercial activity and the economic value of the Santander Consumer Finance Group, whilst maintaining adequate levels of liquidity and capital adequacy.

Each of these activities is measured and analysed using different tools in order to reflect their risk profiles as accurately as possible.

Methodologies

<u>Balance-sheet management</u>

Interest rate risk

The Group analyses the sensitivity of the net interest margin and market value of equity to changes in interest rates. This sensitivity arises from maturity and interest rate repricing gaps in the various balance sheet items.

On the basis of the balance-sheet interest rate position, and considering the market situation and outlook, the necessary financial measures are adopted to align this position with that desired by the Bank. These measures can range from the taking of positions on markets to the definition of the interest rate features of commercial products.

The measures used by the Group to control interest rate risk in these activities are the interest rate gap and the sensitivity of net interest margin and market value of equity to changes in interest rates.

- Interest rate gap of assets and liabilities

The interest rate gap analysis focuses on the mismatches between the interest reset periods of on-balance-sheet assets and liabilities and of off-balance-sheet items. This analysis facilitates a basic snapshot of the balance sheet structure and enables concentrations of interest rate risk in the various maturities to be detected. Additionally, it is a useful tool for estimating the possible impact of potential changes in interest rates on the entity's net interest margin and market value of equity.

The flows of all the on- and off-balance-sheet aggregates must be broken down and placed at the point of repricing or maturity. The duration and sensitivity of aggregates that do not have a contractual maturity date are analysed and estimated using the Santander Group's internal model.

- *Net interest margin (NIM) sensitivity*

The sensitivity of the net interest margin measures the change in the expected net interest income for a specific period (twelve months) given a shift in the yield curve.

The sensitivity of the net interest margin is calculated by simulating the margin both for a scenario of changes in the yield curve and for the current scenario, the sensitivity being the difference between the two margins so calculated.

- *Market value of equity (MVE) sensitivity*

The sensitivity of the market value of equity is a complementary measure to the sensitivity of the net interest margin.

This sensitivity measures the interest rate risk implicit in the market value of equity based on the effect of changes in interest rates on the present values of financial assets and liabilities.

Liquidity risk

Liquidity risk is associated with the Group's ability to fund its commitments at reasonable market prices and to carry out its business plans with stable sources of funding. The Group permanently monitors maximum gap profiles.

The measures used to control liquidity risk in balance sheet management are the liquidity gap and liquidity ratios.

- *Liquidity gap*

The liquidity gap provides information on contractual and expected cash inflows and outflows for a given period for each currency in which the Santander Consumer Finance Group operates. The gap measures net cash requirements or surpluses at a given date and reflects the liquidity level maintained under normal market conditions.

In the contractual liquidity gap, all cash-flow generating balance sheet items are analysed and placed at the point of contractual maturity. For assets and liabilities without contractual maturities, the Santander Group's internal analysis model is used based on a statistical study of the time series of the products, and the so-called stable or instable balance for liquidity purposes is determined.

- *Liquidity ratios*

The minimum liquidity ratio compares liquid assets available for sale or transfer (after the relevant discounts and adjustments have been applied) and the assets maturing in less than 12 months with the liabilities maturing in less than 12 months.

Structural foreign currency risk / Hedges of results / Structural equities risk

Structural exchange rate risk arises mainly from investments in banks in currencies other than the euro.

Structural foreign currency risk is managed centrally at Santander Group level by applying the general corporate procedures.

Control system

Limit setting

The limit setting process is performed together with the budgeting activity and is the tool used to establish the assets and liabilities of each business activity.

Limit setting is a dynamic process that responds to the level of risk considered acceptable by senior management.

Objectives of the limits structure

The limits structure requires a process to be performed that pursues, inter alia, the following objectives:

- To efficiently and comprehensively identify and delimit the main types of market risk incurred, so that they are consistent with the business management approach and the strategy defined.

- To quantify and communicate to the business areas the risk levels and profile deemed acceptable by senior management so as to avoid undesired risks.

- To give flexibility to the business areas for the efficient and timely assumption of financial risks based on market changes, and for the implementation of the business strategies, provided that the acceptable levels of risk are not exceeded.

- To allow business makers to assume risks which, although prudent, are sufficient to obtain the budgeted results.

  To delimit the range of products and underlyings with which each Treasury unit can operate, taking into account features such as assessment model and systems, liquidity of the instruments involved, etc.

Operational risk-

Definition and objectives

The Group defines operational risk as “the risk of loss resulting from inadequate or failed internal processes, human resources or systems or from external events”. This risk generally relates to events of a purely operational nature, which differentiates it from market or credit risk, although it also includes external risks, such as natural disasters.

The basic aim pursued by the Group in operational risk control and management is to identify, measure/assess, control/mitigate and inform about this risk.

The Group's priority, therefore, is to identify and eliminate any clusters of operational risk, irrespective of whether losses have been incurred. Measurement of this risk also contributes to the establishment of priorities in operational risk management.

For the purpose of calculating regulatory capital for operational risk, the Group decided to opt initially for the Standardised Approach provided for under Basel II standards. The Group is assessing the most appropriate time to shift to Advanced Measurement Approaches (AMA) taking into account, however, that: a) the short-term priority in operational risk management is focused on mitigation; and b) most of the regulatory requirements established for use of the AMA must now be incorporated in the Standardised Approach and, at the present time, these requirements have already been included in the operational risk management approach used.

BASEL II

As part of the Santander Group, Santander Consumer Finance has assumed from the outset a firm commitment to the principles underlying the "Revised Framework of International Convergence of Capital Measurement and Capital Standards" (Basel II). This framework allows entities to make internal estimates of the regulatory capital required to ensure their capital adequacy when faced by events caused by various types of risk. As a result of this commitment, the Santander Group has devoted all the human and material resources required to ensure the success of the Basel II implementation plan. For this purpose, a Basel II team was created in the past, consisting of qualified professionals from the Group's different areas: mainly Risks, Technology and Operations, the Controller's Unit, Financial Management, Internal Audit –to verify the whole process, as the last layer of control at the entity–, and Business –particularly as regards the integration of the internal models into management. Additionally, specific work teams have been set up to guarantee the proper management of the most complex aspects of the project.

Supplementing the efforts of the Basel II operating team, Santander Group senior management has displayed total involvement from the very beginning. Thus, the progress of the project and the implications of the implementation of the New Capital Accord for the Santander Group have been reported to the Management Committee and to the Board of Directors on a regular basis.

In the specific case of credit risk, the implementation of Basel II entails the recognition, for regulatory capital purposes, of the internal models that have been used for management purposes.

Santander Consumer Finance's most significant units (Germany, Spain and the Nordic countries) will progressively adopt the AIRB approach in accordance with a timetable agreed upon with the Bank of Spain and notified to the various local supervisors.

In addition to the supervisory validation and approval process, the Santander Group continued in 2009 with the project for the progressive implementation of the technology platforms and methodological developments required for the roll-out of the AIRB approaches for regulatory capital calculation purposes at the remaining Santander Group units.

As far as operational risk is concerned, the Group has decided to use the standardised approach for regulatory capital calculation purposes, since it considers that the use of AMA approaches for this risk is somewhat premature.

Pillar 2 is another significant line of action in the Basel II Corporate Project. In addition to reviewing and strengthening the methodology supporting the economic capital model, the technology was brought into line with the platform supporting Pillar 1, so that all the information on credit risk will come from this source in the case of units using authorised internal models under Pillar 1. In 2009 the Santander Group's economic capital model was submitted to a thorough review by an international team of CEBS supervisors led by the Bank of Spain, in addition to the internal review conducted at the beginning of 2009 by the Group's internal validation and internal audit teams.

Internal validation of risk models

Internal validation is a pre-requisite for the supervisory validation process. A sufficiently independent specialised unit of the Entity obtains an expert opinion on the adequacy of the internal models for the intended internal or regulatory purposes, and concludes on their usefulness and effectiveness. This unit must also assess whether the risk management and control procedures are adequate for the Entity's risk strategy and profile.

In addition to complying with the regulatory requirement, the internal validation function provides essential support to the Risk Committee and the Local Risk Committees in the performance of their duties to authorise the use of the models (for management and regulatory purposes) and to review them regularly, since senior management must ensure that the Entity has appropriate procedures and systems in place for the monitoring and control of credit risk.

Internal model validation at the Santander Group encompasses credit risk models, market risk models, option pricing models and the economic capital model. The scope of the validation includes not only the more theoretical or methodological aspects, but also the technology systems and the quality of the data the models provide, on which their effective operation relies, and, in general, all the relevant aspects of advanced risk management (controls, reporting, uses, involvement of senior management, etc.). Therefore, the aim of internal validation is to review quantitative, qualitative, technological and corporate governance-related aspects.

As part of the Santander Group, Santander Consumer Finance locates the internal validation function, at corporate level, within the Integrated Risk Control and Internal Risk Validation Area (CIVIR, using the Spanish acronym) and reports directly to the Third Deputy Chairman of the Group and to the Chairman of the Risk Committee. This function is performed at a global and corporate level in order to ensure uniformity of application.

The Santander Group's corporate internal validation framework is fully consistent with the internal validation standards for advanced approaches recently issued by the Bank of Spain. Accordingly, the Group maintains the segregation of functions between Internal Validation and Internal Audit, which, in its role as the last layer of control at the Group, is responsible for reviewing the methodology, tools and work performed by Internal Validation and for giving its opinion on the degree of effective independence.

51. Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

Appendix I

Subsidiaries

Entity	Country	Registered Office	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Rights (c)	Line of Business	Millions of Euros (a)		
			Direct	Indirect			Capital and Reserves (a)	Net Profit/ (Loss) (a)	Investment Amount (b)
AKB Marketing Services Sp. Z.o.o.	Poland	Poznan/ul.Marcelinska 90, 60-324 (Poznan)	-	100.00%	100.00%	MARKETING	6	-	-
Andaluza de Inversiones, S.A.	Spain	Ciudad Grupo Santander, Av.Cantabria, 28660 (Boadilla del Monte)	99.99%	0.01%	100.00%	HOLDING COMPANY	44	1	27
Banco Santander Consumer Portugal, S.A.	Portugal	Rua Castilho 2/4, 1269-073 (Lisbon)	80.09%	19.91%	100.00%	BANKING	110	10	240
FTA Santander Consumer Spain Auto 06	Spain	-	-	(d)	-	SECURITISATION	-	-	-
FTA Santander Consumer Spain Auto 07-1	Spain	-	-	(d)	-	SECURITISATION	-	-	-
FTA Santander Consumer Spain Auto 07-2	Spain	-	-	(d)	-	SECURITISATION	-	-	-
Golden Bar Securitization Programme III	Italy	-	-	(d)	-	SECURITISATION	-	-	-
Guaranty Car, S.A.	Spain	Nacional II, km.16.500, 28830 (San Fernando de Henares (Madrid)	-	100.00%	100.00%	AUTOMOTIVE	3	-	1
HBF, Aluguer e comercio de viaturas, S.A.	Portugal	Av. Da Liberdade 245, 1269-031 (Lisbon)	0.02%	99.98%	100.00%	FULL-SERVICE LEASE	-	-	-
Hispamer Renting, S.A.U.	Spain	Ciudad Grupo Santander, Av. Cantabria, 28660 (Boadilla del Monte) - Spain	-	100.00%	100.00%	FULL-SERVICE LEASE	13	(1)	1
Multirent - Aluguer e Comércio de Automóveis	Portugal	Estrada Alfagide km.1, 5 “Alfapark” 2610-008 (Amadora)	-	60.00%	60.00%	FULL-SERVICE LEASE	18	(3)	17
Polskie Towarzystwo Finansowe, S.A.	Poland	Pl. Solny 16, 50-062 (Wroclaw)	100.00%	-	100.00%	SERVICES	3	-	35
SAG International Finance Company Ltd	Ireland	-	-	60.00%	60.00%	FINANCE	1	-	-
Sánchez Ramade Santander Financiera, S.L.	Spain	Plaza de Colón 10 (Córdoba)	50.00%	-	50.00%	FINANCIAL SERVICES	-	-	-
Santander Consumer autoboerse.de AG	Germany	Santander Platz 1, 41061 (Mönchengladbach)	-	100.00%	100.00%	INTERNET	1	-	1
Santander Consumer Bank AS	Norway	Strandveien 18, 1366 Lysaker, 0219 (Baerum)	100.00%	-	100.00%	FINANCE	411	57	468
Santander Consumer Bank AG	Germany	Santander Platz 1, 41061 (Mönchengladbach)	-	100.00%	100.00%	BANKING	1,366	407	1,449
Santander Consumer Bank GmbH	Austria	Andromeda Tower, Donau-City. Str6-Wien (Vienna)	-	100.00%	-	FINANCE	836	(11)	856

Entity	Country	Registered Office	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Rights (c)	Line of Business	Millions of Euros (a)		
			Direct	Indirect			Capital and Reserves (a)	Net Profit/(Loss) (a)	Investment Amount (b)
Santander Consumer Bank S.p.A.	Italy	Vía Nizza 262, I-10126 (Turín)	100.00%	-	100.00%	FINANCE	224	1	397
Santander Consumer Bank Spólka Akcyjna	Poland	Pl. Solny 16, 50-062 (Wroclaw)	100.00%	-	100.00%	BANKING	205	6	210
Santander Consumer Bank, CJSC	Russia	30, Proezd nº 607, 123458 (Moscow)	100.00%	-	-	BANKING	35	(4)	32
Santander Consumer Debit GmbH	Germany	Santander Platz 1, 41061 (Mönchengladbach)	-	100.00%	100.00%	SERVICES	-	11	-
Santander Consumer UK Plc.	United Kingdom	3 Pricess Way, Redhill, RH1-1UR (Surrey)	50.10%	-	50.10%	ADVISORY SERVICES	153	12	181
Santander Consumer Finance a.s.	Czech Republic	Safrànkova 1, 155 00 (Prague 5)	-	100.00%	100.00%	LEASE	48	(14)	36
Santander Consumer Finance Benelux B.V.	The Netherlands	Kokermolen 10-14, NL-3994	-	100.00%	100%	FINANCE	35	(20)	33
Santander Consumer Finance Media S.r.l.	Italy	Vía Nizza 262, I-10126 (Turin)	-	65.00%	65.00%	FINANCE	7	1	5
Santander Consumer Finance Oy	Finland	Hermannin Rantatie 10, 00580 (Helsinki)	-	100.00%	100.00%	FINANCE	46	1	52
Santander Consumer Finance Zrt.	Hungary	Kapas Center, Kapas U6-12H-1027 (Budapest)	-	100.00%	100.00%	FINANCE	14	(12)	-
Santander Consumer Finanzia, S.r.l.	Italy	Vía Nizza 262, I-10126 (Turin)	-	100.00%	100.00%	FACTORING	31	3	31
Santander Consumer France, S.A.	France	4/6 Rue Jeanne Maillote - 59110 La Madeleine, Lille	100.00%	-	-	FINANCE	14	(11)	2
Santander Consumer Holding GmbH	Germany	Santander Platz 1, 41061 (Mönchengladbach)	100.00%	-	100.00%	HOLDING COMPANY	838	193	1,891
Santander Consumer Iber-Rent, S.L.	Spain	Santan Bárbara 1, 28180 (Torrelaguna)	-	60.00%	60.00%	FULL-SERVICE LEASE	63	(3)	18
Santander Consumer Leasing Austria GmbH	Austria	Rennweg 17, A 1030 (Wien)	-	100.00%	100.00%	LEASE	863	-	863
Santander Consumer Leasing GmbH	Germany	Santander Platz 1, 41061 (Mönchengladbach)	-	100.00%	100.00%	LEASE	6	15	6
Santander Consumer Leasing, S.r.o.	Czech Republic	Kolbenova 15, 190 00 (Prague 9)	-	100.00%	100.00%	FINANCE	1	-	1
Santander Consumer Multirent Spółka Z Ograniezona Odpowiedzialnoscia	Poland	Ul. Jutrzenki 183, 02-231 (Warsaw)	-	60.00%	60.00%	LEASE	6	(1)	4
Santander Consumer Services Gmbh	Austria	Thomas Alva Edison Str.1 Eisendstadt	-	100.00%	-	SERVICES	-	-	-

Entity	Country	Registered Office	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Rights (c)	Line of Business	Millions of Euros (a)		
			Direct	Indirect			Capital and Reserves (a)	Net Profit/(Loss) (a)	Investment Amount (b)
Santander Consumer, E.F.C., S.A.	Spain	Ciudad Grupo Santander, Av. Cantabria, 28660 (Boadilla del Monte)	99.99%	0.01%	100.00%	FINANCE	444	(226)	415
Santander Service GmbH	Germany	Bismarkstrasse 100, 41061 (Mönchengladbach)	-	100.00%	100.00%	LEASE	-	2	-
SC Germany Auto 08-2 Limited	Ireland	-	-	(d)	-	SECURITISATION	-	(4)	-
SC Germany Consumer 08-1 Limited	Ireland	-	-	(d)	-	SECURITISATION	-	-	-
SC Germany Consumer 09-1 Limited	Ireland	-	-	(d)	-	SECURITISATION	-	-	-
SCF Rahoitus Oy	Finland	Kuortaneenkatu, 2 00510 (Helsinki)	-	100.00%	-	FINANCE	64	(4)	80
Silk Finance No. 3 Limited	Ireland	-	-	(d)	-	SECURITISATION	-	(10)	-
Suzuki Servicios Financieros, S.L.	Spain	C/Carlos Sainz 35, Pol.Ciudad del Automovil (Leganés, Madrid)	-	51.00%	51.00%	INTERMEDIATION	-	2	-
Unifin S.p.A.	Italy	Strada Maggiore 47-I, 40125 (Bologna)	100.00%	-	100.00%	FINANCE	39	9	82

(a) Data obtained from the financial statements of each subsidiary for the year ended 31 December 2009. These financial statements have not yet been approved by the respective governing bodies. However, the Bank's directors consider that they will be ratified without any changes.

