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 2010, together with Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 51). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (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.:

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 comprise the consolidated balance sheet at 31 December 2010 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 and notes to the consolidated financial statements for the year then ended. As indicated in Note 1-b to the accompanying consolidated financial statements, the directors of the Bank (the Parent) are responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of regulatory financial framework applicable to the Group. 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 the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

In our opinion, the accompanying consolidated financial statements for 2010 present fairly, in all material respects, the consolidated equity and consolidated financial position of the Santander Consumer Finance Group at 31 December 2010, and the consolidated results of its operations and its consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial framework applicable to the Group.

The accompanying consolidated directors' report for 2010 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 2010. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Santander Consumer Finance, S.A. and its Subsidiaries.

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

Carlos Giménez Lambea
12 April 2011

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (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 2010 AND 2009

(Thousands of Euros)

ASSETS	Note	2010	2009 (*)
CASH AND BALANCES WITH CENTRAL BANKS		837,434	661,218
FINANCIAL ASSETS HELD FOR TRADING:		145,891	171,818
Loans and advances to credit institutions	6	10,040	-
Loans and advances to customers	10	197	-
Trading derivatives	9	135,654	171,818
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS:		311,678	166,413
Debt instruments	7	309,967	164,619
Equity instruments	8	1,711	1,794
LOANS AND RECEIVABLES:		54,016,349	56,211,763
Loans and advances to credit institutions	6	5,376,663	5,296,924
Loans and advances to customers	10	48,637,453	50,914,839
Debt instruments	7	2,233	-
Memorandum item: Loaned or advanced as collateral	10	*1,350,000*	*1,350,000*
HELD-TO-MATURITY INVESTMENTS		-	-
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	31	69,527	97,989
HEDGING DERIVATIVES	11	117,921	111,512
NON-CURRENT ASSETS HELD FOR SALE	12	400,568	692,647
INVESTMENTS:		223,492	21,175
Associates	13	223,492	21,175
INSURANCE CONTRACTS LINKED TO PENSIONS	14	29,105	31,202
REINSURANCE ASSETS		-	-
TANGIBLE ASSETS:		512,052	531,865
Property, plant and equipment - For own use	15	166,949	154,286
Property, plant and equipment - Other assets leased out under an operating lease	15	345,103	377,579
Memorandum item: Acquired under a finance lease		*57,594*	*58,465*
INTANGIBLE ASSETS:	16	2,008,832	1,858,564
Goodwill		1,693,191	1,602,551
Other intangible assets		315,641	256,013
TAX ASSETS:	24	926,993	692,975
Current		147,479	136,147
Deferred		779,514	556,828
OTHER ASSETS:	17	436,734	414,809
Inventories		8,548	7,498
Other		428,186	407,311
TOTAL ASSETS		**60,036,576**	**61,663,950**
CONTINGENT LIABILITIES	30	3,466,884	837,352
CONTINGENT COMMITMENTS	30	6,727,085	13,678,790

LIABILITIES AND EQUITY	Note	2010	2009 (*)
LIABILITIES			
FINANCIAL LIABILITIES HELD FOR TRADING:		167,580	183,098
Trading derivatives	9	167,580	183,098
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
FINANCIAL LIABILITIES AT AMORTISED COST:		51,945,827	54,463,810
Deposits from central banks	18	1,066,666	330,779
Deposits from credit institutions	18	14,857,934	21,043,366
Customer deposits	19	24,338,876	17,896,194
Marketable debt securities	20	10,143,401	13,418,969
Subordinated liabilities	21	1,211,732	1,284,357
Other financial liabilities	22	327,218	490,145
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
HEDGING DERIVATIVES	11	318,946	474,776
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	12	63,425	290,963
LIABILITIES UNDER INSURANCE CONTRACTS		-	-
PROVISIONS:	23	384,314	385,862
Provisions for pensions and similar obligations		298,087	310,884
Provisions for taxes and other legal contingencies		29,249	15,283
Provisions for contingent liabilities and commitments		2,371	1,337
Other provisions		54,607	58,358
TAX LIABILITIES:	24	548,628	490,403
Current		144,976	184,009
Deferred		403,652	306,394
OTHER LIABILITIES	17	767,198	601,104
TOTAL LIABILITIES		**54,195,918**	**56,890,016**
EQUITY			
SHAREHOLDERS' EQUITY:		5,716,296	4,848,291
Registered capital	25	3,853,639	2,991,622
Share premium	26	1,139,990	1,139,990
Reserves-	27	727,760	726,363
Accumulated reserves		716,691	698,757
Reserves of entities accounted for using the equity method		11,069	27,606
Less: Treasury shares		-	-
Profit for the year attributable to the Parent		344,915	100,597
Less- Dividends and remuneration		(350,008)	(110,281)
VALUATION ADJUSTMENTS:		(17,376)	(180,663)
Available-for-sale financial assets	28	44	77
Cash flow hedges	28	(87,962)	(182,613)
Exchange differences	28	70,542	1,873
NON-CONTROLLING INTERESTS:		141,738	106,306
Valuation adjustments		2,098	(9,761)
Other	29	139,640	116,067
TOTAL EQUITY		**5,840,658**	**4,773,934**
TOTAL LIABILITIES AND EQUITY		**60,036,576**	**61,663,950**

(*) 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 2010.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (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 2010 AND 2009

(Thousands of Euros)

		Income/(Expenses)	
	Note	2010	2009 (*)
INTEREST AND SIMILAR INCOME	32	3,708,454	4,101,226
INTEREST EXPENSE AND SIMILAR CHARGES	33	(1,635,772)	(2,191,255)
NET INTEREST INCOME		**2,072,682**	**1,909,971**
INCOME FROM EQUITY INSTRUMENTS		95	1,239
SHARE OF RESULTS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	13 & 34	2,074	(8,354)
FEE AND COMMISSION INCOME	35	1,004,976	979,145
FEE AND COMMISSION EXPENSE	36	(258,460)	(169,561)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (net):	37	5,125	83,050
Held for trading		8,119	14,927
Other financial instruments at fair value through profit or loss		14	34
Financial instruments not measured at fair value through profit or loss		(7,007)	74,639
Other		3,999	(6,550)
EXCHANGE DIFFERENCES (net)	38	7,371	(5,924)
OTHER OPERATING INCOME:	39	156,113	165,137
Sales and income from the provision of non-financial services		89,204	115,480
Other		66,909	49,657
OTHER OPERATING EXPENSES:	40	(133,646)	(145,397)
Changes in inventories		(71,753)	(99,574)
Other		(61,893)	(45,823)
GROSS INCOME		**2,856,330**	**2,809,306**
ADMINISTRATIVE EXPENSES:		(912,200)	(916,223)
Staff costs	41	(382,399)	(397,731)
Other general administrative expenses	42	(529,801)	(518,492)
DEPRECIATION AND AMORTISATION CHARGE	15 & 16	(86,264)	(92,494)
PROVISIONS (net)	23	(44,966)	(109,416)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (net):		(1,231,894)	(1,457,055)
Loans and receivables	10	(1,231,894)	(1,457,055)
PROFIT FROM OPERATIONS		**581,006**	**234,118**
IMPAIRMENT LOSSES ON OTHER ASSETS (net):	43	(72,965)	(21,376)
Goodwill and other intangible assets		(69,094)	(19,334)
Other assets		(3,871)	(2,042)
GAINS (LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	44	87,063	69,968
NEGATIVE GOODWILL ON BUSINESS COMBINATIONS		-	-
GAINS (LOSSES) ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	45	(52,701)	(32,557)
PROFIT BEFORE TAX		**542,403**	**250,153**
INCOME TAX	24	(141,321)	(99,497)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**401,082**	**150,656**
LOSS FROM DISCONTINUED OPERATIONS (net)	46	(16,448)	(44,713)
CONSOLIDATED PROFIT FOR THE YEAR		**384,634**	**105,943**
PROFIT ATTRIBUTABLE TO THE PARENT		344,915	100,597
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	29	39,719	5,346
BASIC AND DILUTED EARNINGS PER SHARE			
From continuing and discontinued operations	4	*0.30*	*0.11*
From continuing operations		*0.32*	*0.16*

(*) 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 2010.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (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 2010 AND 2009

(Thousands of Euros)