(b) Carrying amount of the investments in each subsidiary per the books of the holding company, net of the related impairment allowance, if any.

(c) Pursuant to Article 3 of Royal Decree 1815/1991, of 20 December, approving the rules for the preparation of consolidated financial statements, in order to determine voting rights, the voting rights relating to subsidiaries or to other parties acting in their own name but on behalf of Group companies were added to the voting rights directly held by the Parent. Accordingly, the number of votes corresponding to the Parent in relation to companies in which it has an indirect interest is the number corresponding to the subsidiary holding a direct ownership interest in such companies.

(d) Vehicles over which effective control is exercised

Appendix II

Associates and jointly controlled entities

Entity	Location	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Rights (b)	Line of Business	Millions of Euros (a)			
		Direct	Indirect			Assets	Capital and Reserves	Profit (Loss)	Amount of Ownership Interest
ABS Line Multimedia, S.L.	Spain	-	47.50%	47.50%	MARKETING	1	1	-	-
Accordfin España, E.F.C., S.A.	Spain	49.00%	-	49.00%	FINANCE	369	36	(22)	-
Grupo Konecta Centros Especiales de Empleo, S.L.	Spain	-	48.26%	48.26%	TELEMARKETING	-	-	-	-
Grupo Konecta Maroc S.A.R.L. à associé unique	Morocco	-	48.26%	48.26%	TELEMARKETING	-	(1)	-	-
Grupo Konecta UK, Ltda.	United Kingdom	-	48.21%	48.21%	FINANCE	-	(1)	-	-
Grupo Konectanet, S.L.	Spain	-	48.26%	48.26%	HOLDING COMPANY	18	5	-	1
Grupo Konectanet México, S.A. de C.V.	Mexico	-	48.26%	48.26%	TELEMARKETING	-	-	-	-
Hyundai Capital Germany GmbH	Germany	-	49.99%	49.99%	SERVICES	2	2	-	1
Kapitalia Credit House Global, S.L.	Spain	-	48.26%	48.26%	SERVICES	-	-	-	-
Konecta Activos Inmobiliarios, S.L.	Spain	-	49.08%	49.08%	PROPERTY	8	-	-	-
Konecta Brazil Outsourcing, Ltda.	Brazil	-	48.25%	48.25%	SERVICES	-	-	-	-
Konecta Broker, S.L.	Spain	-	48.26%	48.26%	SERVICES	1	-	1	-
Konecta Bto, S.L.	Spain	-	48.26%	48.26%	TELECOMMUNICATIONS	36	37	-	16
Konecta Chile, S.A.	Chile	-	35.71%	35.71%	SERVICES	4	3	1	-
Konecta Colombia, Ltda.	Colombia	-	48.26%	48.26%	TELEMARKETING	-	-	-	-
Konectanet Comercialización, S.L.	Spain	-	48.26%	48.26%	MARKETING	1	-	-	-
Konecta Field Marketing, S.A.	Spain	-	48.26%	48.26%	MARKETING	-	-	-	-
Konecta Portugal, Lda.	Portugal	-	48.26%	48.26%	MARKETING	1	-	-	-
Konecta Servicios Administrativos y Tecnológicos, S.L.	Spain	-	48.26%	48.26%	SERVICES	-	-	-	-

Entity	Location	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Rights (b)	Line of Business	Millions of Euros (a)			
		Direct	Indirect			Assets	Capital and Reserves	Profit/(Loss)	Amount of Ownership Interest
Konecta Servicios Auxiliares, S.L.	Spain	-	48.26%	48.26%	SERVICES	-	(1)	-	-
Konecta Servicios de Empleo ETT, S.A.	Spain	-	48.26%	48.26%	TEMPORARY EMPLOYMENT AGENCY	-	-	(1)	-
Konecta Servicios Integrales de Consultoría, S.L.	Spain	-	12.06%	12.06%	ADVERTISING	-	-	-	-
Konectanet Andalucia, S.L.	Spain	-	48.26%	48.26%	SERVICES	-	-	-	-
Kontacta Comunicaciones, S.A.	Spain	-	36.20%	36.20%	SERVICES	1	1	-	1
Kontacta Top Ten, S.L.	Spain	-	36.20%	36.20%	SERVICES	-	-	-	-
Omega Financial Services GmbH	Germany	-	50.00%	50.00%	SERVICES	2	-	1	-
Puntoform, S.L.	Spain	-	48.26%	48.26%	TRAINING	-	-	-	-
Reintegra, S.A.	Spain	-	45.00%	45.00%	COLLECTION AND PAYMENT SERVICES	6	4	1	1
Reintegra Contact Center, S.L.U.	Spain	-	45.00%	45.00%	SERVICES	-	-	-	-
Santander Mediación Operador de Banca-Seguros Vinculado, S.A.	Spain	6.00%	2.59%	8.59%	ADVISORY SERVICES	2	2	-	-
Transolver Finance E.F.C., S.A.	Spain	50.00%	-	50.00%	LEASE	251	29	(14)	7
Ufi Servize, S.r.l.	Italy	-	23.17%	23.17%	SERVICES	-	-	-	35

(a) Data obtained from the financial statements of each associate and/or jointly controlled entity for the year ended 31 December 2009. These financial statements have not yet been approved by the respective governing bodies. However, the Company's directors consider that they will be ratified without any changes.

(b) Pursuant to Article 3 of Royal Decree 1815/1991, of 20 December, approving the rules for the preparation of consolidated financial statements, in order to determine voting rights, the voting rights relating to subsidiaries or to other parties acting in their own name but on behalf of Group companies were added to the voting rights directly held by the Parent. Accordingly, the number of votes corresponding to the Parent in relation to companies in which it has an indirect interest is the number corresponding to the subsidiary holding a direct ownership interest in such companies.

Appendix III

Notifications of acquisitions of investments at 31 December 2009

(Art. 86 of the Consolidated Spanish Public Limited Liability Companies Law).

Investee	Line of Business	Percentage of Net Ownership Interest		Date of Notification to Investee
		Acquired in the Year	At Year-End	
Unifin, S.p.A	Financial institution	30%	100%	11/06/09

Appendix IV

List of agents to whom Bank of Spain Circular 6/2002 is applicable

Name	Registered Office	Postal Code	Employer/ National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Alvarez y Garrues, S.L.	Av. A Coruña, 439 - Lugo	27003	B27274216	01/12/03	-	Lugo and its province	Mortgage loans, consumer loans, finance leases
Asesoramiento Financiero Toledano Cortés, S.L.	Agustín Rodríguez Sahaún, 30 Local 3 - Ávila	5003	B05182563	01/12/03	-	Province of Ávila	Mortgage loans, consumer loans, finance leases
Asesoramiento Financiero Zafra, S.L.	Andrés Pro, 18 - Zafra	6300	B06433973	03/01/05	-	Badajoz	Mortgage loans, consumer loans, finance leases
Asesoramiento Integral Financiero, S.L.	Montesinos, 44 - Aranjuez (Madrid)	28300	B82672569	01/10/03	-	Aranjuez, Ciempozuelos, Valdemoro, Pinto, Chinchón, Ocaña, Noblejas, Villarejo de Salvanes, San Martín de Salvanes, San Martín de Valdeiglesias, Seseña, Ontigola, Titulcia	Mortgage loans, consumer loans, finance leases
Asesoria Financiera J. Asenjo, S.L.	Plaza de Comillas, 2 Local 7 Navalmoral de la Mata	10300	B103022279	03/01/05	-	Villanueva de la Vera, Trujillo y Miajadas, Jaraiz de la Vera, Navalmoral de la Mata	Mortgage loans, consumer loans, finance leases
Axarquia Financiaciones, S.L.	Angustias 24- Torre del Mar	29740	B92368828	01/01/03	-	Alcaucin, Alfarnate, Algarrobo, Almachar, Archez, Arenas, Benamargosa, El Boger, Canillas de Aceituno, Canillas de Albaida, Comares, Competa, Macharaviaya, Moclinejo, Frigiliana, Nerja, Periana, Riogordo, Salares, Sayalonga, Torre del Mar, Torrox, Velez Málaga, Viñuela.	Loans and credits, finance leases
Canovaca Agentes Financieros S.L.	Ancha, 2 - Palma del Río	14700	B14539290	01/04/00	-	Almodovar del Rio, Fuente Palmera, Palma del Rio, Posadas, Lora del Rio, Peñaflor, Carmona, La Campana, La Puebla de los Infantes, Mairena del Alcor, El Viso del Alcor	Loans and credits, finance leases
Carrasco Agentes, S.L.	Avenida, 41 - Linares	23700	B23478704	02/01/04	-	Jaén	Mortgage loans, consumer loans, finance leases
Consultoría Financiera de la Mancha, S.L.	Ramiro Ledesma - Socuellanos	13630	B13354303	15/12/03	-	Socuellamos, Tomelloso, Argamasilla de Alba, Pedro Muñoz, Campo de Criptana, Alcázar de San Juan, Las Pedroñeras, Monta del Cuervo, Villanueva de los Infantes	Mortgage loans, consumer loans, finance leases
Ecijana de Seguros y Finanzas, S.L.	Carreras 45 - Écija	41400	B41953068	01/01/03	-	La Carlota, Ecija, Fuentes de Andalucia, La Luisiana, Cañada Rosal	Loans and credits, finance leases
Eroski S. Coop	Barrio San Agustín, s/n - Elorrio (Vizcaya)	48230	F20033361	01/12/03	31/05/08	Vizcaya	Mortgage loans, consumer loans, finance leases
Financerland S.L.	De la Concepción - 15 - Oteniente	46870	B97405427	01/01/04	02/01/09	Onteniente	Mortgage loans, consumer loans, finance leases

Name	Registered Office	Postal Code	Employer/ National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Finangi. Cat, S.L.	Avda. de la Rápita, 33 1º Amposta (Tarragona)	43870	B43571660	01/06/99	-	Tarragona	Loans and credits, finance leases
Fromin Consultores, S.L.U.	Badia Polesina - 6 - Estepa	41560	B41969767	01/06/04	-	Aguadulce, Badolatosa, Casariche, Los Corrales, Estepa, Gilena, Herrera, La Lentejuela, Lora de Estepa, Marinaleda, Martin de la Jara, Osuna, Pedrea, La Roda de Andalucía, El Rubio, El Saucejo.	Mortgage loans, consumer loans, finance leases
Gestión de Servicios Financieros, Artimar, S.L.	Avda. de Canarias 344- Sta. Lucia de Tirajana	35110	B35496777	01/01/98	-	Santa Lucia de Tirajana, San Bartolomé de Tirajana	Loans and credits, finance leases
Gestión Financiera Villalva	General Luque Arenas, 16 Cadiz	11600	B11517620	01/08/01	-	Ubrique, Alcalá del Valle, Algodonales, Arcos de la Frontera, Benaocaz, Bornos, El Bosque, El Gastor, Espera, Grazalema, Olivera, Prado del Rey, Setenil, Torre Alhaquine, Villanueva del Rosario, Villa Martín, Puerto Serrano	Loans and credits, finance leases
Gestiones Financieras La Marina, S.L.	Oculista Buiges, 8-2-8 - Denia	3700	B53832291	01/01/04	02/01/09	Denia	Mortgage loans, consumer loans, finance leases
GEYBA Servicios Financieros, S.L.	Antonio Machado - 10 - La Algaba	41980	B91385377	01/09/04	-	Arevalillo de Cega, Alacala del Rio, Alcolea del Rio, La Algaba, Almaden de la Plata, Brenes, Burguillos, Cantillana, Castilblanco de los Arroyos, El Castillo de las Guardas, Cazalla de la Sierra, Constantina, El Garrobo, Gerena, El Madroño, Las Navas de la Concepción, El Pedroso, La Roda de Andalucía, La Rinconada	Mortgage loans, consumer loans, finance leases
Indastec Asociados, S.L.	Madrid, 20 - Ibiza	7800	B57150310	01/01/04	-	Eivissa, Sant Antoni de Portmany, Santa Eulalia del Rio San Jose Formentera	Mortgage loans, consumer loans, finance leases
Intermediación y Servicios Junval, S.L.	Bebricio 54, Calahorra	26500	B26319178	01/12/03	-	Calahorra	Mortgage loans, consumer loans, finance leases
Inversiones y Servicios La Matallana, S.L.	De Andalucia, 11 - Puente Genil	14500	B14499909	02/01/04	19/12/08	Aguilar, Castro del Río, Espejo, Fernan Nuñez, Montalbal de Córdoba, Montemayor, Montilla, Monturque, Moriles, Palenciana, Puente Genil, La Rambla and Santaella	Mortgage loans, consumer loans, finance leases
Juan Jimenez Gestión Financiera, S.L.	C/Capitán Vigueras, local 18 - Sevilla	41004	B91167973	01/02/02	-	Bormujos, Coria del Río, Gelves, Gines, Pilas, Sanlucar la Mayor, Umbrete, Villamanrique de la Condesa, Villanueva del Ariscal.	Loans and credits, finance leases
KonectaNet, S.A.	Avda. de Valdeparra, 27 Edificio Alcor, 2ª Planta - Alcobendas (Madrid)	28108	A81915100	01/06/00	-	Álava, Albacete, Alicante, Almería, Ávila, Badajoz, Balearic Islands, Barcelona, Burgos, Cáceres, Cádiz, Castellón, Ciudad Real, Córdoba, A Coruña, Cuenca, Girona, Granada	Loans and credits, finance leases, collection management
L'Eliana Finance, S.L.	Cortes Valencianes 35 - L'Eliana	46183	B9739462	01/10/05	-	Riba - Roja de Turia, Lliria, Betera, Buñol, Requena, Utiel, L'Eliana, La Pobla de Vallbona	Mortgage loans, consumer loans, finance leases