	2010	2009 (*)
CONSOLIDATED PROFIT FOR THE YEAR	**384,634**	**105,943**
OTHER RECOGNISED INCOME AND EXPENSE	**175,146**	**40,128**
AVAILABLE-FOR-SALE FINANCIAL ASSETS:	15	(48,917)
Revaluation gains (losses)	35	(47,421)
Amounts transferred to income statement	20	1,496
CASH FLOW HEDGES:	137,332	(13,870)
Revaluation gains (losses)	(38,475)	(197,112)
Amounts transferred to income statement	(175,807)	(183,242)
HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS	-	-
EXCHANGE DIFFERENCES:	80,425	80,820
Revaluation gains (losses)	74,756	73,761
Amounts transferred to income statement	(5,669)	(7,059)
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	(42,626)	22,095
TOTAL RECOGNISED INCOME AND EXPENSE	**559,780**	**146,071**
Attributable to the Parent	508,202	150,486
Attributable to non-controlling interests	51,578	(4,415)

(*) 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 2010.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (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 2010 AND 2009

(Thousands of Euros)

	2010												
	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 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**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**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**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**-**	**344,915**	**-**	**344,915**	**163,287**	**508,202**	**51,578**	**559,780**
Other changes in equity	**862,017**	**-**	**17,934**	**(16,537)**	**-**	**-**	**(100,597)**	**(239,727)**	**523,090**	**-**	**523,090**	**(16,146)**	**506,944**
Capital increases	862,017	-	-	-	-	-	-	-	862,017	-	862,017	-	862,017
Distribution of dividends	-	-	-	-	-	-	-	(350,008)	(350,008)	-	(350,008)	-	(350,008)
Transfers between equity items	-	-	6,853	(16,537)	-	-	(100,597)	110,281	-	-	-	-	-
Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	(15,184)	(15,184)
Other increases (decreases) in equity	-	-	11,081	-	-	-	-	-	11,081	-	11,081	(962)	10,119
Ending balance at 31 December 2010	**3,853,639**	**1,139,990**	**716,691**	**11,069**	**-**	**-**	**344,915**	**(350,008)**	**5,716,296**	**(17,376)**	**5,698,920**	**141,738**	**5,840,658**

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 2010.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (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 2010 AND 2009 (CONTINUED)

(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**

(*) 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 2010.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (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 2010 AND 2009

(Thousands of Euros)

	2010	2009 (*)
CASH FLOWS FROM OPERATING ACTIVITIES	**473,019**	**824,882**
Consolidated profit for the year	*384,634*	*105,943*
Adjustments made to obtain the cash flows from operating activities:	*1,540,688*	*1,750,781*
Depreciation and amortisation charge	86,264	92,494
Other adjustments	1,454,424	1,658,287
Net increase/decrease in operating assets:	*1,428,218*	*6,747,222*
Financial assets held for trading	(24,439)	(292,528)
Available-for-sale financial assets	(181,232)	97,126
Loans and receivables	1,466,975	7,211,385
Other operating assets	166,914	(268,761)
Net increase/decrease in operating liabilities:	*(24,085)*	*5,822,588*
Financial liabilities held for trading	(1,710)	66,333
Financial liabilities at amortised cost	37,608	5,021,817
Other operating liabilities	(59,983)	734,438
Income tax recovered/paid	*(175,589)*	*(107,208)*
CASH FLOWS FROM INVESTING ACTIVITIES	**(251,823)**	**(817,176)**
Payments-	*655,766*	*1,220,099*
Tangible assets	166,333	186,377
Intangible assets	129,433	153,742
Investments	200,000	-
Subsidiaries and other business units	160,000	879,980
Proceeds-	*403,943*	*402,923*
Tangible assets	118,079	130,458
Investments	-	-
Subsidiaries and other business units	254,113	168,000
Non-current assets held for sale and associated liabilities	31,751	104,465
CASH FLOWS FROM FINANCING ACTIVITIES	**(37,886)**	**(173,737)**
Payments-	*537,886*	*407,220*
Dividends	459,701	401,138
Subordinated liabilities	75,296	5,112
Other payments related to financing activities	2,889	970
Proceeds-	*500,000*	*233,483*
Subordinated liabilities	-	233,483
Issuance of own equity instruments	500,000	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**-**	**388**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**183,310**	**(165,643)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**840,428**	**1,006,071**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,023,738**	**840,428**
MEMORANDUM ITEMS:		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR	1,023,738	840,428
Cash	59,059	110,127
Cash equivalents at central banks	778,376	551,091
Other financial assets	186,303	179,210
Less: bank overdrafts refundable on demand	-	-
Total cash and cash equivalents at end of year	**1,023,738**	**840,428**
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 2010.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (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 2010

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 2010 (see Note 25). Banco Santander, S.A. has its registered office at Paseo de Pereda 9-12, Santander. The consolidated financial statements for 2009 of the Santander Group were authorised for issue by the directors of Banco Santander, S.A. at its Board of Directors Meeting on 22 March 2010, were approved by the shareholders at the Annual General Meeting on 11 June 2010 and were filed at the Santander Mercantile Registry. The Bank has one branch (Madrid), is not listed and, in 2010, it carried on most of its business activities in Spain.

The Group has 523 branches distributed throughout Europe (75 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 and Portugal.

As required by Bank of Spain Circular 4/2010, of 30 July, the accompanying Appendix IV lists the agents of the Group at 31 December 2010.

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 2010 were formally prepared by the Bank's directors (at the Board Meeting on 24 March 2011) in accordance with the regulatory framework applicable to the Group (which is that established in the Spanish Commercial Code and all other Spanish corporate law, in International Financial Reporting Standards as adopted by the European Union, in Bank of Spain Circular 4/2004, of 22 December, and successive amendments thereto, in Royal Decree 1159/2010, of 17 September, approving the Rules for the Preparation of Consolidated Financial Statements and in other mandatory rules approved by the Bank of Spain), using the basis of consolidation, accounting policies and measurement bases set forth in Note 2 and, accordingly, they present fairly the Group's consolidated equity and consolidated financial position at 31 December 2010, and the consolidated results of its operations and its consolidated cash flows in 2010. These consolidated financial statements were prepared from the individual accounting records of the Bank and of each of the other companies composing the Group, and include the adjustments and reclassifications required to unify the accounting policies and measurement bases applied by the Group.

In accordance with the options established IAS 1.81, the Group elected to present separately a statement displaying components of consolidated profit or loss ("consolidated income statement") and a second statement beginning with consolidated profit or loss and displaying components of other comprehensive income for the year. This statement is called "consolidated statement of recognised income and expense" in these consolidated financial statements, using the nomenclature in Bank of Spain Circular 4/2004.

The Group's consolidated financial statements for 2009 were approved by the shareholders at the Annual General Meeting of the Bank on 27 May 2010 and filed at the Madrid Mercantile Registry. The 2010 consolidated financial statements of the Group and the 2010 financial statements of the Bank and of substantially 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 changes.

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

All the figures relating to 2009 included in these notes to the consolidated financial statements are presented for comparison purposes only.

Adoption of new standards and interpretations issued

The following standards and interpretations, which had been fully adopted by the European Union, came into force and were in 2010:

- Revision of IFRS 3, Business Combinations and amendments to IAS 27, Consolidated and Separate Financial Statements: introduce significant changes in several matters relating to accounting for business combinations. These changes include most significantly the following: acquisition-related costs must be expensed, rather than recognised as an increase in the cost of the business combination; in business acquisitions achieved in stages the acquirer must remeasure its previously held equity interest in the acquiree at its acquisition-date fair value; transactions with non-controlling interests are accounted for in equity while control is retained; and there is an option to measure the non-controlling interests in the acquiree at fair value, as opposed to the single treatment of measuring them at the non-controlling interests' proportionate share of the fair value of the net assets acquired.

The amendments to IAS 27 also revised certain aspects of IAS 7, Statement of Cash Flows, whereby the cash flows arising from changes in ownership interest in a subsidiary that do not result in a loss of control must be classified as cash flows from financing activities. This amendment must be applied retrospectively.

- Amendment to IAS 39, in relation to eligible hedged items: 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 designated as a hedging instrument.

- Amendments to IFRS 2, Share-based Payment: the main change is that the amendments incorporate the previous requirement set out in IFRIC 8 and IFRIC 11 and, accordingly, these interpretations are withdrawn since their content is included in the main body of the standard. It is clarified that an entity that receives services from employees or suppliers should account for the transaction even if another group entity settles the arrangement and regardless of whether the transaction is cash-settled or equity-settled.

- IFRIC 12, Service Concession Arrangements: owing to the nature of this interpretation, its application does not affect these consolidated financial statements.