Name	Registered Office	Postal Code	Employer/ National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Martin & Castilla Servicios Financieros, S.L.	Fray Diego de Cádiz - 163 - Morón de la Frontera	41530	B91369231	01/06/04	-	Algamitas, Arahal, Caripe, El Coronil, Marchena, Montellano, Morón de la Frontera, Paradas, Pruna, La Puebla de Cazalla, Villanueva de San Juan	Mortgage loans, consumer loans, finance leases
Martínez Valdivieso Serafín	Murcia S7N - Baza	18800	B18706713	01/02/05	31/01/10	Granada	Mortgage loans, consumer loans, finance leases
Medifirent, S.L.	Vitoria, 2 - Miranda de Ebro	9200	B09410572	01/03/04	-	Miranda de Ebro	Mortgage loans, consumer loans, finance leases
Opportunity Center S.L.	De la Industria 49 - Alcobendas	28108	B84291236	27/04/05	31/05/08	Andalucía, Aragón, Asturias, Balearic Islands, Canary Islands, Cantabria, Castilla-Leon	Mortgage loans, consumer loans, finance leases
Ramsa Servicios Financieros y Empresariales, S.L.	Blas Infante, 7 - Lepe	21440	B21347190	02/01/04	-	Punta Umbría, Cartaya, Lepe, Isla Cristina and Ayamonte	Mortgage loans, consumer loans, finance leases
Sedace S.L.	Concordia 2 - Vera	04620	B04395117	01/02/05	01/09/09	Vera	Mortgage loans, consumer loans
Servicios Específicos de Financiación, S.L.	Lealtad, 12 - Santander	39002	B83957126	05/04/04	-	Cantabria	Mortgage loans, consumer loans, finance leases
Servicios Financieros Quintanar, S.L.	General López Brea, 5- Quintanar de la Orden (Toledo)	45800	B45545167	01/12/03	-	Quintanar de la Orden, Madridejos	Mortgage loans, consumer loans, finance leases
Servital Asesores S.L.	Nuestro Padre Jesús 3- La Palma del Condado	14500	B2161177	02/11/05	-	Almonte, Bollullos Par del Condado, Bonares, Chucena, Escacena del Campo, Hinojos, Lucena del Puerto, Manzanilla, Niebla, La Palma del Condado, Paterna del Campo, Rociana del Condado, Villalba del Alcor, Villarrasa	Mortgage loans, consumer loans, finance leases
Soluciones Financieras del Este S.L.	Crisol 3 - Rivas VaciaMadrid	28529	B84418904	02/11/05	-	Arganda del Rey, Rivas - Vaciamadrid	Mortgage loans, consumer loans, finance leases
Servicios Financieros Sorianos, S.L.	Plaza del Salvador, 1 - Soria	42600	B42180927	02/01/06	-	Soria	Mortgage loans, consumer loans, finance leases
Sánchez Ramade Santander Financiera, S.L.	Plaza de Colón, 10 - Córdoba	14001	B14754097	27/02/06	31/05/08	Córdoba	Mortgage loans, consumer loans, finance leases
Financiaceuta, S.L.U.	General Aranda, 3 - Ceuta	51001	B51017101	01/07/06	-	Ceuta	Mortgage loans, consumer loans, finance leases
Suzuki Servicios Financieros, S.L.	Carlos Sainz, 35 - Leganés	28914	B84799881	01/08/06	31/05/08	Leganés	Automotive financing, leasing and full-service leasing

Name	Registered Office	Postal Code	Employer/ National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Antonio García Fernández Servicios Financieros, S.L.	Avda. Argentina, 1 - Pozoblanco	14400	B14771554	01/10/06	-	Alcaracejos, Añora, Belalcazar, Belmez, Los Blázquez, Cardenas, Conquista, Dos Torres, Espiel, Fuente La Mancha, Fuenteovejuna, Elguido, Hinojosa del Duque, Pedroche, Peñarroya-Pueblonuevo, Pozoblanco, Santa Eufemia, Torrecampo, Valsequillo, Villamaría, Villanueva de Córdoba, Villanueva del Duque y Villanueva del Rey, Villarralto, Villa Viciosa de Córdoba and El Viso.	Mortgage loans, consumer loans, finance leases
García y Trinidad Asesoramiento y Financiación, S.L.	Rosario, 9 - Albox	4800	B04577383	01/10/06	-	Albox, Alcontar, Almanzorra, Armuña de Almanzorra, Bacares, Bayarque, Benitagla, Bezalon, Cantoria, Cobrar, Fines, Laroya, Lijar, Lubrin, Lucar, Macael, Olula del Rio, Partaloa, Purchena, Seron, Sierro, Somontin, Tahall, Tijola, Uleila del Campo, Urracal and Zurgena.	Mortgage loans, consumer loans, finance leases
Gestio de Financament I Inversions de Ponent	Av. De la Pau, 49 - Mollerusa	25230	B25539123	01/10/06	-	Comarcas del Pla D´urgel, la Noguera, L´urgell and La Segarra. Y Lérida, Balafia; Les Basses D'Alpicat, La Bordeta, Camps D'Escorts, Cap Pont, Castel De Gardeny, Clot_Princep de Viana, Gualda; Llivia, Magraners, Mariola, Pardinyes, Raimat, Seca Sant Pere, Sucs, Suquets; Les Torres de Sanui, Abella de la Conca Les Alamus, L'Albages, Albatarrec, L'Albi, Alanco, Alcarras, Alcoletge, Alfes, Alguaire, Almatret, Almenar, Alpicat, Artessa de Lleida, Aspa, Aitona, Benavent de Segria, Bovera, Les Borges, Blanquets, Castelldans, Cervia de Garrigues, Corbins, L'Espluga Calba, La Floresta, Fulleda, La Grranja D'Escarp, Gimenells i Pla de la Font, Granyera de les Garrigues, Juncosa, Juneda, Llardecans, Masalcoreig, Maials de Lleida, Els Omellons, La Pobla de Cervoles, Bellaguarda, La Portella, Puiggros, Puigverd de Lleida; Roselló, Seros, El Soleras, Soses, Tarres, Els Torms, Torrebesses, Torrefarrera, Torres de Segre, Torre Serona, Vilanova de Segria, El Vilosell, Vilanova de la Barca and Vinaixa.	Mortgage loans, consumer loans, finance leases
Donat Finance Service, S.L.	Plaza de Velázquez, 11 - Melilla	52004	B52015435	01/02/07	01/02/12	Melilla	Mortgage loans, consumer loans, finance leases
Estudios y Análisis de Riesgos, S.L. (*)	Avd. del Mediterráneo, sn - Cuenca	16004	B16156598	30/06/07	02/11/08	Cuenca	Mortgage loans, consumer loans, finance leases
Noguer Bau, S.L. (*)	Sant Fidel, 5. Vic	8500	B64018179	30/06/07	31/08/07	Aiguafreda, Alpens, El Brull, Calldetenes, Centelles, Collsuspina, Espinelves, Folgueroles, Gurb, Els Hostalets De Balenya, Lluça, Perafita, Prats De Lluçanes, Roda De Ter, Rupit-Pruit, Santa Cecilia De Voltrega, Santa Eugenia De Berga Santa Eulalia De Riuprimer, Sant Agusti Del Lluçanes, Santa Maria De Corco L'asquirol, Sant Bartomeu Del Grau, Sant Boi De Lluçanes, Sant Hipolit De Voltrega	Mortgage loans, consumer loans, finance leases

Name	Registered Office	Postal Code	Employer/ National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Finanduero 2007, S.L.U.	Plaza Arco Isilla, 5 Aranda de Duero	09018	B09480013	02/11/07	02/11/12	Aranda de Duero, Lerma, Huerta del Rey, Salas de los Infantes and Roa.	Mortgage loans, consumer loans, insurance and automotive financing, leasing and full-service leasing
Jordi Masso Riera	Bruc 52 Bajos - Igualada	08700	35036266K	01/03/08	28/02/13	Argençola, Bellprat, Bruc, Cabrera d'Igualada, Calaf, Calonge de Segarra, Capellades, Carme, Castellfollit de Riubregós, Castellolí, Capons, Hostalets de Pierola, Igualada, Jorba, Llanuca, Masquefa, Montmaneu, Òdena, Orpí, Piera, Pobla de Claramunt, Prats de Rei, Pujalt, Rubió, Sant Martí de Tous, Sant Martí Sesgueioles, Sant Pere Sallavinera, Santa Margarida de Montbui, Santa María de Miralles, Torre de Claramunt, Vallbona d'Anoia, Veciana, Vilanova del Camí, Castellví de Rosanes, Collbató, Esparreguera, Martorell and Olesa de Montserrat.	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Eduardo Muñoz Suárez	Constitución 3 - 1 - Andújar	23740	75006402K	01/04/08	01/06/08	Andujar, Arjona, Arjonilla, Espeluy, Higuera de Arjona, Lopera, Marmolejo, Villardompardo, Cazalilla, Villanueva de la Reina, Aldeaquemada, Bailén, Baños de la Encina, Carboneros, La Carolina, Santa Elena and Villa del Río.	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Asedime Servicios Financieros, S.L.	Doctor Dorronsoro 2 - Valverde del Camino	21600	B21380746	01/04/08	31/03/13	Alajar, Almonaster la Real, Aracena, Aroche, Arroyo Molinos de León, Beas, Berrocal, Cala, Calañas, El Campillo, Campofrío, Cañaveral de León, Castaño de Robledo, Corteconcepción, Cortegana, Cortelazor, Cumbre de En Medio, Cumbres de San Bartolomé, Cumbres Mayores, Encinasola, Fuenteheridos, Galaroza, La Granada de Ríotinto, La Nava, Nerva, Puerto del Moral, Rosal de la Frontera, Santa Ana la Real, Santa Olalla del Cala, Trigueros, Valdelarco, Valverde del Camino, Zalamea la Real and Zufre.	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Ilinium Mediación, S.L.	Alejandro Tomás 4-B - Hellín	02400	B02466993	02/05/08	01/05/13	Hellín and Jumilla	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Aragüez Inversiones, S.L.	Francia 2, portal 5, 2º 1 - Pozuelo de Alarcón	28224	B85386613	05/05/08	04/05/13	Móstoles, Navalcarnero, Sevilla la Nueva, Aldea del Fresno, Villa del Pardo, Brunete, Villanueva de la Cañada and San Martín de Valdeiglesias	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Centro Asesor de Teruel Financiera, S.L.	Carretera de Alcañiz 3 - Bajo - Teruel	44003	B44224947	02/06/08	01/06/13	Teruel and its province	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Centro Financiero de Benidorm, S.L.	Constitución 113 - 14 - Valencia	46009	B98050305	10/06/08	09/06/13	Alfaz del Pi, Altea, Beniarres, Benidorm, Callosa d'en Sarria, Finestrat, Guadalest, La Nucia, Polop and Villajoyosa	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing

Name	Registered Office	Postal Code	Employer/ National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Emusua Andujar, S.L.	Doce de Agosto 4 - Andujar	23740	B161156598	01/06/08	31/03/13	Andujar, Arjona, Arjonilla, Espeluy, Higuera de Arjona, Lopera, Marmolejo, Villardompardo, Cazalilla, Villanueva de la Reina, Aldeaquemada, Bailén, Baños de la Encina, Carboneros, La Carolina, Santa Elena and Villa del Río.	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Santex Financial Services, S.L.	Sancho el Sabio 29 - Vitoria	01008	B01445923	02/07/08	01/07/13	Vitoria and its province	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Álvarez y Garrúes Dos, S.L.	Avda Vigo 65 - Pontevedra	27004	B21380746	01/08/08	31/07/13	Pontevedra, Villagarcía de Arosa, O Grove, Sanxenxo, Cambados, Lalín, La Estrada, Silleda and Caldas de Rey	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Insema Inversiones, S.L.	Andalucía 11 - 1- Puente Genil	14500	B14499909	19/12/08	-	Aguilar, Castro del Río, Espejo, Fernan Nuñez, Montalbal de Córdoba, Montemayor, Montilla, Monturque, Moriles, Palenciana, Puente Genil, La Rambla and Santaella	Mortgage loans, consumer loans, finance leases
Eroski, S. Coop.	Barrio San Agustín, s/n - Elorrio (Vizcaya)	48230	F-20033361	01/12/03	31/05/08	Vitoria	The agent is responsible for negotiating and/or formally executing transactions with customers interested in the acquisition of the products and/or services offered by the Company. In no case may the agency agreement encompass the formalisation of guarantees and other off-balance-sheet risks. The agent shall not enter into any other agreement with any other financial institution for the marketing of products and services which compete with those marketed by the Company.
Hermanos P.Q. Servicios Financieros S.L.	Calle Armonía 14 - Vera	04620	B04678348	01/09/09	31/07/13	Vera	Mortgage loans, consumer loans
Ilinum Finance, S.L.	Calle Juan de Herrera 2 - Albacete	02005	B02482586	24/06/09	01/05/13	Hellín and Jumilla	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Finanroda	Calle Molino 82 - Ronda	29400	B92963388	02/01/09	01/01/14	Agatocin, Alpendeire, Arriate, Atajate, Benalid, Benalauria, Benaojan, Benarraba, El Burgo, Cañete La Real, Cartajima, Cortes de la Frontera, Cuevas del Becerro,Faraja, Gaucin, Genalquacil, Igualeja, Jimera de Libas, Jubrique, Juzcar, Montecorto, Montejaque, Parauta, Pujerra, Ronda and Yunquera.	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing

(*) Contract tacitly renewable for successive periods of one year.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Santander Consumer Finance, S.A. and Companies composing the Santander Consumer Finance Group (Consolidated)

Consolidated Directors' Report for the year ended 31 December 2009

General background

The global economy contracted significantly in 2009 (-2.4% vs +2.2% in 2008) for the first time in recent history. The slide, which affected developed economies especially, was particularly steep in the first few months of the year. The various expansionary, monetary, fiscal and financial measures adopted started to have effect in the second half of the year and, accordingly, most countries recorded positive growth rates in the last quarter. Of particular note was the strong recovery shown by emerging economies, led by China, which was reflected in the recovery in trade and the rise in commodity prices. At year-end the global economy was staging a steady, although still weak and moderate, recovery.

The United States, which registered a 2.4% decline in GDP for the whole of 2009, posted positive growth in the second half of the year, thanks to the decisive fiscal, monetary and financial measures implemented by the authorities and the end of the property market adjustment. Inflation rates, which were negative for most of 2009 except for the last few months of the year, enabled the Fed to maintain the key benchmark rate at 0%-0.25%, while the government deficit was above 10% as a result of the fiscal stimulus measures.

Latin America as a whole has been resilient to the international economic and financial crisis. Unlike in former crises, its greater strength enabled it to apply anti-cyclical policies, avoid banking crises and maintain relatively stable exchange rates. Over the whole of 2009 its rates of decline were lower than those of developed countries and it ended the year with positive growth rates.

The euro zone registered a decline in GDP of 4.0%, with a similar profile to that of the US, albeit somewhat more adverse: a steeper fall in the first quarter and a less intense recovery thereafter. The measures applied by the economic and financial authorities, including the cut in the key interest rate to 1% in the second quarter, gave rise to an improvement in the economy, with positive rates of growth in the last two quarters. Inflation, which was under control and even turned negative after the summer, contributed to the monetary boost, while the euro remained strong throughout the year, closing at EUR 1 = USD 1.44.

In Spain, GDP fell by 3.6% for the year as a whole, slightly less than in the euro zone due to a less intense initial downturn. The recovery of the rest of the world is also starting to have an effect on the Spanish economy. The fall in GDP eased in the second half of the year and quarter-on-quarter rates of change approached positive levels. However, the decline in the residential property market is still weighing on the recovery, which appears to be lagging behind the rest of the euro zone. Inflation, which was negative throughout most of 2009, ended the year at 0.8%, due mainly to the hike in energy prices.

The German economy shrank by 5% in 2009 after starting the year strongly affected by the global crisis. Highly reliant on exports, the economy suffered the sharp drop in exports and investment was affected by the deterioration in global trade, while at the same time certain financial institutions evidenced problems due to their exposure to toxic assets. However, the rebound in global trade in the second quarter of the year, together with the fiscal stimulus packages and the relative stability of the labour market, which maintained consumer spending, dragged the German economy out of the recession. In 2010 the recovery will continue to be driven by world trade, while domestic demand will grow gradually, supported in principle by the fiscal stimulus measures outstanding for 2010, the improved market performance and a private sector that shows no signs of major imbalances.

The UK, with a growth profile similar to that of the euro zone, registered a larger decline in GDP (-4.7%) due to the weakness of its financial system and higher household indebtedness. In contrast to the rest of Europe, its inflation remained above 2% for most of the year, reflecting mainly the weakness of the pound sterling, which traded at EUR 1 = GBP 0.9 at year-end, compared to EUR 1 = GBP 0.65 at the beginning of the crisis. As a result of the cut in the official interest rate to 0.5% at the beginning of 2009 and the fiscal and financial measures adopted, the quarterly rates of change in GDP were positive again in the last quarter of the year.

Business performance

In 2009 the Santander Consumer Finance Group reported attributable profit of EUR 101 million, down 73.3% on 2008. A very difficult macro and business environment in the various geographical areas where the Group operates, particularly Spain, is behind this decline which moderated in the last months of the year.

Three basic levers are behind this performance:

- Robust income, which increased by 26.88% year-on-year, due to the positive effect of new additions to the Group and the significant organic growth in basic income, net interest income and fee and commission income. This growth reflects the active management of spreads (average credit spread increased by 75 basis points with respect to 2008) to offset the rise in risk premiums in the various markets and take advantage of the reduction in wholesale funding costs, and the efforts made in cross-selling which gave rise to further increases in insurance commissions.
- Strong cost containment (administrative expenses) which rose by 25.6% due to the inclusion of the new units. Excluding these new units, the growth in costs was less than 3%. Noteworthy was the achievement of considerable synergies at the new units acquired in 2009 from GE Money in Germany, Austria, UK and Finland. As a result, the efficiency ratio stood at around 36%, which compares favourably with the industry average.
- High cost of credit due to the deterioration of the economic environment and of the credit quality of the business, which is reflected in a sharp increase in provisions. Particularly noteworthy in this respect was the growth of around 100% at the Spain unit. However, a lower increase in the cost of non-performing loans was observed in the last months of the year and the growth rate was kept below two digits. These changes in provisions in the last months of the year reflect the efforts made in loan approval and recovery across all units, which led to significant reductions in net additions. As a result, at 2009 year-end the Santander Consumer Finance Group's credit quality ratios were in line with the forecasts at the beginning of the year, with a non-performing loans ratio of 5.51% (2008: 4.6%) and a high coverage ratio, i.e. 92.9% (2008: 86.1%), reflecting the prudence applied in the calculation of the various provisions.

Furthermore, the reorganisation of the Group's business led to gains amounting to EUR 74.5 million under "Gains (Losses) on Disposal of Non-Current Assets Not Classified as Discontinued Operations" and a loss of almost EUR 45 million under "Loss from Discontinued Operations (Net)".

The basic management guidelines were maintained in the various countries, albeit with different intensity. By geographical area, Germany is noteworthy as the consolidable Group's leader in terms of profit since, despite a complicated environment, net profit was boosted by the new additions and by sound income and cost management that offset the higher provisions and enabled this country to maintain its contribution to the Group.

A strong performance from the Nordic countries, which doubled their contribution to the Group in euros, and from the UK unit which, following a fast integration of the portfolio acquired from GE, reached break-even and climbed to second place in the ranking of independent vehicle financing companies in the UK. Of the other units, noteworthy was the weak performance of Spain, the country most affected by the decline in the industry, which led to strong provisions and stable income that could not be offset by falling costs. In the year, it became apparent that it was necessary to restructure the Group's businesses in Spain in order to adapt to the market situation. This restructuring affected approximately 30% of the workforce in Spain and consisted mainly of the implementation of a new relationship model with agents, the adaptation of the sales force and the centralisation of the after-sales and administrative activities in other units of the Santander Group.

With regard to activity, the production of new loans in the area exceeded EUR 21,400 million, practically the same figure as in the previous year, down just 0.8%. The aid measures to the industry and the new additions to the Group offset the adverse consumer environment in the countries where it operates. As a result of these developments, loans and receivables increased by 5.1% to almost EUR 51,000 million.

Worthy of note with regard to liabilities were the considerable growth in customer deposits in Germany and the exclusion from the scope of consolidation of Open Bank Santander Consumer, S.A., which was sold to the Santander Group. The net effect of these two factors left customer deposits practically unchanged compared to the previous year.

It should also be noted that in 2009 Santander Consumer Finance made an intense management and integration effort with regard to its business portfolio, which enabled it to strengthen and consolidate its presence in key countries and achieve the synergies as forecast. Noteworthy was the integration of the units from GE Money in Germany, Austria and Finland and the portfolio acquired in the UK, while progress was made in the discontinuation of the businesses in Hungary and the Czech Republic.

Lastly, an agreement was reached with American International Group (AIG) (to be completed in 2010), to combine the consumer finance businesses in one unit, which will be the leader in new vehicle financing (30% share), personal loans and credit cards, of which Santander will own 70% of the share capital and will assume the management of the business (EUR 3,500 million in loans, EUR 750 million in deposits and 250 offices). This agreement will strengthen the franchise in Poland.

Risk management

Corporate risk management principles

The events of 2009 demonstrated that adequate risk management is essential for financial institutions.

For Santander Consumer Finance, as part of the Santander Group, quality in risk management constitutes one of its distinguishing features and, therefore, represents a focal point of its activities. Since it was founded over 150 years ago, the Santander Group has developed a combination of prudent risk management and cutting-edge risk management techniques that has proved to be key to obtaining recurring and healthy financial results and, in short, to creating shareholder value.

The intense turbulence affecting the financial markets since July 2007 has demonstrated the effectiveness of Santander Consumer Finance's risk management policies.

As part of the Santander Group, Santander Consumer Finance's risk management is based on the following principles:

- Involvement of senior management. The Santander Group's Risk Committee and the Group's units senior management committees are structured so as to involve management in the overall risk oversight process.

- Independence of the risk function with respect to the business. The Risk Area Manager at Santander Consumer Finance, as Deputy General Manager of the Santander Group, reports directly to the General Manager of the Group's Risk Division, who in turn reports to Mr Matías Rodríguez Inciarte who, as Third Deputy Chairman and in his capacity as Chairman of the Risk Committee, reports directly to the Executive Committee and the Board.

- Commitment to supporting the business by contributing, without undermining the preceding principle, to the achievement of commercial objectives whilst safeguarding risk quality. To this end, the organisational structure responsible for implementing risk policies is adapted to the commercial structure so as to encourage cooperation between business and risk managers.

- Decisions by consensus, which ensure that different opinions are taken into account and avoid individual decision making.

- Decisions on credit transactions are taken jointly by the risk and commercial areas.

- Well-established tradition of using internal rating and scoring tools, economic capital, etc.

- Risk measurement: Risk measurement takes into account all risk exposures assumed across the business spectrum and uses measures based on risk components and dimensions, over the entire risk cycle, for the management of risk at any given time.

- From a qualitative standpoint, this integrated vision translates into the use of certain integrating measures, which are mainly the risk capital charge and return on risk-adjusted capital (RORAC).

- Desire to continue to target a medium-low risk profile, emphasising its low volatility and its predictability, by:

    - Seeking to achieve a high degree of risk diversification, thus limiting risk concentration on particular customers, groups, sectors, products or geographical locations;

    - Maintaining a low level of complexity in Markets operations;

    - Paying ongoing attention to risk monitoring in order to prevent potential portfolio impairment sufficiently in advance.

- Establishment of risk policies and procedures. The risk policies and procedures are the basic regulatory framework, consisting of circulars, frameworks and operating rules, throughout which risk activities and processes are regulated.

- Definition and assessment of risk methodologies. Risk methodologies provide the definitions of the internal risk models applicable by the Group, and, therefore, stipulate the risk measures, product valuation methods, yield curve and market data series building methods, calculation of risk-based capital requirements and other risk analysis methods, and the respective calibration and testing processes. Risk assessment methodologies must be strict, systematic and subject to validation.

As part of the Santander Group, the risk management and control process at Santander Consumer Finance is structured in the following phases:

- Establishment of risk management frameworks and policies that reflect Santander's risk management principles;

    The Santander Group has a series of risk policies and procedures that constitute its regulatory framework, consisting of circulars, frameworks (formerly the Risk Management Policy Manuals) and operating rules, through which risk activities and processes are regulated.

Within this regulatory framework, the Corporate Risk Management Framework, approved by senior management, regulates the principles and standards governing the general modus operandi of the Santander Group's risk activities, based on an organisational model and a management model.

The organisational model comprises the management map, the risk function and governance, and the regulatory framework itself. The management model contains the basic pillars for risk management, the channels for the planning and setting of targets, the budgeting and risk limit setting process, the control of operations, the framework for risk reporting to senior management and the benchmark technology model for risk management.

One of the main characteristics of this Corporate Risk Management Framework is that it leads to the regulation, through a series of more specific corporate frameworks, of the functions reporting to the Risk Unit.

- Identification of risks, through the constant review and monitoring of exposures, the assessment of new products and businesses and the specific analysis of singular transactions;

- Measurement of risks using extensively tested methods and models;

- Definition of the Group's risk appetite by setting overall and specific limits for the various types of risks, products, customers, groups, sectors and geographical locations;

- Preparation and distribution of a complete set of reports that are reviewed daily by the heads at all levels of Santander management;

- Implementation of a risk control system which checks, on a daily basis, the degree to which Santander's risk profile matches the risk policies approved and the risk limits set.

For many years the Santander Group has managed risk using a number of techniques and tools which are described in detail in various sections of this Note. The most noteworthy of these techniques and tools, due to the foresight with which Santander implemented them at the time and their current significance in light of the New Basel Capital Accord (BIS II), are as follows:

- Internal ratings- and scorings-based models which, by assessing the various qualitative and quantitative risk components by customer and transaction, make it possible to estimate, firstly, the probability of default and, subsequently, the expected loss, based on LGD estimates.

- Economic capital, as a homogeneous measure of the risk assumed and a basis for the measurement of the management performed.

- RORAC, which is used both as a transaction pricing tool (bottom-up approach) and in the analysis of portfolios and units (top-down approach).

- VaR, which is used for controlling market risk and setting the market risk limits for the various trading portfolios.

- Scenario analysis and stress testing to supplement market and credit risk analyses in order to assess the impact of alternative scenarios, even on provisions and capital.

Consequently, Santander Consumer Finance's risk management fully identifies with BIS II principles, insofar as it recognises and supports the leading-edge industry practices that the Group has implemented in advance.

The publication of Bank of Spain Circular 3/2008 on the determination and control of minimum capital requirements for credit institutions enabled Santander to use these internal models to calculate its regulatory capital. Given the medium-low risk profile characterising Santander's business activities, strongly focused on retail banking (corporations, SMEs and individuals), the authorisation granted by the Bank of Spain, approving the use of the internal models at the Parent, Banesto and Abbey in the second quarter of 2008 and at Santander Totta in the first half of 2009, gave rise to regulatory capital savings under the so-called Pillar 1 (which establishes the capital requirements to cover credit, market and operational risks), in keeping with forecasts.

In the coming years, the Santander Group will extend the use of the internal models for the calculation of regulatory capital to the remaining business units, which include the Santander Consumer Finance Group, based on a timetable agreed upon with its supervisor. The Santander Group will assign for this purpose all the human and technology resources necessary to meet the stringent requirements established by the Bank of Spain, the supervisory authority responsible for the validation of these internal models.

Corporate governance of the risk function

The Banco Santander's Risk Committee is responsible for proposing the Group's risk policy for approval by the Board as part of its governing and supervisory powers. Furthermore, the committee ensures that the Group's activities are consistent with its risk tolerance level and, in this regard, it sets global limits for the main risk exposures, which it reviews systematically, and decides upon any transactions that exceed the powers delegated to lower-ranking bodies.

The Risk Committee, an executive body that adopts decisions within the scope of the powers delegated by the Board, is presided over by the third deputy chairman of the Santander Group and also comprises a further four members of the Board of Directors of Banco Santander.

In 2009 the Risk Committee held 100 meetings, evidencing the importance that the Santander Group attaches to the proper management of its risks.

The responsibilities assigned to the Risk Committee are essentially as follows:

- To propose to the board the Group's risk policy, which will identify, in particular:
    - The various types of risk (financial, operational, technological, legal and reputational, inter alia) facing the Santander Group;
    - The information and internal control systems to be used to control and manage the aforementioned risks;
    - The level of risk deemed acceptable by the Santander Group;
    - The measures envisaged to mitigate the impact of identified risks in the event that they materialise;
- To conduct systematic reviews of the Group's exposure to its main customers, economic activity sectors, geographical areas and types of risk.
- To authorise the management tools and risk models and ascertain the result of their internal validation.
- To ensure that the Santander Group's actions are consistent with the level of risk tolerance previously defined.

- To be informed of, assess and follow any remarks and recommendations that may be periodically made by the supervisory authorities in discharging their function.

- To decide on transactions outside the powers delegated to lower-ranking bodies and on the overall limits for pre-classified risk categories for economic groups or in relation to exposure by type of risk.

The Risk Committee has delegated certain of its powers to risk sub-committees which are structured by geographical area, business line and type of risk. Santander Consumer Finance has been granted autonomous risk management powers within the Santander Group and the Executive Committee ensures that its risk management policy is consistent with the Group's policies.

The risk function at the Santander Group is performed through two Risk Units, which are independent from the business areas from both a hierarchical and a functional standpoint. The two Risk Units are directly linked to the Board of Directors through the Risk Committee and the Third Deputy Chairman of the Group, who is ultimately responsible for the Group's risk management.

In order to meet the requirements of Basel II and to enhance the Group's capacity to cater for the Santander Group's business growth, in 2009 the Risk Committee approved the organisational and functional adaptation of its two Units:

- Th**e** Risk Unit, whose functions are divided into two blocks:

  - A <u>corporate structure</u>, with global-reaching responsibilities ("all risks, all geographical areas"), which establishes the risk policies, methodologies and control systems and consists of several units organised by type of risk (solvency and market risks).

  - A <u>business structure</u>, centred on the performance and management integration of the risk function in the Santander Group's commercial, global and local businesses.

- The Integrated Risk Control and Internal Risk Validation Unit, with global-reaching corporate responsibilities, which provide support to the Santander Group's governing bodies, namely:

  - <u>Validation</u> of the internal risk models in order to assess the appropriateness and adequacy of the rating systems, internal processes and data processing systems, in conformity with Basel II.

  - <u>Integrated Risk Control</u> in order to ensure that the risk management and control systems are consistent with the Bank's global risk profile.

As part of the Santander Group, Santander Consumer Finance's risk policy focuses on maintaining a predictable medium-low risk profile for all its risks.

Following is an analysis of the Group's main types of risk: credit, market, operational and reputational risks.

Credit risk

Introduction to the treatment of credit risk

Credit risk is the possibility of loss stemming from the total or partial failure of our customers or counterparties to meet their financial obligations to the Group.

The specialisation of Santander Consumer Finance's risk function is based on the type of customer and, accordingly, a distinction is made between individualised customers and standardised customers in the risk management process:

- Individualised customers are defined as those to which a risk analyst has been assigned, basically because of the risk assumed. This category includes wholesale banking customers and certain enterprises belonging to retail banking. Risk management is performed through expert analysis supplemented by decision-making support tools based on internal risk assessment models.

- Standardised customers are those which have not been expressly assigned a risk analyst. This category generally includes individuals, individual entrepreneurs, and retail banking enterprises not classified as individualised customers. Management of these risks is based on internal risk assessment and automatic decision-making models, supplemented subsidiarily, when the model is not comprehensive enough or is not sufficiently accurate, by teams of analysts specialising in this type of risk.

Main aggregates and variations

The profile of the credit risk assumed by Santander Consumer Finance is characterised by a diversified geographical distribution and the prevalence of retail banking operations.

Global map of credit risk - 2009

The following table shows the global map of credit risk, expressed in nominal amounts, to which the Group was exposed at 31 December 2009:

SANTANDER CONSUMER FINANCE GROUP - GROSS CREDIT RISK EXPOSURE

SCF Group - Gross Credit Risk Exposure			
	2009 (Millions of Euros)	Change on December 2008	% of Portfolio
Germany	22,314	12.6%	40.7%
The Netherlands	945	4.1%	1.7%
Spain	9,870	(19.6%)	18.1%
Italy	7,887	12.7%	14.4%
Portugal	1,284	0%	2.3%
UK	2,593	260%	4.7%
Nordic countries	5,572	57%	10.2%
Poland	2,396	1.5%	4.4%
Czech Republic	350	(24.9%)	0.6%
Hungary	242	(18.8%)	0.4%
Russia	107	(47.2%)	0.2%
Austria	1,265	100%	2.3%
SCF Group	**54,825**	**12%**	**100%**

(*) Group management information which, therefore, does not coincide with the amounts recognised in the consolidated financial statements.

Germany and Spain account for 59% of the nominal credit risk exposure, a decline with respect to 2008. Particularly noteworthy among the other European countries were Italy, the Nordic countries and the United Kingdom, which account for 29% of the exposure.

Variations in main aggregates in 2009

The changes in non-performing loans and the cost of credit reflect, on the one hand, the across-the-board deterioration of the economic environment that has affected the financial system as a whole, and, on the other hand, prudent risk management, which enabled the Group to hold these data at adequate levels and to increase the NPL coverage ratio.

Distribution of lending

The Group is geographically diversified, since it is present in more than 16 countries, and concentrates its activities on its core markets. Santander Consumer Finance has a mainly retail profile (consumer loans represent 95.6% and stock financing for dealers 4.4%) as it mainly engages in vehicle financing.

Measures and measurement tools

Scoring and rating tools

In keeping with the Santander Group's tradition of using proprietary rating models since 1993, the credit quality of customers and transactions is also measured by internal scoring and rating systems at Santander Consumer Finance. Each rating assigned by models relates to a certain probability of default or non-payment, determined on the basis of the Group's historical experience.

Since the Group focuses mainly on the retail business, assessments are primarily based on scoring models or tables which, together with other credit policy regulations, issue an automatic decision on the applications received. These tools have the dual advantage of allocating an objective appraisal of the level of risk and speeding up the response time that would be required by a purely manual analysis.