- IFRIC 17, Distributions of Non-cash Assets to Owners: this interpretation applies to the accounting treatment of distributions of non-cash assets to an entity's owners ("dividends payable"), although distributions of assets within the same group or between entities under common control are excluded from its scope. The interpretation states that an entity must measure such liabilities at the fair value of the asset to be distributed and that any difference between the carrying amount of the dividend payable and the carrying amount of the asset distributed must be recognised in profit or loss.

- IFRIC 18, Transfers of Assets from Customers: this interpretation clarifies the requirements for agreements in which an entity receives from a customer an item of property, plant or equipment (or cash to construct such an item) that the entity must then use to connect the customer to a network (e.g. electricity, gas or water supply).

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

Various Bank of Spain Circulars relating to accounting matters also came into force in 2010, notably the following:

- Bank of Spain Circular 3/2010: taking into consideration the experience accumulated over recent years and the current economic situation, the Bank of Spain reviewed the criteria established in Circular 4/2004 for determining allowances and provisions for insolvency risk attributable to borrower arrears, and the consideration that must be given to guarantees received.

- Bank of Spain Circular 7/2010 on the implementation of certain aspects of the mortgage market establishes the essential data of the special accounting record that the issuer must include in its financial statements, and the minimum content of the note to the financial statements, which includes the representation that the board of directors or equivalent body of the credit institution must make with regard to the existence of specific policies and procedures in relation to its activity in the mortgage market in Spain.

- Bank of Spain 8/2010 amends Bank of Spain Circular 4/2004, in order to adapt it to the amendments introduced in the International Financial Reporting Standards adopted by the European Union, primarily the amendments to IFRS 3 and IAS 27.

Also, at the date of preparation of these consolidated financial statements the following standards and interpretations with effective dates subsequent to 31 December 2010 were in force:

- Amendment to IAS 32, in relation to the classification of rights issues (obligatory for annual reporting periods beginning on or after 1 February 2010): this amendment relates to the classification of foreign currency denominated rights issues (rights, options or *warrants*). Pursuant to this amendment, when these rights are to acquire a fixed number of shares in exchange for a fixed amount, they are equity instruments, irrespective of the currency in which that fixed amount is denominated and provided that the other requirements of the standard are fulfilled.

- Revision of IAS 24, Related Party Disclosures (obligatory for annual reporting periods beginning on or after 1 January 2011): it provides a partial exemption from certain disclosure requirements when the transactions are between government-related entities (or entities related to an equivalent government institution) and revises the definition of “related party”, clarifying its intended meaning and eliminating inconsistencies from the definition.

- Amendment to IFRIC 14, Prepayments of a Minimum Funding Requirement (obligatory for annual reporting periods beginning on or after 1 January 2011): is amendment remedies the fact that in some circumstances entities could not recognise certain voluntary prepayments as assets.

- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (obligatory for annual reporting period beginning on or after 1 July 2010): this interpretation addresses the accounting by a debtor when all or part of a financial liability is extinguished through the issue of equity instruments to the creditor. The interpretation does not apply to transactions in situations where the counterparties in question are shareholders or related parties, acting in their capacity as such, or where extinguishing the financial liability by issuing equity shares is in accordance with the original terms of the financial liability. In this case, the equity instruments issued must be measured at fair value at the date the liability is extinguished and any difference between this value and the carrying amount of the liability is recognised in profit or loss.

Lastly, at the date of preparation of these consolidated financial statements, the following standards and interpretations with effective dates subsequent to 31 December 2010 had not yet been adopted by the European Union:

- IFRS 9, Financial Instruments: Classification and Measurement (obligatory as from 1 January 2013), 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. IFRS 9 presents significant differences with respect to the current standard, including the approval of a new classification model based on only two categories, namely instruments measured at amortised cost and those measured at fair value, the disappearance of the current “held-to-maturity investments” and “available-for-sale financial assets” categories, impairment analyses only for assets measured at amortised cost and the non-separation of embedded derivatives in financial contracts.

- Amendments to IFRS 7, Financial Instruments: Disclosures (obligatory for annual reporting periods beginning on or after 1 July 2011) - Transfers of Financial Assets. These amendments enhance the disclosure requirements for transfers of assets, both those in which the assets are not derecognised and mainly those that qualify for derecognition but in which the entity retains continuing involvement.

- Amendments to IAS 12, Income Taxes: these amendments provide an approach to measuring deferred tax assets and liabilities relating to investment property depending on whether the entity expects to recover the asset through by using it or by selling it.

- Amendments to IFRS 1 relating to the presentation of financial statements after a period of severe hyperinflation.

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

c) *Accounting 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 2010 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 obligations 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 2010 on the events analysed, future events might make it necessary to 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 changes in estimates in the related consolidated income statements for the years in question).

d) *Comparative information*

As required by IAS 1, the information relating to 2009 contained in these notes to the consolidated financial statements is presented with the information relating to 2010 for comparison purposes only and, accordingly, it does not constitute the Group's statutory consolidated financial statements for 2009.

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 2010, there were no companies in which the Group held ownership interests of less than 50% but which were considered to be subsidiaries.

The financial statements of the subsidiaries are fully consolidated with those of the Bank. Accordingly, all material 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 recognised in profit or loss 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 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 notes to the 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 notes to the 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, usually because it 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 notes to the 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 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. Until 31 December 2009, under applicable legislation, the cost of a business combination was considered to include any cost directly attributable to the business combination, such as fees paid to auditors, legal advisers, investment banks and other consultants.

- The assets, liabilities and contingent liabilities of the acquired entity or business, including any intangible assets not recognised at the acquisition date, are recognised, together with the net assets of the business acquired prior to the date of the business combination, at fair value in the consolidated balance sheet.

- Non-controlling interests are recognised at the fair value of the net assets acquired, taking into consideration the percentage of the acquired business or entity held by third parties or, alternatively, at fair value.

- Any positive difference between, on the one hand, the aggregate of the cost of the business combination, the amount of any non-controlling interest and, in business combinations achieved in stages, the fair value of the net assets acquired prior to the combination and, on the other, the value at which the net assets acquired are recognised in accordance with the regulations in force, is recognised as goodwill (see Note 2-j). Any negative difference is recognised under "Negative Goodwill on Business Combinations" in the consolidated income statement.

Since 1 January 2010, any acquisitions of non-controlling interests carried out after the date on which control of the entity is obtained are accounted for as equity transactions, and, accordingly, the difference between the price paid and the carrying amount of the percentage acquired of the non-controlling interests is recognised directly with a charge or a credit to consolidated equity.

v. Acquisitions and disposals

Note 3 provides information on the most significant acquisitions and disposals in 2010 and 2009.

f) Capital and capital management

Bank of Spain Circular 3/2008, of 22 May, amended by Circular 9/2010, of 22 December, on the calculation and control of minimum capital requirements regulates the minimum capital requirements for Spanish credit institutions –both as stand-alone entities and as consolidated groups- and the criteria for calculating 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 establishes the elements that are eligible for inclusion in capital for the purposes 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 minimum capital requirements are calculated by reference to the Group's exposure to credit risk and dilution risk (on the basis of the assets, obligations and other memorandum items that present these risks, having regard to 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 meet the minimum capital requirement of 8% of its risk-weighted assets.

At 31 December 2010 and 2009, 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 2010 is as follows:

	Thousands of Euros
Tier 1 capital:	**3,888,377**
Share capital	3,853,639
Share premium	1,139,990
Reserves	798,302
Non-controlling interests	120,912
Preference shares	-
Deductions (goodwill and other)	(2,019,373)
Net attributable profit (less dividends)	(5,093)
Tier 2 capital:	**1,423,998**
Other items and deductions	437,588
Additional capital	986,410
Total eligible capital	**5,312,375**
Total minimum capital	**3,523,577**

On 18 February 2011, the Spanish Cabinet approved Royal Decree 2/2011 for the Strengthening of the Financial System. The most salient aspects of this Royal Decree are summarised as follows:

- It provides for the stringent early application of the new international Capital standards (Basel III), and immediately establishes a minimum ratio of core capital to risk-weighted assets, basically following the definition established by Basel III which must be met by 2013. This minimum core capital ratio is set at 8%, and 10% for financial institutions that have not distributed equity securities representing at least 20% of their share capital to third parties and which in addition have a wholesale funding ratio of more than 20%. Additionally, the Bank of Spain may require a higher level of core capital from an individual entity on the basis of the results of stress tests conducted for the system as a whole.

- The components of core capital, in line with that established in Basel III for 2013, are as follows: share capital, reserves, share premiums, positive valuation adjustments, non-controlling interests; and, in addition, instruments subscribed by the Fund for Orderly Bank Restructuring (FROB), and, temporarily, instruments mandatorily convertible into shares prior to 2014 that meet certain requirements guaranteeing a high loss absorbing capacity. These elements are reduced by prior and current years' losses, negative valuation adjustments and intangible assets. These new requirements entered into force on 10 March 2011. Entities that did not meet the required level of core capital at that date were given 15 working days to notify the Bank of Spain of their strategy and schedule to ensure compliance with the new core capital requirements of 8% or 10%, as appropriate, before 30 September 2011. This strategy, which may envisage the attraction of third-party funds and the stock-market flotation of the entities, must be approved by the Bank of Spain, which may require the adoption of amendments or further measures. The Bank of Spain may authorise the extension of the aforementioned deadline by up to a maximum of three months and, exceptionally, in the case of stock market flotations it may extend the period until the first quarter of 2012, provided that a series of milestones have been met that generate certainty as to the decision to float and the amount of the related issue. Also, in the event of non-compliance by up to 20% of the required core capital ratio, the Bank of Spain will impose restrictions that could affect the distribution of dividends, the variable remuneration of executives and directors and share buybacks.

- The Fund for Orderly Bank Restructuring (FROB) may temporarily acquire ordinary shares, under market conditions, of any entities that do not meet the capital requirements and request such acquisition, either immediately or if, after resorting to the market they fail to raise the required funds. The FROB's presence in the share capital of these entities will be temporary and it may only hold the shares for a maximum of five years. It will be represented on the Board of Directors of the issuing entity in strict proportion to the ownership interest held.

- The Royal Decree also envisages a series of tax measures aimed at ensuring neutrality in the restructuring processes of the financial system.

The Group is subject to the strengthening of its capital by virtue of its belonging to a consolidated group of credit institutions subject to this Royal Decree, the parent of which is Banco Santander, S.A.

At the date of preparation of these consolidated financial statements, the core capital ratio of the Santander Group, calculated in accordance with this legislation, exceeded the minimum required level.

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 14,765 thousand in 2010 (2009: EUR 13,219 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 7 January 2011, the Bank, the subsidiary Santander Consumer, E.F.C., S.A. and the jointly controlled entity Transolver Finance, E.F.C., S.A. sold a portfolio of written-off loans for EUR 24 million.

On 12 July 2010, the Santander Group announced the agreement with Skandinaviska Enskilda Banken (SEB Group) for the purchase by the German subsidiary Santander Consumer Bank AG of SEB's commercial banking business in Germany. This purchase, which includes 173 branches and a business providing services for one million customers, almost doubled the number of branches of the Santander Consumer Bank network in Germany, and increased the number of Group employees by approximately 2,200. After all the necessary regulatory approvals had been obtained, this purchase was completed on 31 January 2011 for EUR 494 million (EUR 555 million less certain changes to the acquisition price agreed upon by the parties), and this amount is subject to such adjustments as might arise following the review of the net assets acquired, the carrying amount of which was approximately EUR 420 million at the acquisition date.

The aforementioned net assets include loans to customers amounting to EUR 8,187 million, of which approximately 83% relate to mortgage loans and the remainder to consumer loans, and customer deposits amounting to EUR 4,486 million.

At the date of preparation of these consolidated financial statements, the accounting for the acquired assets and liabilities at their fair value was incomplete and, accordingly, the amounts indicated above are provisional. The Group is currently in the process of calculating the goodwill, if any, which might arise as a result of this business combination. In accordance with current legislation, the Group has one year in which to make the final adjustment.

Also, subsequent to 2010 year-end capital contributions of EUR 800 million were made to the subsidiary Santander Bank AG.

From 31 December 2010 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.

Santander Consumer Finance, S.A.

i. Statistical summary of the claims and complaints handled

84 claims were received by the Customer Care Service in 2010 (2009: 115 claims), a decrease of 27% compared with 2009. 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 (80 files) were resolved and concluded during the year (2009: 95%, relating to 109 files), and a total of 4 files were pending consideration at 2010-year-end (2009: 6 files). The detail, by type, of the claims filed is as follows:

	Percentage	
	2010	2009
Modus operandi	52%	42%
Cards	32%	28%
Insurance	5%	14%
Price	6%	8%
Service/treatment	-	3%
Other claims	5%	5%

The Bank's directors state that the matters not yet resolved at 2010 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	
	2010	2009
In favour of claimant	35%	48%
In favour of the Bank	65%	52%

The average handling period for claims was 16 days in 2010 (2009: 28 days).

The Bank paid EUR 15 thousand to its customers for claims resolved in their favour in 2010 (2009: EUR 56 thousand).

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

The Customer Care Service received 44 claims through the Bank of Spain and the Directorate-General of Insurance in 2010 (2009: 34 claims), of which 43 had been resolved at 31 December 2010 (2009: 34 claims). The detail of the resolved claims is as follows:

	Percentage	
	2010	2009
In favour of the customer	42%	52%
In favour of the Bank	58%	48%

The Bank paid EUR 15 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 2010 (2009: EUR 36 thousand).

The Bank's directors state that the matters not yet resolved at 2010 year-end will not have a material effect on the consolidated financial statements.

iv. Claims received by the Customer Ombudsman

In 2010 the Customer Ombudsman received 179 claims (2009: 220 claims). The detail of the resolved claims is as follows:

	Percentage	
	2010	2009
In favour of the customer	72%	76%
In favour of the Bank	17%	7%
Other claims not giving rise to any loss for the customer	11%	17%

A substantial proportion 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 insurance, in terms of application of policies to outstanding balances or return premiums arising from claims, as well as disagreement with coverage provided, cancellation of policies taken out or change of insurance company.

The Bank paid EUR 9 thousand to its customers for claims made through the Customer Ombudsman which were resolved in the customers' favour in 2010 (2009: EUR 8 thousand).

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

From the total claims received, it can be seen that there is no need to make significant recommendations or suggestions in view of the improvement in the Bank's management of claims.

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

i. Claims received by the Customer Care Services

29 claims were received by the Customer Care Services in 2010 (2009: 24 claims), an increase of 21% 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. At 31 December 2010, 3 claims had not yet been resolved.

The Bank's directors state that the matters not yet resolved at 2010 year-end will not have a material effect on the consolidated financial statements.

The company paid EUR 7 thousand to its customers for claims resolved in their favour in 2010 (2009: EUR 3 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 of the company received 20 claims through the Bank of Spain and the Directorate-General of Insurance in 2010 (2009: 13 claims), of which 19 had been resolved at 31 December 2010. The detail of the resolved claims is as follows:

	Percentage	
	2010	2009
In favour of the customer	47%	54%
In favour of the Bank	53%	46%

The Bank paid EUR 2 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 2010 (2009: EUR 3 thousand).

The Bank's directors state that the matters not yet resolved at 2010 year-end will not have a material effect on the consolidated financial statements.

iii. Claims received by the Customer Ombudsman

In 2010 the Customer Ombudsman received 99 claims, of which 59 were resolved in favour of the customer and 6 in favour of the subsidiary Santander Consumer E.F.C., S.A. Of the remaining 34 claims, 29 related to processing and clarifications which did not give rise to a direct loss for the customer and five were rejected, four of which because they were subject to legal proceedings and one because its resolution was referred to an insurance company.

The most common claims are those relating to the expenses arising from returned payments and late payment thereof and to the application of insurance policies taken out for various eventualities. 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 4 thousand to its customers for claims made through the Customer Ombudsman which were resolved in the customers' favour in 2010 (2009: EUR 1 thousand).

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

From the total claims received, it can be seen that there is no need to make significant recommendations or suggestions in view of the improvement in the Bank's management of claims.

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 for 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 2010 amounted to EUR 9,163 million and EUR 7,304 million, respectively (EUR 9,954 million and EUR 8,270 million, respectively, at 2009 year-end) (see Note 47). Approximately 58% of the assets and 57% 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 be scantly 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:

- Financial assets held for trading (at fair value through profit or loss): this category includes the financial assets acquired for the purpose of generating a profit in the near term from fluctuations in their prices and financial derivatives that are not designated as hedging instruments.

- 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 operations 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 acquired under reverse repurchase agreements or borrowed ("short positions").