In addition to scoring models for the approval and management of portfolios (by rating the transactions that comprise the portfolios in order to assess their credit quality and estimating their potential losses), tools are also available to assess existing accounts and customers which are used in the defaulted loan recovery process. This method is intended to cover the entire "loan cycle" (approval, monitoring and recovery) by means of statistical rating models based on the Entity's internal historical data.

For individualised corporates and institutions which, at Santander Consumer Finance, include mainly agents, the assessment of the level of credit risk is based on expert rating models that combine in the form of variables the most relevant factors to be taken into account in the assessment, in such a way that the allocation process generates appraisals that are consistent and comparable among customers and summarise all the relevant information.

Ratings assigned to customers are reviewed periodically to include any new financial information available and the experience in the banking relationship. The frequency of the reviews is increased in the case of customers that reach certain levels in the automatic warning systems and of customers classified as requiring special monitoring. The rating tools themselves are also reviewed in order to progressively fine-tune the ratings they provide.

To a lesser extent, global rating tools are also applied to certain exposures in the global wholesale banking segment. Management of this segment is centralised at the Risk Division of the Santander Group, for both rating calculation and risk monitoring purposes. These tools assign a rating to each customer, which is obtained from a quantitative or automatic module, based on balance sheet ratios or macroeconomic variables, supplemented by the analyst's expert judgement.

Santander Consumer Finance's portfolio of individualised companies is not representative of the total risks managed, which relate mainly to dealer stock financing (4.4% of the total portfolio).

Credit risk parameters

The rating or scoring assigned to a customer or transaction represents a quantified assessment of the credit quality that, through calibration processes, is transformed into Probability of Default (PD), a standard risk measure for the various types of borrowers.

In addition to customer assessment, the quantitative risk analysis considers others aspects such as exposure at default (EAD) and the percentage of EAD that will not be recovered (loss given default or LGD). Therefore, other relevant factors are taken into account in estimating the risk involved in transactions, such as the quantification of off-balance-sheet exposures, which depends on the type of product and the analysis of expected recoveries, which is related to existing guarantees.

These factors are the main credit risk parameters. Their combination facilitates calculation of the probable loss or expected loss (EL). This loss is considered to be an additional cost of the activity which is reflected in the risk premium to be charged in the transaction price.

Risk parameters will make it possible to calculate, in the coming years, the regulatory capital in accordance with the guidelines of the new Basel Capital Accord (BIS II). Regulatory capital is established to cover the unexpected loss, which is estimated as the difference between total loss and expected loss, to be covered by provisions.

Unexpected loss is the basis for the capital requirements calculation and refers to a very high, albeit scantly probable level of loss, which is not deemed to be recurring and must be catered for using capital.

The estimates of the risk parameters (PD, LGD and EAD) should be based on internal experience, i.e. on default observations and on the experience in defaulted loan recoveries.

For portfolios with scant internal default experience, such as banks, sovereign risk and global wholesale banking, parameter estimates are based on alternative sources: market prices or studies conducted by external agencies gathering the shared experience of a sufficient number of entities. These portfolios are known as low default portfolios.

For all other portfolios, parameter estimates are based on the entity's internal experience. The PD is calculated by observing the cases of new arrears in relation to the rating assigned to customers or to the scoring assigned to the related transactions.

LGD calculation is based on the observation of the recoveries of defaulted loans, taking into account not only the income and expenses associated with the recovery process, but also the timing thereof and the indirect costs arising from the recovery process.

EAD for loans that are not repaid by instalments (i.e. revolving credit) is estimated by comparing the use of committed facilities at the time of default and their use under normal (performing) circumstances, so as to identify the actual use of the facilities at the time of default.

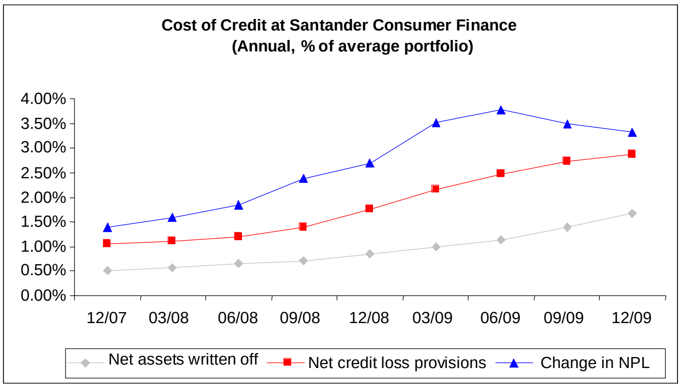
The estimated parameters for the global portfolios are the same for all the Group's units. Accordingly, a financial institution with an 8.5 rating has the same PD, regardless of the Group unit in which its exposure is accounted for. By contrast, the retail portfolios have specific scoring systems in each of the Group's units, which require separate estimates and specific assignments of parameters in each case.

The parameters are assigned after the transactions are recognised on the units' balance sheets in order to calculate the expected losses and the capital requirements associated with their exposure.

Observed loss: measures of cost of credit

To supplement the predictiveness provided by the advanced models described above, other habitual measures are used to facilitate prudent and effective management of credit risk based on observed loss.

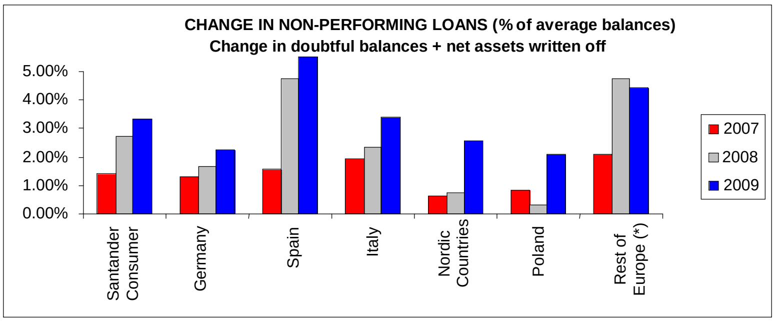
As part of the Santander Group, the cost of credit risk at Santander Consumer Finance is measured using different approaches: variation in non-performing loans in the recovery process (ending doubtful assets - beginning doubtful assets + assets written off - recovery of assets written off), net credit loss provisions (gross provisions to specific allowances - recovery of assets written off); and net assets written off (assets written off - recovery of assets written off).

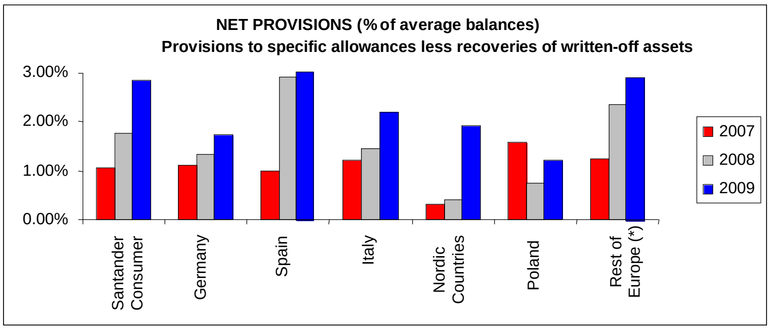


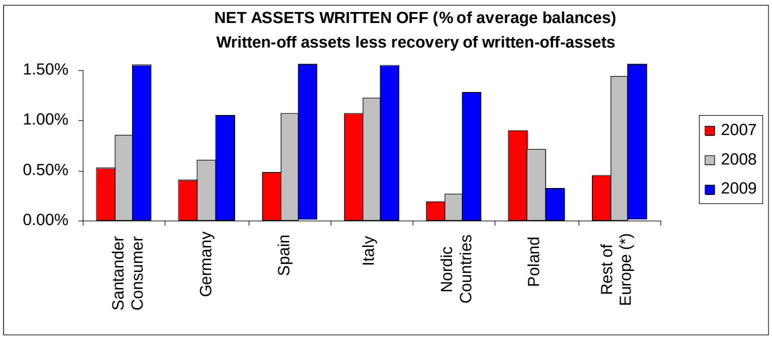
Average 2007 -2009	
Change in NPL	2.67%
Net credit loss pr.	1.86%
Net assets w. off	0.94%

The three indicators measure the same reality and, consequently, converge in the long term although they represent successive moments in credit cost measurement: flows of non-performing loans (change in NPL), coverage of doubtful loans (net credit loss provisions) and classification as write-offs (net write-offs), respectively. Although they converge in the long term within the same business cycle, the three approaches show differences at certain times, which are particularly significant at the start of the change of cycle. These differences are due to the different timing of recognition of losses, which is basically determined by accounting rules (for example, mortgage loans have a longer coverage schedule and are classified as write-offs more "slowly" than consumer loans). In addition, the analysis can be complicated due to changes in the policy of coverage and classification as write-offs, the composition of the portfolio, doubtful loans of entities acquired, changes in accounting rules, sale of portfolios, etc.

The following charts reflect the cost of Santander Consumer Finance's credit risk in its main areas of activity in 2009 and prior years, measured using the different approaches:


CHANGE IN NON-PERFORMING LOANS (% of average balances)
Change in doubtful balances + net assets written off
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
Santander Consumer
Germany
Spain
Italy
Nordic Countries
Poland
Rest of Europe (*)
2007
2008
2009


NET PROVISIONS (% of average balances)
Provisions to specific allowances less recoveries of written-off assets
3.00%
2.00%
1.00%
0.00%
Santander Consumer
Germany
Spain
Italy
Nordic Countries
Poland
Rest of Europe (*)
2007
2008
2009


NET ASSETS WRITTEN OFF (% of average balances)
Written-off assets less recovery of written-off-assets
1.50%
1.00%
0.50%
0.00%
Santander Consumer
Germany
Spain
Italy
Nordic Countries
Poland
Rest of Europe (*)
2007
2008
2009

As shown above, the general trend in recent years has been for Santander Consumer Finance to keep its cost of credit at low levels. The cost of credit rose in 2009 due to the significant deterioration of the economic environment and to growth in a number of retail portfolios which, with greater expected loss, show both higher direct returns (net interest margin less cost of provisions) and indirect returns (induced business), and also prove more attractive in view of the greater predictability of this type of risk.

Credit risk cycle

The risk management process consists of identifying, measuring, analysing, controlling, negotiating and deciding on, as appropriate, the risks incurred in the Group's operations. The parties involved in this process are the risk taking areas, senior management and the risk function.

As Santander Consumer Finance is part of the Santander Group, the process begins at senior management level, through the Board of Directors and the Risk Committee, which establishes the risk policies and procedures, and the limits and delegations of powers, and approves and supervises the scope of action of the risk function.

The risk cycle comprises three different phases: pre-sale, sale and post-sale:

- Pre-sale: this phase includes the risk planning and target setting processes, determination of the Santander Group's risk appetite, approval of new products, risk analysis and credit rating process, and limit setting.

- Sale: this is the decision-making phase for both pre-classified and specific transactions.

- Post-sale: this phase comprises the risk monitoring, measurement and control processes and the recovery process.

Risk limit planning and setting

Risk limit setting is a dynamic process that identifies the Santander Group's risk appetite through the discussion of business proposals and the attitude to risk.

This process is defined in the Global Risk Limit Plan, an agreed-upon comprehensive document for the integrated management of the balance sheet and the inherent risks, which establishes risk appetite on the basis of the various factors involved.

The risk limits are founded on two basic structures: customers/segments and products.

Risk analysis and credit rating process

Risk analysis is one of the fundamental factors in the assessment of credit risk and, therefore, in the approval of loans to customers by the Santander Group. This analysis consists of examining the counterparty's ability to meet its contractual obligations to Santander Consumer Finance, which involves analysing the customer's credit quality, its risk transactions, its solvency and the return to be obtained in view of the risk assumed.

The risk analysis is conducted every time a new customer or transaction arises or with a pre-established frequency, depending on the segment involved. Additionally, the credit rating is examined and reviewed whenever a warning system is triggered or an event affecting the counterparty/transaction occurs.

Transaction decision-making

The purpose of the transaction decision-making process is to analyse transactions and adopt resolutions thereon, taking into account the risk appetite and any transaction elements that are important in achieving a balance between risk and return.

Since 1993 the Group has been using, among others, the RORAC (return on risk-adjusted capital) methodology for risk analysis and pricing in the decision-making process on transactions and deals.

Risk monitoring and control

In order to ensure adequate credit quality control in addition to the tasks performed by the Internal Audit Division, the Risk Unit has a specific risk monitoring function, consisting of local and global teams, to which specific resources and persons in charge have been assigned.

This monitoring function is based on an ongoing process of permanent observation to enable early detection of any incidents that might arise in the evolution of the risk, the transactions, the customers and their environment, with a view to adopting mitigating actions. The risk monitoring function is specialised by customer segment.

For this purpose a system called “companies under special surveillance” (FEVE, using the Spanish acronym) has been designed that distinguishes four categories based on the degree of concern raised by the circumstances observed (extinguish, secure, reduce and monitor). The inclusion of a company in the FEVE system does not mean that there has been a default, but rather that it is deemed advisable to adopt a specific policy for this company, to place a person in charge and to set the policy implementation period. Customers classified as FEVE are reviewed at least every six months, or every three months for those classified in the most severe categories. A company can be classified as FEVE as a result of the monitoring process itself, a review performed by Internal Audit, a decision made by the sales manager responsible for that company or the triggering of the automatic warning system.

Assigned ratings are reviewed at least annually, but should any weakness be detected, or depending on the rating itself, more frequent reviews are performed.

For exposures to standardised customers, the key indicators are monitored in order to detect any variance in the performance of the loan portfolio with respect to the forecasts contained in the credit management programmes.

Scenario analysis

Stress tests are performed periodically in order to monitor and control the various loan portfolios. The scenario analysis is a relevant tool intended to measure the sensitivity of a portfolio value to changes in the surrounding circumstances. Thus, taking into account factors such as interest rate variations, the unemployment rate or housing prices, the Group is able to ascertain that the general allowances recognised are adequate in relation to the estimated impacts obtained in the stress tests.

Risk control function

Supplementing the management process, the risk control function obtains a global view of the Santander Consumer Finance’s loan portfolio, through the various phases of the risk cycle, with a sufficient level of detail to permit the assessment of the current risk position and any changes therein.

Any changes in the Group’s risk position are controlled on an ongoing and systematic basis against budgets, limits and benchmarks, and the impacts of these changes in future situations, both of an exogenous nature and those arising from strategic decisions, are assessed in order to establish measures that place the profile and amount of the loan portfolio within the parameters set by Santander Consumer Finance and the Santander Group.

The risk control function is performed by assessing risks from various complementary perspectives, the main pillar being control by geographical location, business area, management model, product and process, thus facilitating the detection of specific areas of action requiring decision-making.

In 2006, within the corporate framework established in the Santander Group for compliance with the Sarbanes-Oxley Act, a corporate tool was made available on the Group's intranet for the documentation and certification of all the subprocesses, operational risks and related mitigating controls. The Risk Division, as part of the Group, assesses annually the efficiency of the internal control of its activities.

Recovery process

As part of the Santander Group, Santander Consumer Finance defines recovery management as a strategic, integrated business activity.

The Santander Group has a global model which is applied and implemented locally, considering the specific features of the business in each area of activity.

The specific objectives of the recovery process are as follows:

- To seek collection or regularisation of unpaid balances, so that accounts can return to the performing status; if this is not possible, the aim is to fully or partially recover debts, regardless of their status for accounting or management purposes.

- To maintain and strengthen the Group's relationship with customers, paying attention to customer payment behaviour.

In the recovery process, general or standardised customers are segregated or differentiated from individualised customers, using specific integrated management models in each case, in accordance with certain basic specialisation criteria.

Additionally, various management stages are identified in the recovery process for customers so segmented: preventive management, management of impaired loans, management of defaults and written-off assets, which have their own specific models, structures, strategies and circuits. Recovery management is shared with other business areas.

In the general customer segment, management is performed through multi-channel systems and, subsequently, through case-by-case or individualised management, if appropriate, in accordance with specific rules that consider, among other issues, the market situation, defaulted products, etc.

The individualised customer segment is managed by specialist managers.

The management models are proactive and, in general, they can be automated, thereby enabling the generation of standardised workflows and "industrial" management methods, always with the possibility of applying a case-by-case or exception-based treatment.

Santander Consumer Finance has internal and external structures to cater for customer management requirements, implementing monthly capacity plans and regular training and using tools that facilitate management and provide solutions for customers.

Concentration risk

With regard to credit risk, concentration risk is an essential management tool. The Santander Group continuously monitors the degree of credit risk concentration, by geographical area/country, economic sector, product and customer group.

The Risk Committee establishes the risk policies and reviews the exposure limits required to ensure adequate management of credit risk concentration.

The Group is subject to Bank of Spain regulations on large exposures (defined as those exceeding 10% of eligible capital). In accordance with Bank of Spain Circular 3/2008, no exposure to a single individual or economic group, including all types of credit and equity risks, should exceed 25% of the Group's capital. Also, the total amount of large exposures may not exceed 8 times the Group's capital. Exposures to governments and central banks belonging to the OECD are excluded from this treatment.

At 31 December 2009, Santander Consumer Finance's credit exposure to the top 20 borrower financial groups accounted for 0.66% of the credit risk exposure to customers.

The Santander Group's Risk Division works closely with the Finance Division in the active management of credit portfolios, which includes reducing the concentration of exposures through several techniques, such as the arrangement of credit derivatives for hedging purposes or the performance of securitisation transactions, in order to optimise the risk/return ratio of the total portfolio.

Market risk

Activities subject to market risk

The measurement, control and monitoring of the Market Risk area comprises all operations in which net worth risk is assumed. This risk arises from changes in the risk factors -interest rate, exchange rate, equities and the volatility thereof- and from the solvency and liquidity risk of the various products and markets in which the Santander Consumer Group operates.

The activities are segmented by risk type as follows:

- *Trading*: this item includes financial services for customers, trading operations and positioning in fixed-income, equity and foreign currency products.

  The Group does not carry out trading activities at local level, and the scope of its treasury operations is limited to managing and hedging its structural balance sheet risk and managing the liquidity required to finance its business activity.

- *Balance sheet management*: interest rate risk and liquidity risk arising as a result of the maturity and repricing gaps of all assets and liabilities.

- *Structural risks:*

- Structural foreign currency risk/hedges of results: foreign currency risk arising from the currency in which investments in consolidable and non-consolidable companies are made (structural exchange rate). This item also includes the positions taken to hedge the foreign currency risk on future results generated in currencies other than the euro (hedges of results).

  Structural exchange rate risk arises mainly from investments in banks in currencies other than euro.

- Structural equities risk: this item includes equity investments in non-consolidated financial and non-financial companies that give rise to equities risk. Structural equities risk does not apply to the Group.

The Financial Management area is responsible for managing the balance sheet management risk and structural risks centrally through the application of uniform methodologies adapted to the situation of each market in which the Group operates. Thus, in the convertible currencies area, Financial Management directly manages the Parent's risks and coordinates the management of the other units operating in these currencies. Decisions affecting the management of these risks are taken through the ALCO Committees in the respective countries and, ultimately, by the Parent's ALCO Committee.

The aim pursued by Financial Management is to ensure the stability and recurring nature of both the net interest margin of the commercial activity and the economic value of the Santander Consumer Finance Group, whilst maintaining adequate levels of liquidity and capital adequacy.

Each of these activities is measured and analysed using different tools in order to reflect their risk profiles as accurately as possible.

Methodologies

Balance-sheet management

Interest rate risk

The Group analyses the sensitivity of the net interest margin and market value of equity to changes in interest rates. This sensitivity arises from maturity and interest rate repricing gaps in the various balance sheet items.

On the basis of the balance-sheet interest rate position, and considering the market situation and outlook, the necessary financial measures are adopted to align this position with that desired by the Bank. These measures can range from the taking of positions on markets to the definition of the interest rate features of commercial products.

The measures used by the Group to control interest rate risk in these activities are the interest rate gap and the sensitivity of net interest margin and market value of equity to changes in interest rates.

- *Interest rate gap of assets and liabilities*

The interest rate gap analysis focuses on the mismatches between the interest reset periods of on-balance-sheet assets and liabilities and of off-balance-sheet items. This analysis facilitates a basic snapshot of the balance sheet structure and enables concentrations of interest rate risk in the various maturities to be detected. Additionally, it is a useful tool for estimating the possible impact of potential changes in interest rates on the entity's net interest margin and market value of equity.

The flows of all the on- and off-balance-sheet aggregates must be broken down and placed at the point of repricing or maturity. The duration and sensitivity of aggregates that do not have a contractual maturity date are analysed and estimated using the Santander Group's internal model.

- *Net interest margin (NIM) sensitivity*

The sensitivity of the net interest margin measures the change in the expected net interest income for a specific period (twelve months) given a shift in the yield curve.

The sensitivity of the net interest margin is calculated by simulating the margin both for a scenario of changes in the yield curve and for the current scenario, the sensitivity being the difference between the two margins so calculated.

- *Market value of equity (MVE) sensitivity*

The sensitivity of the market value of equity is a complementary measure to the sensitivity of the net interest margin.

This sensitivity measures the interest rate risk implicit in the market value of equity based on the effect of changes in interest rates on the present values of financial assets and liabilities.

Liquidity risk

Liquidity risk is associated with the Santander Consumer Finance Group's ability to fund its commitments at reasonable market prices and to carry out its business plans with stable sources of funding. The Santander Consumer Finance Group permanently monitors maximum gap profiles.

The measures used to control liquidity risk in balance sheet management are the liquidity gap and liquidity ratios.

- *Liquidity gap*

The liquidity gap provides information on contractual and expected cash inflows and outflows for a given period for each currency in which the Santander Consumer Finance Group operates. The gap measures net cash requirements or surpluses at a given date and reflects the liquidity level maintained under normal market conditions.

In the contractual liquidity gap, all cash-flow generating balance sheet items are analysed and placed at the point of contractual maturity. For assets and liabilities without contractual maturities, the Santander Group's internal analysis model is used based on a statistical study of the time series of the products, and the so-called stable or instable balance for liquidity purposes is determined.

- *Liquidity ratios*

The minimum liquidity ratio compares liquid assets available for sale or transfer (after the relevant discounts and adjustments have been applied) and the assets maturing in less than 12 months with the liabilities maturing in less than 12 months.

Structural foreign currency risk / Hedges of results / Structural equities risk

Structural exchange rate risk arises mainly from investments in banks in currencies other than the euro.

Structural foreign currency risk is managed centrally at Santander Group level by applying the general corporate procedures.

Control system

I. Limit setting

The limit setting process is performed together with the budgeting activity and is the tool used to establish the assets and liabilities of each business activity.

Limit setting is a dynamic process that responds to the level of risk considered acceptable by senior management.

Objectives of the limits structure

The limits structure requires a process to be performed that pursues, inter alia, the following objectives:

- To efficiently and comprehensively identify and delimit the main types of market risk incurred, so that they are consistent with the business management approach and the strategy defined.

- To quantify and communicate to the business areas the risk levels and profile deemed acceptable by senior management so as to avoid undesired risks.

- To give flexibility to the business areas for the efficient and timely assumption of financial risks based on market changes, and for the implementation of the business strategies, provided that the acceptable levels of risk are not exceeded.

- To allow business makers to assume risks which, although prudent, are sufficient to obtain the budgeted results.

- To delimit the range of products and underlyings with which each Treasury unit can operate, taking into account features such as assessment model and systems, liquidity of the instruments involved, etc.

Risks and results in 2009

A *Balance-sheet management*

A1. Interest rate risk

On 19 December 2008, Banco Santander's Risk Committee set the interest rate risk exposure limit for the consolidated portfolios denominated in euros at EUR 60 million (in absolute terms) for the sensitivity of the net interest margin (NIM) at one year to a parallel increase of 100 b.p. in the yield curve, and at EUR 200 million for the sensitivity of the market value of equity (MVE) within the same scenario. In June 2009, the limit on the sensitivity of the value was increased to EUR 260 million, due mainly to the increase in the scope of consolidation in the first half of 2009, as a result of the inclusion of the units of SC Portugal and SC Finland (including GE Finland), and of the portfolios of SC Leasing GmbH and SC Benelux BV (included in the scope of consolidation of

SC Germany). In December 2009 both sensitivity measures were within the overall limits approved by Banco Santander's Risk Committee.

MVE sensitivity increased significantly in the first eight months of the year, due mainly to the following factors:

- The changes in the scope of consolidation of Santander Consumer Finance, with the addition of the units of SC Portugal and SC Finland, and the portfolios of SC Leasing and SC Benelux BV, and the exclusion of Openbank (which contributed positive margin and value sensitivity).

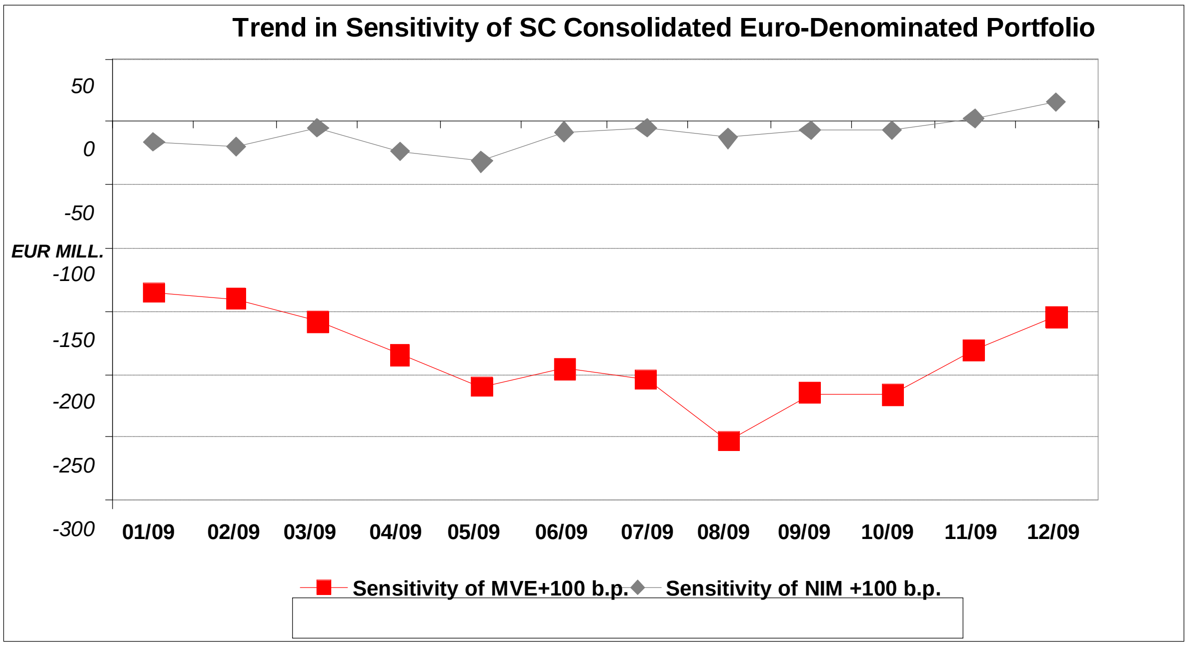
- The performance of various methodological improvements, including most notably a new repricing gap with more detailed buckets, the review and adjustment of the repricing criteria for the demand deposits of SC Germany, Openbank and SC Italy and for the credit cards of RBS (SC Germany).

- The decision to maintain the balance sheets positioned for falling interest rates to profit from the current interest rate scenario.

Since September 2009 the sensitivity of MVE has been falling gradually to levels close to those at the beginning of the year, due mainly to the decision to enter into hedging transactions for the purpose reducing the term of balance sheet items.

Net interest margin sensitivity remained at moderate levels throughout 2009 and the average use of the limit was 21%. From November onwards this sensitivity was positive in a scenario of rising interest rates.

The chart below shows the changes in the sensitivity of the net interest margin and of the market value of equity in 2009.



A2. Structural credit risk management

The aim of structural credit risk management is to reduce, through the sale of assets, the concentrations that arise naturally as a result of commercial activity. In view of the Group's business, its main asset is a highly atomised portfolio of consumer loans. Therefore, credit risk is analysed as part of the unit's commercial strategy.

A3. Structural liquidity management

Structural liquidity management seeks to finance the Group's business with optimal maturity and cost conditions, avoiding the need to assume undesired liquidity risks.

The Group has an increasingly active presence in a wide, diverse range of financing markets, thus limiting its dependence on specific markets and ensuring the availability of various sources of market funding.

Structural liquidity management involves planning its funding requirements, structuring the sources of financing to achieve optimum diversification in terms of maturities, instruments and markets, and defining contingency plans.

Each year, a liquidity plan is prepared on the basis of the funding needs arising from the business budgets of all the Group's subsidiaries. Based on these liquidity requirements, an analysis is made of the limits on new securitisations, considering the eligible assets available, and of the potential growth in customer deposits. This information is used to establish an issue and securitisation plan for the year. Throughout the year the Group periodically monitors the actual changes in financing requirements and updates this plan accordingly.

Set forth below are certain highlights of structural liquidity management in 2009:

- Issue programmes:

AIAF PROMISSORY NOTES PROGRAMME

The Group launched a Promissory Notes Issuance Programme for EUR 10,000 million which is traded on the Spanish AIAF Bond Market, with maturities of between 7 days and 25 months. Santander Consumer Finance (which acts as issuer on the primary market and places its issues through cooperating financial institutions) issued promissory notes in 2009 for over EUR 27,000 million in 2,605 transactions, with maturities of between 7 days and 25 months. The average outstanding balance was EUR 7,330 million at 2009 year-end and the maximum balance amounted to EUR 8,600 million.

SECURITISATIONS

In 2009 the Group performed five asset securitisation transactions (consumer and vehicle loans) totalling EUR 4,224 million (two in Germany and one each in Italy, Portugal and Spain).

ECP PROGRAMME

A multi-currency European Commercial Paper (ECP) programme was launched in the third quarter of 2009 for a maximum amount of EUR 8,000 million, with maturities of between 7 days and 364 days.

EMTN PROGRAMME

A multi-currency Euro Medium Term Note (EMTN) programme was launched in the last quarter of 2009 for a maximum amount of EUR 5,000 million.

- The Santander Consumer Finance Group's structural liquidity position and market presence, along with support from its Parent, Banco Santander S.A., through intragroup financing facilities, have enabled and continue to enable the Group to run its credit activity normally under the current market conditions.

B. *Structural foreign currency risk/hedges of results*

Structural exchange rate risk arises mainly from investments in banks in currencies other than the euro.

Structural foreign currency risk is managed by applying the general corporate procedures centrally at Santander Group level.

Operational risk

Definition and objectives

Santander Consumer Finance defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, human resources or systems or from external events". This risk generally relates to events of a purely operational nature, which differentiates it from market or credit risk, although it also includes external risks, such as natural disasters.

The basic aim pursued by the Group in operational risk control and management is to identify, measure/assess, control/mitigate and inform about this risk.

The Group's priority, therefore, is to identify and eliminate any clusters of operational risk, irrespective of whether losses have been incurred. Measurement of this risk also contributes to the establishment of priorities in operational risk management.

For the purpose of calculating regulatory capital for operational risk, Santander Consumer Finance decided to opt initially for the Standardised Approach provided for under Basel II standards. Santander Consumer Finance is assessing the most appropriate time to shift to Advanced Measurement Approaches (AMA) taking into account, however, that: a) the short-term priority in operational risk management is focused on mitigation; and b) most of the regulatory requirements established for use of the AMA must now be incorporated in the Standardised Approach and, at the present time, these requirements have already been included in the operational risk management approach used by Santander Consumer Finance.

Management model

The organisational model for risk management and control is the result of the adaptation to the new Basel II environment implemented by the Group, which establishes three levels of control:

- First level: control functions performed by the Group's units.

- Second level: functions performed by the corporate areas.

- Third level: integrated control functions performed by the Risk Division - Integrated Risk Control and Internal Risk Validation Area (CIVIR, using the Spanish acronym).

Operational risk management and control are conducted by the Technology and Operations Division. Within this division, the Corporate Technology and Operational Risk Area, created in 2009, is responsible for the definition of policies and methodology and for the management and control of technology and operational risks. The implementation, integration and local adaptation of the policies and guidelines established by this area are entrusted to the local operational risk officers identified in each unit.

This operational risk management structure is based on the knowledge and experience of the executives and professionals of the various Group units, with particular importance being attached to the role of the local operational risk officers.

The various phases of operational risk management at Santander Consumer Finance, which are supported by Technology Support Tools and Policies, Procedures and Methodologies, are as follows:

- Risk Identification

- Measurement Assessment

- Control Mitigation

- Information

The objectives of the various phases of the technology and operational risk management model are as follows:

- To identify the operational risk inherent in all the Bank's activities, products, processes and systems.

- To measure and assess operational risk in an objective and continuous manner, consistent with regulatory (Basel II, Bank of Spain) and industry standards, and to set risk tolerance levels.

- To continuously monitor the exposures to operational risk in order to detect the levels of unassumed risk, implement control procedures, improve internal awareness and mitigate losses.

- To implement control procedures and improve knowledge of the causes of operational risk as well as the related implications.