- Financial liabilities at amortised cost: financial liabilities, irrespective of their instrumentation and maturity, which are not considered to be held-for-trading financial liabilities and arise from the ordinary borrowing 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 consolidated 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 2010 and 2009, 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					
	2010			2009		
	Published Price Quotations in Active Markets	Internal Models (*)	Total	Published Price Quotations in Active Markets	Internal Models (*)	Total
Financial assets held for trading	25,843	120,049	145,891	-	-	-
Available-for-sale financial assets	197,691	113,987	311,678	171,818	-	171,818
Hedging derivatives (assets)	-	117,921	117,921	-	111,512	111,512
Financial liabilities held for trading	-	167,580	167,580	-	183,098	183,098
Hedging derivatives (liabilities)	-	318,946	318,946	-	474,776	474,776

(*) 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. A distinction is made between the changes resulting 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 asset giving rise to them is derecognised, at which time they are recognised in 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 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 this equity item 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 the 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 resell 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 2010 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 consolidated entities 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 amount 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 carried 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 required 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 are the sum of the allowances for impairment losses on specific transactions and the allowances 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 carried at cost

The amount of the impairment losses on equity instruments carried 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 estimated impairment losses (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 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	10
IT equipment	25
Fixtures and other	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 lessee's purchase option 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 under finance lease agreements are credited and debited, respectively, to “Interest and Similar Income” and “Interest Expense and Similar Charges” in the consolidated income statement so as to produce 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 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 earlier 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 the provisions made to cover post-employment benefits, commitments to pre-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 2010 and 2009 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 Bank’s 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 on behalf of a third party if the latter fails to do so, irrespective of the various legal forms they may have, such as guarantees, insurance policies 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 (described in Note 2-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 on measurement 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 used directly 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 are only available to pay or fund post-employment benefits and they cannot be returned to the consolidated entities unless the assets remaining in the plan are sufficient to meet all the benefit obligations of the plan and of the entity to current and former employees, or they are returned 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 –which, in all other respects, is treated as a plan asset- under "Insurance Contracts Linked to Pensions" on the asset side of the consolidated balance sheet (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 approach 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 existing 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 obligations arise to the date on which the employee has an irrevocable right to receive the new benefits. At 2010 and 2009 year-end, there were no unrecognised past service costs.

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

- Current service cost, i.e. 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, i.e. 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 pre-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 2010 and 2009 year-end there were no objective reasons for, and circumstances had not arisen requiring, 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 and associates and with interests in 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 2010 and 2009 and of the average annual interest rates in 2010 and 2009 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 consolidated 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 under "Income Tax" in this statement.

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, “cash and cash equivalents” were considered to be short-term highly liquid investments that are subject to an insignificant risk of changes in value. Accordingly, the Group considers the following financial assets to be cash and cash equivalents:

- Net cash balances and net balances with central banks, which are recognised under “Cash and Balances with Central Banks” in the consolidated balance sheet and amounted to EUR 837,434 thousand at 31 December 2010 (31 December 2009: EUR 661,218 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 186,303 thousand at 31 December 2010 (31 December 2009: EUR 179,210 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 2010 and 2009:

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009
(Thousands of Euros)

ASSETS	2010	2009	LIABILITIES AND EQUITY	2010	2009
CASH AND BALANCES WITH CENTRAL BANKS	92,015	104,428	**LIABILITIES**		
FINANCIAL ASSETS HELD FOR TRADING	126,027	152,320			
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	FINANCIAL LIABILITIES HELD FOR TRADING	92,586	110,736
AVAILABLE-FOR-SALE FINANCIAL ASSETS	-	-	OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
LOANS AND RECEIVABLES	21,921,729	21,624,751	FINANCIAL LIABILITIES AT AMORTISED COST	18,943,179	19,351,240
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	45,686	99,773
HEDGING DERIVATIVES	83,627	93,459	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-
NON-CURRENT ASSETS HELD FOR SALE	63,369	40,978			
INVESTMENTS	4,214,259	3,960,500	PROVISIONS	55,194	55,821
INSURANCE CONTRACTS LINKED TO PENSIONS	23,253	25,208	TAX LIABILITIES	234,260	192,867
			OTHER LIABILITIES	18,102	18,352
TANGIBLE ASSETS	42	54	**TOTAL LIABILITIES**	**19,389,007**	**19,828,789**
INTANGIBLE ASSETS	3,528	8,317			
TAX ASSETS	239,990	194,121	SHAREHOLDERS' EQUITY	7,391,427	6,424,562
OTHER ASSETS	1,484	1,321	VALUATION ADJUSTMENTS	(11,111)	(47,894)
			TOTAL EQUITY	**7,380,316**	**6,376,668**
TOTAL ASSETS	**26,769,323**	**26,205,457**	**TOTAL LIABILITIES AND EQUITY**	**26,769,323**	**26,205,457**
MEMORANDUM ITEMS:					
CONTINGENT LIABILITIES	3,623,505	2,905,882			
CONTINGENT COMMITMENTS	5,729,274	35,493,306			

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(Thousands of Euros)

	Income/(Expenses)	
	2010	2009
INTEREST AND SIMILAR INCOME	496,749	679,277
INTEREST EXPENSE AND SIMILAR CHARGES	(345,840)	(465,105)
NET INTEREST INCOME	**150,909**	**214,172**
INCOME FROM EQUITY INSTRUMENTS	408,387	356,787
FEE AND COMMISSION INCOME	39,528	43,103
FEE AND COMMISSION EXPENSE	(54,838)	(25,400)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (net)	100,348	20,557
EXCHANGE DIFFERENCES (net)	1,470	1,250
OTHER OPERATING INCOME	385	4,809
OTHER OPERATING EXPENSES	(2,630)	(3,250)
GROSS INCOME	**643,559**	**612,028**
ADMINISTRATIVE EXPENSES	(29,304)	(29,902)
DEPRECIATION AND AMORTISATION CHARGE	(5,032)	(11,762)
PROVISIONS (net)	(7,383)	1,257
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (net)	(184,769)	(174,482)
PROFIT FROM OPERATIONS	**417,071**	**397,139**
IMPAIRMENT LOSSES ON OTHER ASSETS (net)	(74,000)	(18,211)
GAINS (LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	122,693	120,041
GAINS ON BARGAIN PURCHASES ARISING FROM BUSINESS COMBINATIONS	-	-
GAINS (LOSSES) ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	(31,620)	(14,824)
PROFIT BEFORE TAX	**434,144**	**484,145**
INCOME TAX	19,880	(10,421)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**454,024**	**473,724**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS (net)	**842**	**(8,141)**
PROFIT FOR THE YEAR	**454,866**	**465,583**

SANTANDER CONSUMER FINANCE, S.A.

STATEMENTS OF CHANGES IN EQUITY

CONDENSED STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009
(Thousands of Euros)

	2010	2009
PROFIT FOR THE YEAR	**454,866**	**465,583**
OTHER RECOGNISED INCOME AND EXPENSE	**36,783**	**(1,346)**
AVAILABLE-FOR-SALE FINANCIAL ASSETS	-	-
CASH FLOW HEDGES	52,549	(1,923)
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	(15,766)	577
TOTAL RECOGNISED INCOME AND EXPENSE	**491,649**	**464,237**

SANTANDER CONSUMER FINANCE, S.A.

STATEMENTS OF CHANGES IN EQUITY

CONDENSED STATEMENTS OF CHANGES IN TOTAL EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(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 2009	**2,991,622**	**1,139,990**	**1,937,060**	**-**	**-**	**465,583**	**(109,693)**	**6,424,562**	**(47,894)**	**6,376,668**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**2,991,622**	**1,139,990**	**1,937,060**	**-**	**-**	**465,583**	**(109,693)**	**6,424,562**	**(47,894)**	**6,376,668**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**454,866**	**-**	**454,866**	**36,783**	**491,649**
Other changes in equity	**862,017**	**-**	**355,880**	**-**	**-**	**(465,583)**	**(240,315)**	**511,999**	**-**	**511,999**
Capital increases	862,017	-	(10)	-	-	-	-	862,007	-	862,007
Distribution of dividends	-	-	-	-	-	-	(350,008)	(350,008)	-	(350,008)
Transfers between equity items	-	-	355,890	-	-	(465,583)	109,693	-	-	-
Ending balance at 31 December 2010	**3,853,639**	**1,139,990**	**2,292,940**	**-**	**-**	**454,866**	**(350,008)**	**7,391,427**	**(11,111)**	**7,380,316**

	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**

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(Thousands of Euros)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES	**29,922**	**352,483**
Profit for the year	454,866	465,583
Adjustments made to obtain the cash flows from operating activities	158,409	92,667
Net increase/decrease in operating assets	159,620	(758,704)
Net increase/decrease in operating liabilities	(423,659)	(966,309)
Income tax recovered/paid	(74)	1,838
CASH FLOWS FROM INVESTING ACTIVITIES	**(187,613)**	**(283,812)**
Payments	457,338	461,887
Proceeds	269,725	178,075
CASH FLOWS FROM FINANCING ACTIVITIES	**149,982**	**(109,697)**
Payments	350,018	109,697
Proceeds	500,000	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(7,709)**	**(41,026)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**106,122**	**147,148**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**98,413**	**106,122**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash	-	-
Cash equivalents at central banks	92,015	104,428
Other financial assets	6,398	1,694
Less: Bank overdrafts refundable on demand	-	-
Total cash and cash equivalents at end of year	**98,413**	**106,122**

The Appendices to these notes to the 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 2010 and 2009 were as follows:

Santander Consumer Debit GmbH and Santander Service GmbH

On 31 March 2010, the German subsidiary Santander Consumer Holding GmbH resolved to sell all the share capital of the subsidiaries Santander Consumer Debt GmbH and Santander Service GmbH to Geoban, S.A., a Santander Group company, at fair value. The fair value was subsequently calculated based on a report prepared by an independent expert (EUR 3,280 thousand). The gain obtained on this sale amounted to EUR 1,450 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 2010 (see Note 44).