- To establish mitigation measures to eliminate or minimise operational risk.

- To produce periodic reports on the exposure to operational risk and the level of control for senior management and the Group's areas/units, as well as inform the market and the regulatory authorities.

- To define and implement systems enabling the Group to monitor and control operational risk exposures. These systems are integrated into the Group's daily management, using the current technology and maximising the automation of applications.

- To define and document operational risk management policies, and to implement the related methodologies consistent with current regulations and best practices.

The benefits of the Santander Consumer Finance Group's operational risk management model are as follows:

- Integrated and effective management of operational risk (identification, measurement / assessment, control / mitigation and information).

- Improved knowledge of actual and potential operational risks and better assignment to business and support lines.

- The information on operational risk helps improve processes and controls and reduce losses and income volatility.

Model implementation: global initiatives and results

The corporate function for operational risk management and control was created in 2001 and has been operating since then. The main duties and activities performed and global initiatives adopted by this function are summarised as follows:

- Designation of head coordinators and creation of operational risk departments.

- Training and experience sharing: communication of best practices within the Group.

- Fostering of mitigation plans: control of both the implementation of corrective measures and projects under development.

In 2009 the corporate function strengthened technology risk management and fostered the following aspects, inter alia:

- Security of information systems.

- Promotion of contingency and business continuity plans.

- Management of the risk associated with the use of technology (development and maintenance of applications, design, implementation and maintenance of technology platforms, production of computer processes, etc.).

Implementation of the operational risk management model at the various Group entities began in 2002. Substantially all the Group units are currently included in the model, with a high degree of uniformity. However, the different pace of the implementation, phases, timetables and historic depth of the respective databases gives rise to differences in the level of progress between one country and another.

In general:

- Classified databases of operational errors and incidents are received on a monthly basis. The Group's own database contains unrestricted events, i.e. with no exclusions due to amount, and include events with accounting (including positive effects) and non-accounting impacts.

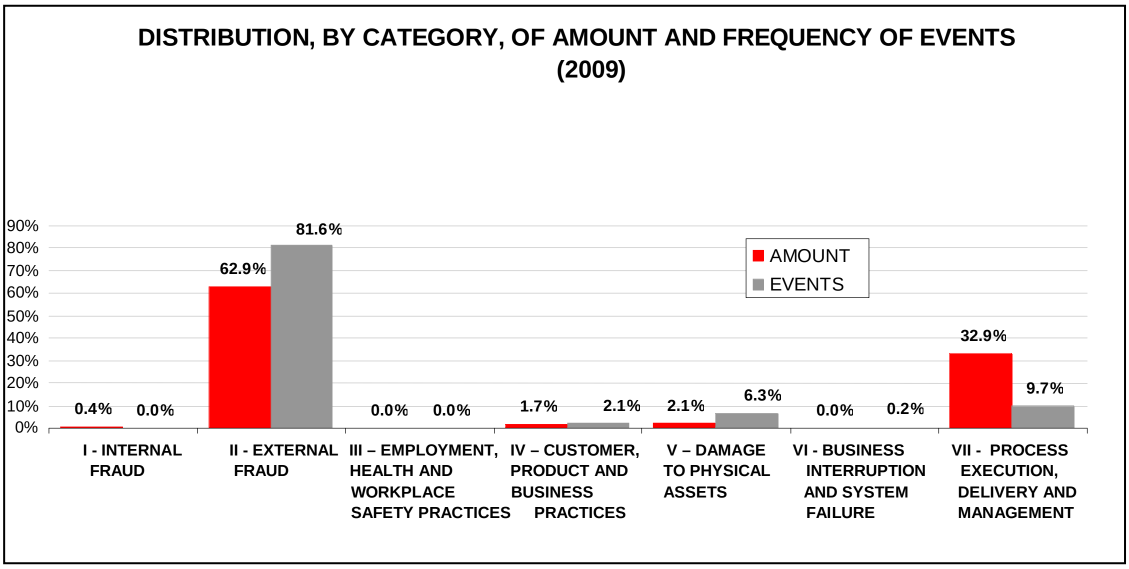
- Self-assessment questionnaires completed by the main Group units are received and analysed.

- There is a corporate operational risk indicator system in place.

- The most significant and frequent events are identified and analysed, and mitigation measures are adopted and disseminated to the other Group units as best practice guidelines.

- Databases are reconciled with the accounting records.

With regard to events databases, based on the aggregation of all the information received, the Group's operational risk profile is shown in the charts below:



Analysis and monitoring of controls in market operations

In view of the specific features and complexity of financial markets, the Group considers it necessary to continually strengthen the operational control of its financial market activities, thus bolstering the highly stringent and conservative risk and operational principles already applied on a regular basis by the Santander Group.

In addition to monitoring all operational control-related matters, in all its units the Group placed greater emphasis on a number of aspects, the reviews conducted being validated on a monthly basis by the Management Committee of each unit. The most noteworthy of these aspects are as follows:

- Review of the valuation models and, in general, of the values of the portfolios.

- Processes for the capture and independent validation of prices.

- Adequate confirmation of transactions with counterparties.

- Review of transaction cancellations/modifications.

- Review and monitoring of the effectiveness of guarantees, collateral and risk mitigants.

Corporate reporting

The Corporate Technology and Operational Risk Area has an Integrated Operational Risk Management Information system (IGIRO, using the Spanish acronym) in place, which every quarter consolidates the information available from each country/unit in connection with operational risk and gives a global view with the following features:

- Two levels of information: consolidated corporate information and the individualised data for each country/unit.

- Dissemination of the best practices among the countries/units of the Santander Group, obtained from the combined study of the results of qualitative and quantitative analyses of operational risk.

Information is also prepared on the following aspects:

- The Santander Group's operational risk management model.

- Human resources and scope of action.

- Analysis of the database of errors and incidents.

- Operational risk cost and accounting reconciliation.

- Self-assessment questionnaires.

- Indicators.

- Mitigating measures/active management.

- Contingency plans.

- Regulatory framework: BIS II.

- Insurance

This information is used as a basis for reporting to the Risk Committee, senior management, regulators, rating agencies, etc.

Role of insurance in operational risk management

The Santander Group was a pioneer in considering insurance as a key factor in operational risk management. Since 2004 the Operational Risk Area has worked closely with the Insurance Area in the Santander Group in all activities leading to improvements in the two areas. Some notable examples are as follows:

- Cooperation in the presentation of the Santander Group's operational risk management and control model to insurers and reinsurers.

- Analysis and follow-up of recommendations and suggestions for improving operational risks made by insurance companies, via previous audits conducted by specialised companies, and of the subsequent implementation thereof.

- Sharing of information generated in the two areas in order to strengthen the quality of error bases and the cover of insurance policies for the different operational risks.

- Close cooperation between local operational risk officers and local insurance coordinators in order to enhance operational risk mitigation.

- Regular meetings to report on specific activities, statements of position and projects in the two areas.
- Active participation of the two areas in the Global Insurance Sourcing Desk, the Group's highest technical body responsible for the definition of insurance coverage and arrangement strategies.

Reputational risk

The Santander Group's Risk Committee, in its capacity as the body ultimately responsible for global risk management and for all banking operations, assesses, with the support of the General Secretary's Division, the reputational risk within its scope of competence in areas for which it has decision-making powers.

The Audit and Compliance Committee supervises the Santander Group's reputational risk. Amongst other functions, it supervises compliance with the Group's Code of Conduct in Securities Markets, the anti-money laundering manuals and procedures and, in general, Banco Santander's governance and compliance rules, and makes any required proposals for improvement.

Furthermore, the report of the Audit and Compliance Committee, which was issued by the committee itself and is distributed jointly with this annual report, contains a complete description of its activities in 2009.

The main instruments for the management of this risk with regard to the marketing of products and services for Group customers are as follows:

Global New Products Committee (CGNP)

Any new product or service that a Santander Group entity intends to market must be authorised by this Committee.

In 2009 the Committee held 15 meetings, at which a total of 170 products or product families were analysed.

A Local New Products Committee is set up in each country in which a Santander Group entity is based. Once a new product or service has undergone the required procedures, this Committee must seek the approval of the Global New Products Committee. In Spain, the functions of the Local New Products Committee are discharged by the Global New Products Committee.

The areas represented on the Global New Products Committee, which is chaired by the Group's General Secretary, are as follows: Tax Advisory, Legal Advisory, Customer Care, Internal Audit, Commercial Banking, Global Corporate Banking, CIVIR/Integrated Risk Control, Compliance, the Controller's Unit, Technology and Operations (Global Businesses), Technology and Operations (ECB), Global Wholesale Banking Risks Management, Corporate Banking Risks and IFIs, Credit Risk, Market Risks, Risks - Systems, Solvency Risk, Corporate Technology and Operational Risk, Santander Private Banking, Technology, Global Treasury, Universities and, lastly, the unit proposing the new product or a representative of the Local New Products Committee.

Before a new product or service is launched, the aforementioned areas, together with other independent experts required to correctly evaluate the risks incurred (such as, for example, Money Laundering Prevention), conduct an exhaustive analysis of all the matters involved and express their opinion as to whether the product or service should be marketed.

On the basis of the documentation received, the Global New Products Committee, after checking that all requirements for the approval of the new product or service have been met and considering the risk guidelines established by the Santander Group's Risk Committee, either approves, rejects or sets conditions for the proposed new product or service.

The Global New Products Committee pays particular attention to the suitability of the new product or service for the environment in which it is to be marketed, placing particular emphasis on ensuring that:

- Each product or service is sold by people who know how to sell it.

- Customers know what they are investing in and are aware of the risk involved in the particular product or service, and this can be evidenced by supporting documentation.

- The product or service fits the customer's risk profile.

- Each product or service is sold where its sale is possible, not only from a legal or tax standpoint (i.e. it complies with the legal or tax regime of the country in question), but also with regard to the local financial culture.

- When a given product or service is approved, maximum placement limits are set.

BASEL II

As part of the Santander Group, Santander Consumer Finance has assumed from the outset a firm commitment to the principles underlying the "Revised Framework of International Convergence of Capital Measurement and Capital Standards" (Basel II). This framework allows entities to make internal estimates of the regulatory capital required to ensure their capital adequacy when faced by events caused by various types of risk. As a result of this commitment, the Santander Group has devoted all the human and material resources required to ensure the success of the Basel II implementation plan. For this purpose, a Basel II team was created in the past, consisting of qualified professionals from the Group's different areas: mainly Risks, Technology and Operations, the Controller's Unit, Financial Management, Internal Audit –to verify the whole process, as the last layer of control at the entity–, and Business –particularly as regards the integration of the internal models into management. Additionally, specific work teams have been set up to guarantee the proper management of the most complex aspects of the project.

Supplementing the efforts of the Basel II operating team, Santander Group senior management has displayed total involvement from the very beginning. Thus, the progress of the project and the implications of the implementation of the New Capital Accord for the Santander Group have been reported to the Management Committee and to the Board of Directors on a regular basis.

In the specific case of credit risk, the implementation of Basel II entails the recognition, for regulatory capital purposes, of the internal models that have been used for management purposes.

Santander Consumer Finance's most significant units (Germany, Spain and the Nordic countries) will progressively adopt the AIRB approach in accordance with a timetable agreed upon with the Bank of Spain and notified to the various local supervisors.

In addition to the supervisory validation and approval process, the Santander Group continued in 2009 with the project for the progressive implementation of the technology platforms and methodological developments required for the roll-out of the AIRB approaches for regulatory capital calculation purposes at the remaining Santander Group units.

As far as operational risk is concerned, the Group has decided to use the standardised approach for regulatory capital calculation purposes, since it considers that the use of AMA approaches for this risk is somewhat premature.

Pillar 2 is another significant line of action in the Basel II Corporate Project. In addition to reviewing and strengthening the methodology supporting the economic capital model, the technology was brought into line with the platform supporting Pillar 1, so that all the information on credit risk will come from this source in the case of units using authorised internal models under Pillar 1. In 2009 the Santander Group's economic capital model was submitted to a thorough review by an international team of CEBS supervisors led by the Bank of Spain, in addition to the internal review conducted at the beginning of 2009 by the Group's internal validation and internal audit teams.

Internal validation of risk models

Internal validation is a pre-requisite for the supervisory validation process. A sufficiently independent specialised unit of the Entity obtains an expert opinion on the adequacy of the internal models for the intended internal or regulatory purposes, and concludes on their usefulness and effectiveness. This unit must also assess whether the risk management and control procedures are adequate for the Entity's risk strategy and profile.

In addition to complying with the regulatory requirement, the internal validation function provides essential support to the Risk Committee and the Local Risk Committees in the performance of their duties to authorise the use of the models (for management and regulatory purposes) and to review them regularly, since senior management must ensure that the Entity has appropriate procedures and systems in place for the monitoring and control of credit risk.

Internal model validation at the Santander Group encompasses credit risk models, market risk models, option pricing models and the economic capital model. The scope of the validation includes not only the more theoretical or methodological aspects, but also the technology systems and the quality of the data the models provide, on which their effective operation relies, and, in general, all the relevant aspects of advanced risk management (controls, reporting, uses, involvement of senior management, etc.). Therefore, the aim of internal validation is to review quantitative, qualitative, technological and corporate governance-related aspects.

As part of the Santander Group, Santander Consumer Finance locates the internal validation function, at corporate level, within the Integrated Risk Control and Internal Risk Validation Area (CIVIR, using the Spanish acronym) and reports directly to the Third Deputy Chairman of the Group and to the Chairman of the Risk Committee. This function is performed at a global and corporate level in order to ensure uniformity of application.

The Santander Group's corporate internal validation framework is fully consistent with the internal validation standards for advanced approaches recently issued by the Bank of Spain. Accordingly, the Group maintains the segregation of functions between Internal Validation and Internal Audit, which, in its role as the last layer of control at the Group, is responsible for reviewing the methodology, tools and work performed by Internal Validation and for giving its opinion on the degree of effective independence.

INTEGRATED RISK CONTROL

In 2008 the Santander Group launched the Integrated Risk Control function, which meant the early adoption of the new regulatory requirements then under discussion by the main bodies and forums (Basel Committee, CEBS, FST, etc.), and of the recommendations on best risk management practices made by various public and private organisations.

Subsequently, in July 2009, the Basel Committee required banks to implement this function immediately.

Organisation, mission and features of the function

The *Integrated Risk Control function* is located in the Integrated Risk Control and Internal Risk Validation Unit, which is an independent unit within the Risk Division. It has global-reaching, corporate responsibilities. This new function was created to provide risk management and control support to the Group's governing bodies.

A special focus is placed on credit risk (including concentration and counterparty risks), market risk (including liquidity and structural interest rate and foreign currency risks), operational and technology risks, and compliance and reputational risks.

The integrated control mission is based on three pillars:

Pillar 1) To guarantee that the management and control systems for the various risks inherent in the Santander Group's activities comply with the most stringent criteria and the best practices observed in the industry and/or established by regulators;

Pillar 2) To ensure that senior management has an all-embracing view of the profiles of the various risks assumed at any time and that these profiles are consistent with the pre-determined risk appetite; and

Pillar 3) To supervise adequate compliance, in due time and form, with any recommendations on risk management and control made as a result of inspections conducted by Internal Audit and by the competent supervisory authorities.

The integrated risk control function supports the Risk Committee by providing it with the best corporate governance practices in respect of risk management.

The main features of the function are as follows:

- Global approach: all risks, all businesses, all geographical areas;

- It is a third layer of control, which follows the control performed in the first instance by the officer responsible for managing and controlling each risk at each business or functional unit (first layer of control) and by the officer responsible for the control of each risk at corporate level (second layer of control). This system ensures a vision and, therefore, the integrated control of all the risks arising or incurred as a result of the Santander Group's business activities.

- Special attention is paid to the future development of best practices in the financial services industry, so that the Group is in a position to promptly incorporate any relevant advance.

- The available information and the resources assigned by the Santander Group to the control of the various risks are optimised in order to avoid overlaps.

Methodology and tools

The Santander Group has developed internally tailored to its specific needs, a methodology to systematise this function, together with the related proprietary supporting tools to formalise implementation of the methodology, making it traceable and objectifiable. The methodology and tools are articulated through the three pillars referred to above for all the addressed risks.

Pillar 1) Testing or review guidelines have been defined for each risk. These guidelines consist of over 650 tests in total considering all the aforementioned risks, and are divided into control areas, e.g. corporate governance, organisational structure, management systems, management integration , technology environment, contingency and business continuity plans, etc.).

The Group performs the tests and gathers the relevant evidence assessed in the process -which enables it to standardise the control parameters of the various risks- on a half-yearly basis, with the inclusion of new tests if required. The supporting tool is the *Risk Control Monitor*, a repository for the findings of each test and of the related working papers.

Pillar 2) A combined balance scorecard is being designed, together with the related tool, so as to make it easier for senior management to monitor, with an integrated approach, the various risks assumed and their consistency with the previously established risk appetite.

Pillar 3) In order to follow-up the recommendations on risk management and control made by Internal Audit and by the supervisors, the Group uses SEGRE, a tool which also enables the recommendations made by Integrated Control to be included. The use of this tool is coordinated with the Risk Control Areas involved, so as to optimise the follow-up process.

The Bank of Spain can access the aforementioned tools if it considers it appropriate.

Main achievements in 2009

The main milestones achieved in 2009 were as follows:

(a) The first review cycle of the various risks was completed in close contact with the Corporate Risk Control Areas, testing and assessing the management and control systems in place for these risks. Areas for improvement were identified and recommendations were made as a result, for which the related implementation schedule was agreed with the areas involved, which will facilitate the subsequent follow-up of any progress made in this connection.

(b) The corporate Integrated Risk Control model and the first diagnostic report were submitted to the Audit and Compliance Committee, the Risk Committee and the Board of Directors, which approved the model;

(c) The process of reporting to the Board of Directors with an integrated view of all risks commenced; and

(d) The first steps were taken to extent the Integrated Risk Control model to the main Group units.

Economic capital

The concept of economic capital has traditionally been contrasted with that of regulatory capital, the latter being the capital required by capital adequacy regulations. The new Basel II capital framework has without doubt brought the two concepts closer together, although certain significant differences still remain, such as the recognition of the effects of diversification or concentration, which is allowed under economic capital models.

In calculating economic capital, a bank must decide which level of losses it wishes to cover, i.e. with which confidence level it wishes to ensure the continuity of its business. The target confidence level that the Santander Group intends to achieve using economic capital is 99.97%, higher than the 99.90% assumed by the regulatory capital formulas proposed in the New Basel Capital Accord. The difference between the two levels means that the probability of failure assumed by the Group is 0.03%, instead of 0.1%, i.e. 3 times lower than the BIS II standard.

In external rating terms, a 99.97% confidence level requires the Group to have sufficient capital to achieve a capital adequacy ratio equivalent to an AA rating, whereas the maximum rating attainable with a 99.90% confidence level would be A-, given the higher associated probability of failure.

The Santander Group's economic capital model enables it to quantify the consolidated risk profile taking into account all the significant risks of the business and the diversification effect inherent in a multinational, multibusiness group such as Santander Consumer Finance.

The economic capital measurement and aggregation model pays particular attention to the concentration risk for wholesale portfolios (large corporations, banks and sovereigns).

Analysis of the global risk profile

The Santander Group periodically assesses the level and the changes in the value creation (VC) and return on risk-adjusted capital (RORAC) of its main business units. The VC is the profit generated over and above the cost of the economic capital (EC) used, and is calculated using the following formula:

$$\textit{Value creation} = \textit{Economic profit} - (\textit{average EC x cost of capital})$$

Economic profit is obtained by making the required adjustments to accounting attributable profit in order to reflect only the recurring profit or loss that each unit obtains from its business activity. Cost of capital, which is the minimum remuneration required by the shareholders, can be calculated objectively by adding to the risk-free return the premium that shareholders demand for investing in the Santander Group. This premium depends essentially on the degree of volatility of the market price of the Santander share in relation to the market performance. The cost of capital calculated for 2009 for the Santander Group was 9.2%.

In 2009 Santander Consumer Finance obtained a RORAC above the cost of capital. Santander Consumer Finance's relative weight of total value created (as defined above, value creation is the economic profit generated over and above the cost of capital) by the Santander Group was 8.9%.

The main aim of the Santander Group's capital planning is to obtain future projections of economic and regulatory capital and thus assess the capital adequacy in various scenarios. Capital planning incorporates the Entity's earnings forecasts in various scenarios, in a manner consistent with its strategic targets (organic growth, M&A, pay-out ratio, etc.) and with economic developments, and simulating stress situations, and identifies possible capital management strategies to enable it to optimise the Bank's capital adequacy position and the return on capital.

More specifically, the capital planning framework defined at the Santander Group makes it possible to provide a global view of the capital adequacy in various time horizons and stress scenarios, and acts as a complement to certain aspects contained in the Guidelines on the Internal Capital Adequacy Assessment Process (ICAAP) issued by the Bank of Spain in compliance with the requirements established in Pillar 2 of Basel II.

Proposed distribution of profit

The distribution of the Bank's net profit for 2009, amounting to EUR 465,583 thousand, that will be proposed for approval by the shareholders at the Annual General Meeting is as follows:

Dividends: EUR 109,693 thousand.

Legal reserve: EUR 46,558 thousand.

Voluntary reserve: EUR 309,332 thousand.

Share capital and treasury shares

The Group did not perform any transactions involving treasury shares in 2009 and it did not have any treasury share balance in its balance sheet at 2009 year-end.

Research and development

Technology and information systems are a fundamental part of the development of the Santander Consumer Finance Group's management model. In 2009 the Group's investment and efforts in this connection centred on further developing the tools that will enable it to obtain competitive advantages. In this regard, the Group continued to invest in the development of technology platforms, enhance management tools and improve the shared services model. The following milestones in this respect are worthy of note:

- The continuation of the inclusion of Group units on the Partenón platform.
- The continuation of the inclusion of Group units on the Ficres dealers management platform.
- The development of new recovery management tools (Tallyman).
- The development and enhancement of the ITACA management information system.
- The development of tools to monitor and standardise the human resources organisational and management structures (Peoplesoft).

Events after the reporting period

Significant events occurring after 2009 year-end are detailed in Note 1-i to the consolidated financial statements.

Outlook

The economic outlook for 2010 points to a widespread recovery of the world economy and of the various markets in which the Group operates, following the severe recession experienced in 2009. The increased activity will reach different levels of intensity by area and country, depending mainly on their particular imbalances, the need to reduce their debt and the impact of the phasing out of the monetary and fiscal stimulus packages that is set to begin in 2010.

The strongest economic growth is expected to be recorded by emerging economies, due to their higher stability compared to previous phases and the low level of debt of their economic agents. Specifically, the growth forecasts for 2009 place Latin America and, in particular, Brazil as leaders of the recovery. The US economy follows behind since, although is highly leveraged, it is very flexible, which will enable it to regain higher growth rates.

At the other end, the mature European economies of the euro zone and the UK must endure a process of deleveraging and the gradual withdrawal of economic stimulus measures. Although positive growth rates will be recovered, low growth rates are expected in certain economies, which may still remain in negative territory in 2010.

This economic environment will shape the banking business in the various regions. It is forecast that economic activity in emerging countries will tend to normalise, with rising business volumes, lower pressure on the cost of credit and an upward trend in interest rates as the economic recovery takes hold. However, mature economies are forecast to experience low rates of banking activity, somewhat narrower spreads and still significant credit loss provision requirements.

As a result, expectations for 2010 point again to a highly demanding environment for banking management.

In response, the Group will focus on the following objectives:

Firstly, to increase new production with the support of the more dynamic markets and continuing the arrangement of global agreements with international automobile manufacturers.

Secondly, to defend spreads against the forecast increase in funding costs.

Thirdly, to derive value from recoveries and the slowdown in the cost of credit by expanding the initiatives undertaken in 2009 following the positive results achieved, which enabled the Group to close the year with a lower non-performing loans ratio than that announced at the beginning of the year. Specifically, at global level, Spain's recovery model will be extended to other markets.

Meanwhile, the Group will continue to strive to control costs and obtain value from the new additions to the Group through the consolidation and enhancement of the synergies already obtained in 2009.

All in all, the Group is confident that in 2010 it will continue to generate profits and create value over the various phases of the cycle.

Corporate governance report

The Bank, an entity registered in Spain the voting rights of which correspond, directly or indirectly, to Banco Santander, S.A., in compliance with Regulation Six of Spanish National Securities Market Commission Circular 1/2004 of 17 March, does not prepare an Annual Corporate Governance Report, which is prepared and presented to the National Securities Market Commission by Banco Santander, S.A., as the Santander Group's Parent company.

Capital structure and significant holdings

▪ Banco Santander, S.A.	630,165,256	Percentage of ownership	63.19%
▪ Holneth, B.V.	249,301,822	Percentage of ownership	25.00%
▪ Fomento e Inversiones, S.A.	117,740,210	Percentage of ownership	11.81%
▪ Total number of shares	997,207,288		
▪ Par value	3.00		
▪ Share capital	2,991,621,864		

On 4 March 2009, the Extraordinary General Meeting of the Bank resolved to increase capital by EUR 1,195,480,284 by issuing at par 398,493,428 ordinary shares of EUR 3 par value each. This capital increase was fully subscribed and paid by Banco Santander, S.A., through a non-monetary contribution comprising four loans granted by Banco Santander, S.A., for the financing of the ordinary consumer credit business of the subsidiaries SC Holding GmbH (Germany), GE Money Bank GmbH (Austria), Santander Consumer Bank S.A. (Poland) and Santander Consumer Bank A.S. (Norway). The four transactions are floating-rate financing loans in which the

principal is repaid on maturity. The value of this contribution, based on the report prepared by an independent expert, under its responsibility, does not differ from the amount of the capital increase carried out by the Bank. On 30 March 2009, Banco Santander, S.A. sold 99,623,357 shares to Holneth B.V. and 47,050,097 shares to Fomento de Inversiones, S.A. in order for these shareholders to maintain the same percentage of ownership as that which they held in the Bank's share capital before the capital increase.

As a result, at 31 December 2009, the Bank's share capital consisted of 2,991,621,864 fully subscribed and paid registered shares of EUR 3 par value each, all with the same voting and dividend rights.

Restrictions on the transferability of securities

Not applicable

Significant direct and indirect ownership interests

The most significant transactions performed on investments in subsidiaries are described in Note 3 to the consolidated financial statements. A detail of the Group companies, jointly controlled entities and associates is included in Appendices I and II to the notes to the consolidated financial statements for the year ended 31 December 2009.

Restrictions on voting rights

The shareholders attending the Annual General Meeting will have one vote for each share that they hold or represent.

Only the holders of 20 or more shares will be entitled to attend the Annual General Meeting, provided that they are registered in their name in the corresponding accounting record.

Shareholder agreements

Not applicable.

Board of Directors

Appointment and replacement of members of the Board of Directors and amendment of the bylaws

The representation of the Bank is the responsibility of the Board of Directors, which will comprise no fewer than 5 and no more than 15 members, who will be appointed by the Annual General Meeting for a period of one year, although they may be re-elected, as many times as may be desired, for further one-year periods.

Any vacancies arising on the Board of Directors in the interval between Annual General Meetings will be filled by the Board of Directors by co-optation between the shareholders, as provided for under current legislation.

It is not necessary to be a shareholder of the Bank in order to be a director, except as mentioned above.

Powers of the members of the Board of Directors

On 16 December 2008, the Bank granted powers of attorney to the General Managing Director, Ms Inés Serrano, and to the General Managing Director, Mr Francisco Javier San Félix García, so that any one of them, acting jointly and severally, for and on behalf of the Bank, can exercise the powers detailed below.

1. To arrange, modify and cancel all types of deposits in cash, in securities, possessory or non-possessory, or in some other form at the Bank of Spain, official and private banks, the Caja General de Depósitos (General Public Depository), corporations, agencies and entities already created or to be created in the future. To open safety deposit boxes and withdraw their contents.

2. To prepare and sign, with the effects established by law, the protest statement, to which Exchange and Cheque Law 19/1985, of 16 July, refers, on both bills of exchange and promissory notes and cheques, effective for the equivalent or replacement protest statement in the event of total or partial non-payment.

3. To open, monitor and close current accounts, savings accounts and credit accounts with any personal and in rem guarantees as may be arranged, in any conditions deemed appropriate, at the Bank of Spain and official and private banks, and other corporations and entities.

4. To transfer all types of endorsable and non-endorsable loans, promissory notes, cheques and other commercial paper.

5. To arrange or perform all manner of banking and stock market transactions and to purchase, sell, pledge and subscribe all kinds of shares, debentures or securities of private companies or entities, and present for conversion, at any government agency, bank, company, establishment and private entity, shares or securities for exchange purposes, withdrawing or collecting the new securities resulting from the exchange or conversion, with current or in-arrears coupons, and in general carrying out any transactions required to this end.

6. To purchase, sell and swap personal and real property and to assume responsibility for, or take possession of, assets of any kind. To deliver and take possession of assets of any kind. To deliver and take either physical or symbolic possession of assets which, for any reason, may correspond to the Bank, organising any administrative or legal documents required for this purpose.

7. To take part in Annual General Meetings and meetings of the Board of Directors in the name and on behalf of the Bank at companies in which the Bank holds an ownership interest.

8. To arrange, accept and cancel all types of security and to sign guarantees for bills of exchange or for other purposes; to create, divide, accept, postpone and cancel mortgages, including chattel mortgages, easements and in rem rights, pledges and non-possessory pledges; to effectively pool together and divide properties and verify their segregations; to issue deeds of declaration of new construction; to regulate and draw up joint ownership statutes, stipulating, should this be deemed appropriate, their period of validity and the judicial or extrajudicial procedures for terminating same; to rent and lease any assets, arrange transfers thereof, stipulating the economic conditions and any other conditions and, in general, to amply formalise any act or contract, including those provided for in Article 2 of the Mortgage Act, in relation to transactions performed directly by the Bank or arranged by third parties, freely stipulating the conditions and procedures for each act and contract in defence of the interests bestowed.

9. To arrange all types of leases or sub-leases, as lessor or lessee, with the price, term and conditions that are deemed appropriate, including the requirement that such contracts be registered in a public deed and be registered in the Land Register.

10. In relation to central, Autonomous Community, provincial and municipal entities, and to any institution, public establishment or decentralised administrative service, to enter into all kinds of administrative and private agreements, in connection with public tenders, auctions or direct procurement arrangements, submitting proposals or bids, creating, modifying or withdrawing, either totally or partially, provisional or final guarantees and deposits at the General Public Depository, branches of the same, or with any other official agencies or offices, regardless of whether the transactions concerned have been directly performed by the Entity or the deposit secures obligations undertaken by third parties or whether the process is carried out on their behalf for any reason; to settle credits payable to or receivable from the central government, Autonomous Communities, provinces and municipalities and other government entities as a result of the agreements executed.

11. To represent the Bank by exercising all the rights and performing all the actions of the Company both in and out of court. To appear before the Constitutional Court, competent judges and courts of any level and jurisdiction, in civil suits and in criminal, administrative, employment-related, constitutional or any other kind of proceedings that may be currently outstanding or may be established hereinafter; to appear before all manner of central government, Autonomous Community, provincial and municipal agencies, authorities and civil servants or employees, bodies dependent thereon and other public entities, in relation to administrative, economic-administrative or similar proceedings. To present documents and ratify same; to appear in conciliatory acts, acts and incidents of all types placing obligations on the principal; to furnish evidence, request petitions, citations, summonses, sales, embargos, or release and cancellation of same; to challenge witnesses; to object to functionaries; to reply to interrogatories; to offer explanations in the courts; to request any proceedings required by the procedure in question; to reach compromises concerning all manner of issues and discrepancies; to desist from the actions or procedures instigated, whatever stage these may have reached. To instigate and continue all manner of relevant legal appeals, including reversals of any kind, and to revise and desist from those instigated. To create, modify and withdraw deposits, guarantees and other security at the disposal of the Courts and other agencies mentioned in this section. To grant and revoke the legal empowerments of lawyers and solicitors (*procuradores*) of Courts freely chosen.

12. To appoint, separate, hire, organise, lead, modify, inspect and rectify the Bank's personnel and services; to inspect all their operations to ensure smooth running of the Bank's business activity, and to request accountability of any accountable person, demanding any items that are necessary thereto, and signing any documents that are required for this purpose.

13. To represent the Bank in any other matter or transaction the performance of which has been approved by the Board of Directors or by its Executive Committee, and entrusted to them through proper certification.

14. In the exercise of the powers outlined above, to issue, grant and sign as many public and private documents as may prove necessary or advisable.

The Bank does not grant the power to issue or buy back treasury shares, which corresponds to the Annual General Meeting or the Board of Directors, as appropriate.

Significant agreements which will be modified or terminated in the event of a change in control of the Company

Not applicable

Agreements between the Company and the directors, executives or employees which provide for termination benefits if the relationship with the Company ends as a result of a takeover bid

Not applicable