JSC Santander Consumer Bank

At its meeting held on 3 February 2010, the Bank's Executive Committee resolved to discontinue the Group's activities in Russia, and to take the steps required to sell the ownership interest in JSC Santander Consumer Bank. As a result, on 31 August 2010 the Bank resolved to sell, subject to compliance with certain conditions, its ownership interest in this subsidiary to non-Group third parties. The sale was executed on 9 December 2010 for RUB 1,340 million (EUR 32,777 thousand). The loss incurred on this sale amounted to EUR 13,782 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 2010 (see Note 44).

Santander Consumer (UK), plc

In November 2010 the Bank sold its 50.1% ownership interest in the share capital of Santander Consumer (UK), plc to Santander UK plc, a Santander Group company, for GBP 185,500 thousand (EUR 218,056 thousand). This transaction was carried out under conditions similar to those prevailing in transactions between independent third parties, determined on the basis of an appraisal that was reviewed by an independent expert. The gain obtained on this sale amounted to EUR 101,285 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 2010 (see Note 44).

AIG Bank Polska, S.A.

In 2010 the Polish subsidiary Santander Consumer Bank S.A. (Poland) combined its business with AIG Bank Polska S.A., an AIG Group consumer finance entity, in order to strengthen the Group's consumer finance operations in Poland by obtaining synergies from the complementary nature of the two entities' core activities: vehicle financing in the case of Santander Consumer Bank S.A., and personal loans, credit cards and deposits in the case of AIG Bank Polska, S.A.

This business combination was carried out through a capital increase at Santander Consumer Bank S.A. on 8 June 2010, in which 1,560,000 shares of PLN 100 par value each were issued. This capital increase was fully subscribed by AIG Consumer Finance Group Inc. through a non-monetary contribution of 11,177,088 shares of AIG Bank Polska S.A., representing 99.92% of its share capital. Following this capital increase AIG Consumer Finance Group Inc. now holds an ownership interest of 30% in the share capital of Santander Consumer Bank S.A. and 25% of its voting power. Also, in 2010 Santander Consumer Bank acquired the remaining 0.08% of the share capital of AIG Bank Polska S.A. for PLN 1,000,000.

The fair value of the aforementioned capital increase, using generally accepted measurement methods, was estimated at approximately PLN 456 million (EUR 112 million), and no contingent consideration was agreed upon the parties.

The fair value of the assets acquired and liabilities assumed at the date of the business combination, broken down by the nature of the related items, was as follows:

	Millions of Zlotys
Cash and balances with central banks	181
Loans and advances to customers (loans)	3,090
Debt instruments	1,568
Tangible and intangible assets	94
Other assets	438
	5,371
Financial liabilities at amortised cost	(4,748)
Provisions (*)	(128)
Other liabilities	(39)
	(4,915)
Fair value of net assets acquired	**456**

(*) The directors of the Bank consider that there are no contingent liabilities to be recognised following the execution of this business combination that had not already been recognised by the acquiree in its financial statements prepared in accordance with EU-IFRSs.

This business combination did not give rise to the recognition of any goodwill in the consolidated balance sheet at 31 December 2010 and the direct costs associated with the combination amounted to EUR 1,266 thousand, which are recognised under "Administrative Expenses – Other General Administrative Expenses" in the consolidated income statement for 2010.

The amount recognised under "Non-Controlling Interests" in the consolidated balance sheet on the date of the business combination was PLN 414 million (EUR 103 million) (see Note 29). This amount was calculated on the basis of the equity of Santander Consumer Bank, S.A. held by third parties following the execution of this business combination.

From the date of its inclusion in the Group, AIG Bank Polska S.A. contributed EUR 106,747 thousand and EUR 163,619 thousand, respectively, to "Net Interest Income" and "Gross Income" in the Group's consolidated income statement. Additionally, as reflected in the financial statements of this subsidiary prepared in accordance with EU-IFRSs, its net interest income and gross income for 2010 amounted to EUR 166,780 thousand and EUR 258,527 thousand, respectively.

At the date of preparation of these consolidated financial statements, the definitive recognition, at fair value, of the assets and liabilities acquired was still pending and, therefore, the amounts indicated above are provisional. In accordance with current legislation, the Group has one year in which to make the final adjustments. However, it does not expect any material differences to arise.

On 1 March 2011, the merger by absorption of Santander Consumer Bank, S.A. (absorbing company) and AIG Bank Polska, S.A. (absorbed company) was executed.

GE Money

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) -which subsequently changed its name to SCF Rahoitus Oy- for EUR 835,916 thousand and EUR 23,512 thousand, respectively. 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). On 30 November 2010, the merger by absorption of SCF Rahoitus Oy (absorbed company) into Santander Consumer Finance Oy (absorbing company) was executed.

Also, as a result of the acquisition of GE Money Bank GmbH and GE Capital Deutschland GmbH in 2008, the Group 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 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 considered 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 arm's-length transactions. The loss incurred on this sale amounted to EUR 980 thousand and 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).

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

On 11 March 2010, the Bank paid EUR 160,000 thousand to General Electric Capital Corporation in connection with the adjustment of the purchase price of General Electric Capital Deutschland GmbH.

Unifin, S.p.A.

On 11 June 2009, the Bank acquired 30% of the share capital of this investee for EUR 22,000 thousand, thus raising its ownership interest to 100%.

This acquisition gave rise to goodwill of EUR 13,557 thousand, which was recognised under "Intangible Assets – Goodwill" in the consolidated balance sheet at 31 December 2010 (see Note 16).

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 by an independent expert, and the sale 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 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).

Capital increases

Furthermore, in 2010 and 2009 certain investees carried out capital increases which were fully subscribed and paid, the detail being as follows:

	Millions of Euros (*)	
	2010	2009
Transolver Finance, E.F.C., S.A.	5	-
Santander Consumer, E.F.C., S.A.	90	245
Santander Consumer Bank, S.p.A. (Italy)	40	85
Open Bank Santander Consumer, S.A.	-	16
Unifin, S.p.A. (Italy)	10	5
Santander Consumer (UK) Plc.	-	39
Accordfin España, E.F.C., S.A. (Spain)	-	9
Santander Consumer Bank, S.A. (Poland)	-	36
Santander Consumer Bank, A.S. (Norway)	143	-
Santander Consumer Finance Oy (Finland)	24	-
AIG Bank Polska Spólka Akcyjna	7	-
	319	**435**

(*) 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 155 of the Spanish Limited Liability Companies Law, of the acquisitions and disposal of investments 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 2010 that the Board of Directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
Dividends	350,008
To legal reserve	45,487
To voluntary reserves	59,371
Net profit for the year (Note 3)	**454,866**

At its meeting on 16 December 2010, the Board of Directors of the Bank resolved to distribute an interim dividend out of 2010 profit of EUR 350,008 thousand. This dividend was paid to shareholders prior to 2010 year-end.

The provisional accounting statement prepared by the Bank's directors in accordance with Article 277 of the Consolidated Spanish Limited Liability Companies Law evidencing the existence of sufficient liquidity for the distribution of the interim dividend is as follows:

	Thousands of Euros
	30/11/10
Profit before tax	506,725
Less:	
Estimated income tax	(19,206)
Approved dividends	-
Appropriation to legal reserve	(48,752)
Distributable profit	438,767
Interim dividend to be distributed	350,008
Gross dividend per share (euros)	0.31

On 8 April 2010, the Bank distributed an interim dividend out of 2009 profit amounting to EUR 109,693 thousand (see Note 22), which was approved by the Board of Directors at its meeting held on 21 December 2009. The provisional accounting statement prepared by the Bank's directors in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the interim dividend was included in Note 4 to the Group's consolidated financial statements for 2009.

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 2010 and 2009, 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	
	2010	2009
Net profit for the year attributable to the Parent (in thousands of euros)	344,915	100,597
Of which:		
From discontinued operations	*(16,448)*	*(44,713)*
Weighted average number of shares outstanding	1,078,253,872	913,141,551
Basic and diluted earnings per share (euros)	0.32	0.11
Of which:		
From discontinued operations	*(0.02)*	*(0.05)*

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 2010 and 2009 in respect of bylaw-stipulated emoluments and attendance fees was as follows:

	Thousands of Euros	
	2010	2009
Bylaw-stipulated emoluments	75	50
Attendance fees	2	18
	77	**68**

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

	Thousands of Euros					
	2010			2009		
Directors	Bylaw-Stipulated Emoluments	Attendance Fees	Total	Bylaw-Stipulated Emoluments	Attendance Fees	Total
Mr. Antonio Escámez Torres	-	-	-	-	-	-
Mr. Javier San Félix García	-	-	-	-	-	-
Ms. Magdalena Salarich	-	-	-	-	-	-
Mr. David Turiel López	-	-	-	-	-	-
Ms. Inés Serrano González	-	-	-	-	-	-
Mr. Ernesto Zulueta Benito	-	-	-	-	-	-
Mr. José Antonio Álvarez Álvarez	-	-	-	-	-	-
Mr. José María Espí Martínez	-	-	-	-	-	-
Mr. Juan Rodríguez Inciarte	-	-	-	-	-	-
Mr. Luis Valero Artola (*)	50	1	51	25	11	36
Mr. Paul Adrian Verburgt (*)	25	1	26	25	7	32
	75	**2**	**77**	**50**	**18**	**68**

(*) Director who was a Board member for some months in 2010 but ceased to be a director prior to 31 December 2010.

In 2010 the Bank's directors received approximately EUR 11,668 thousand from Banco Santander, S.A. (2009: approximately EUR 11,107 thousand), basically in respect of fixed and variable remuneration earned by certain directors 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. Also, the Bank's directors received EUR 21 thousand in 2010 from a Group subsidiary in this connection.

The remuneration in kind paid to the Bank's directors, mainly in respect of share option plans, amounted to approximately EUR 2,302 thousand in 2010 (2009: approximately EUR 1,329 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 sum insured under life insurance policies and other defined benefit obligations, amounted to EUR 69,232 thousand at 31 December 2010 (31 December 2009: EUR 70,732 thousand). This amount is covered basically by provisions recorded at Santander Group entities. In addition, in 2010 contributions amounting to EUR 550 thousand were made to defined contribution pension plans for the Bank's directors (2009: EUR 544 thousand). These contributions were made by other Santander Group entities.

The payments made to former members of the Bank's Board of Directors in this connection amounted to EUR 331 thousand in 2010 (2009: EUR 672 thousand).

c) *Share option plans for directors and other performance-based remuneration*

The detail of the Banco Santander, S.A. share options granted to directors of the Bank in 2010 and 2009 is as follows:

	Options at 1 January 2009	Options Granted	Options Exercised	Options Cancelled	Options at 31 December 2009	Options Granted	Options Exercised			Options Cancelled	Options at 31 December 2010	Exercise Price (Euros)	Date of Commencement of Exercise Period	Date of Expiry of Exercise Period
		Number	Number	Number		Number	Number	Exercise Price (Euros)	Market Price Applied (Euros)	Number				
Incentive Plan (I06)														
Mr. Javier San Félix García	-	-	-	-	-	-	-	-	-	-	-	-	15/01/08	15/01/09
Mr. José A. Álvarez Álvarez	116,000	-	-	116,000	-	-	-	-	-	-	-	-	15/01/08	15/01/09
Mr. Juan Rodríguez Inciarte	-	-	-	-	-	-	-	-	-	-	-	-	15/01/08	15/01/09
Mr. José María Espí Martínez	252,900	-	-	252,900	-	-	-	-	-	-	-	-	15/01/08	15/01/09
Mr. Ernesto Zulueta Benito	41,300	-	-	41,300	-	-	-	-	-	-	-	-	15/01/08	15/01/09
Ms. Inés Serrano González	-	-	-	-	-	-	-	-	-	-	-	-	15/01/08	15/01/09
Mr. David Turiel López	-	-	-	-	-	-	-	-	-	-	-	-	15/01/08	15/01/09
	410,200	-	-	**410,200**	-	-	-	-	-	-	-	-		
Incentive Plan (I09)														
Mr. Javier San Félix García	12,000	-	10,889	1,111	-	-	-	-	-	-	-	-	23/06/07	31/07/09
Mr. José A. Álvarez Álvarez	34,300	-	31,124	3,176	-	-	-	-	-	-	-	-	23/06/07	31/07/09
Mr. Juan Rodríguez Inciarte	43,322	-	39,310	4,012	-	-	-	-	-	-	-	-	23/06/07	31/07/09
Mr. José María Espí Martínez	35,500	-	32,213	3,287	-	-	-	-	-	-	-	-	23/06/07	31/07/09
Mr. Ernesto Zulueta Benito	7,400	-	6,715	685	-	-	-	-	-	-	-	-	23/06/07	31/07/09
Ms. Inés Serrano González	8,900	-	8,076	824	-	-	-	-	-	-	-	-	23/06/07	31/07/09
Mr. David Turiel López	6,400	-	5,807	593	-	-	-	-	-	-	-	-	23/06/07	31/07/09
	147,822	-	**134,134**	**13,688**	-	-	-	-	-	-	-	-		
Incentive Plan (I10)														
Mr. Javier San Félix García	18,000	-	-	-	18,000	-	16,342	-	-	1,658	-	-	23/06/07	31/07/10
Mr. José A. Álvarez Álvarez	51,449	-	-	-	51,449	-	46,711	-	-	4,738	-	-	23/06/07	31/07/10
Mr. Juan Rodríguez Inciarte	64,983	-	-	-	64,983	-	58,998	-	-	5,985	-	-	23/06/07	31/07/10
Mr. José María Espí Martínez	53,200	-	-	-	53,200	-	48,300	-	-	4,900	-	-	23/06/07	31/07/10
Mr. Ernesto Zulueta Benito	11,200	-	-	-	11,200	-	10,168	-	-	1,032	-	-	23/06/07	31/07/10
Ms. Inés Serrano González	13,350	-	-	-	13,350	-	12,120	-	-	1,230	-	-	23/06/07	31/07/10
Ms. Magdalena Salarich Fernández de Valderrama	46,560	-	-	-	46,560	-	42,272	-	-	4,288	-	-	23/06/07	31/07/10
Mr. David Turiel López	9,600	-	-	-	9,600	-	8,716	-	-	884	-	-	23/06/07	31/07/10
	268,342	-	-	-	**268,342**	-	**243,627**	-	-	**24,715**	-	-		

	Options at 1 January 2009	Options Granted	Options Exercised	Options Cancelled	Options at 31 December 2009	Options Granted	Options Exercised			Options Cancelled	Options at 31 December 2010	Exercise Price (Euros)	Date of Commencement of Exercise Period	Date of Expiry of Exercise Period
		Number	Number	Number		Number	Number	Exercise Price (Euros)	Market Price Applied (Euros)	Number				
Incentive Plan (I11)														
Mr. Javier San Félix García	36,000	-	-	-	36,000	-	-	-	-	-	36,000	-	21/06/08	31/07/11
Mr. José A. Álvarez Álvarez	59,361	-	-	-	59,361	-	-	-	-	-	59,361	-	21/06/08	31/07/11
Mr. Juan Rodríguez Inciarte	50,555	-	-	-	50,555	-	-	-	-	-	50,555	-	21/06/08	31/07/11
Mr. José María Espí Martínez	54,801	-	-	-	54,801	-	-	-	-	-	54,801	-	21/06/08	31/07/11
Mr. Ernesto Zulueta Benito	11,500	-	-	-	11,500	-	-	-	-	-	11,500	-	21/06/08	31/07/11
Ms. Inés Serrano González	17,500	-	-	-	17,500	-	-	-	-	-	17,500	-	21/06/08	31/07/11
Ms. Magdalena Salarich Fernández de Valderrama	69,837	-	-	-	69,837	-	-	-	-	-	69,837	-	21/06/08	31/07/11
Mr. David Turiel López	14,000	-	-	-	14,000	-	-	-	-	-	14,000	-	21/06/08	31/07/11
	313,554	-	-	-	**313,554**	-	-	-	-	-	**313,554**	-		
Incentive Plan (I12)														
Mr. Javier San Félix García	-	28,000	-	-	28,000	-	-	-	-	-	28,000	-	19/06/09	31/07/12
Mr. José A. Álvarez Álvarez	-	71,530	-	-	71,530	-	-	-	-	-	71,530	-	19/06/09	31/07/12
Mr. Juan Rodríguez Inciarte	-	60,904	-	-	60,904	-	-	-	-	-	60,904	-	19/06/09	31/07/12
Mr. José María Espí Martínez	-	66,035	-	-	66,035	-	-	-	-	-	66,035	-	19/06/09	31/07/12
Mr. Ernesto Zulueta Benito	-	13,800	-	-	13,800	-	-	-	-	-	13,800	-	19/06/09	31/07/12
Ms. Inés Serrano González	-	21,000	-	-	21,000	-	-	-	-	-	21,000	-	19/06/09	31/07/12
Ms. Magdalena Salarich Fernández de Valderrama	-	84,154	-	-	84,154	-	-	-	-	-	84,154	-	19/06/09	31/07/12
Mr. David Turiel López	-	16,800	-	-	16,800	-	-	-	-	-	16,800	-	19/06/09	31/07/12
	-	**362,223**	-	-	**362,223**	-	-	-	-	-	**362,223**	-		
Incentive Plan (I13)														
Mr. Javier San Félix García	-	-	-	-	-	28,840	-	-	-	-	28,840	-	11/06/10	31/07/13
Mr. José A. Álvarez Álvarez	-	-	-	-	-	71,530	-	-	-	-	71,530	-	11/06/10	31/07/13
Mr. Juan Rodríguez Inciarte	-	-	-	-	-	60,904	-	-	-	-	60,904	-	11/06/10	31/07/13
Mr. José María Espí Martínez	-	-	-	-	-	66,035	-	-	-	-	66,035	-	11/06/10	31/07/13
Mr. Ernesto Zulueta Benito	-	-	-	-	-	14,214	-	-	-	-	14,214	-	11/06/10	31/07/13
Ms. Inés Serrano González	-	-	-	-	-	21,630	-	-	-	-	21,630	-	11/06/10	31/07/13
Ms. Magdalena Salarich Fernández de Valderrama	-	-	-	-	-	84,154	-	-	-	-	84,154	-	11/06/10	31/07/13
Mr. David Turiel López	-	-	-	-	-	17,304	-	-	-	-	17,304	-	11/06/10	31/07/13
	-	-	-	-	-	**364,611**	-	-	-	-	**364,611**	-		

Additionally, the maximum limits on the number of shares under the Obligatory Investment Share Plan are as follows:

Directors	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. Note 41 to the accompanying consolidated financial statements includes a brief description of these incentive plans.

d) Loans and deposits

At 2010 year-end, the Bank's direct risk exposure to its directors in respect of loans and credits and guarantees provided amounted to EUR 1 thousand (2009 year-end: EUR 16 thousand) (see Note 49). Additionally, at 31 December 2010 the directors did not have any customer deposits with the Group (31 December 2009: no deposits).

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

For the purposes of the preparation of these consolidated financial statements, senior managers are considered to be those persons that have formed part of the Executive Committee or the Management Committee of the Bank.

The remuneration received by the Bank's non-director senior managers (9 persons in 2010 and 8 in 2009) amounted to EUR 3,079 thousand (2009: EUR 2,163 thousand) and was paid in full by other Santander Group entities.

The remuneration in kind paid to the Bank's senior managers (excluding directors) totalled approximately EUR 548 thousand in 2010 (2009: EUR 227 thousand), which were paid by other Santander Group entities.

In 2010 contributions amounting to EUR 234 thousand were made to defined contribution pension plans for the Bank's senior managers (2009: EUR 421 thousand). These contributions were made by other Santander Group entities. No amounts were paid to senior managers in this connection in 2010.

The Bank's senior managers (excluding directors) did not hold any options on Banco Santander, S.A. shares under Plan I10 at 31 December 2010 (31 December 2009: 42,440 options). In relation to the Santander Group performance share plans in force, the senior managers held options, based on the degree of achievement of certain business targets, on a maximum of 86,515, 123,350 and 133,386 shares under Long-Term Incentive Plans I11, I12 and I13, respectively (31 December 2009: 64,915 and 85,250 shares under Incentive Plans I11 and I12, respectively). At 31 December 2010, the cost of this remuneration was borne in full 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 42 thousand at 31 December 2010 (31 December 2009: EUR 40 thousand), of which EUR 17 thousand was direct risk exposure to the Bank (2009 year-end: EUR 21 thousand) (see Note 4-g). In addition, at 31 December 2010 and 2009 these senior managers did not have any customer deposits with Group entities.

All the transactions with the Santander 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 229 of the Consolidated Spanish Limited Liability Companies Law, following is a detail of the investments held by the directors and persons related to them, as defined in Article 231 of the aforementioned Law, in the share capital of entities engaging in banking, financing or lending in the year; and of the management or governing functions, if any, that they discharged thereat:

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%	Director
	Banco Bilbao Vizcaya Argentaria, S.A.	Financial institution	Less than 0.001%	-
	Wells Fargo & Co.	Financial institution	Less than 0.001%	-
	Santander UK plc.	Financial institution	-	Deputy Chairman
	Alliance & Leicester plc	Financial institution	-	Director
	Banco Banif, S.A.	Financial institution	-	Director
Ms. Magdalena Salarich Fernández de Valderrama	Banco Santander, S.A.	Financial institution	Less than 0.001%	General Manager
	Banco Banif, S.A.	Financial institution	-	Director
	Santander Consumer Bank, AG	Financial institution	-	Deputy Chairman
Mr. José Antonio Álvarez Álvarez	Banco Santander, S.A.	Financial institution	0.003%	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
	Santander Consumer Bank, AG	Financial institution	-	Director
Mr. José María Espí Martínez	Banco Santander, S.A.	Financial institution	0.004%	General Manager
	Santander Lease, S.A., E.F.C.	Financial institution	-	Chairman
	Unión de Créditos Inmobiliarios, E.F.C., S.A.	Financial institution	-	Chairman
	U.C.I., S.A.	Financial institution	-	Director
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
	AIG Bank Polska, S.A.	Financial institution	-	Director
	Polskie Towarzystwo Finansowe, S.A.	Financial institution	-	Member of the Supervisory Board
	Santander Consumer Bank S.p.A.	Financial institution	-	Director
	Banco Santander, S.A.	Financial institution	Less than 0.001%	-

Owner	Corporate Name	Line of Business	Ownership Interest	Functions
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
	Banco Santander, S.A.	Financial institution	Less than 0.001%	-
	CJSC 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
	AIG Bank Polska , S.A.	Financial institution	-	Director
Mr. Ernesto Zulueta Benito	Santander Consumer Bank, S.p.A. (Italy)	Financial institution	-	Director
	CJSC 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
	AIG Bank Polska, S.A.	Financial institution	-	Director
	Banco Santander, S.A.	Financial institution	Less than 0.001%	-

Owner	Corporate Name	Line of Business	Ownership Interest	Functions
Ms. Inés Serrano González	Santander Consumer, E.F.C., S.A.	Financial institution	-	Chairman
	Santander Consumer Bank, S.p.A. (Italy)	Financial institution	-	Chairman
	Unifin, S.p.A. (Italy)	Financial institution	-	Director
	Reintegra, S.A.	Debt recovery	-	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
	Transolver Finance, E.F.C., S.A.	Financial institution	-	Representative of the Chairman of the Board, Santander Consumer Finance, S.A.
	Banco Santander, S.A.	Financial institution	Less than 0.001%	-

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

6. Loans and advances to credit institutions

The detail, by classification, type and currency, of “Financial Assets Held for Trading - Loans and Advances to Credit Institutions" and "Loans and Receivables - Loans and Advances to Credit Institutions" in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2010	2009
Classification:		
Financial assets held for trading	10,040	-
Loans and receivables	5,363,069	5,284,982
	5,373,109	5,284,982
Type:		
Reciprocal accounts	186,303	179,210
Time deposits	5,045,907	4,977,711
Other accounts	140,899	128,061
	5,373,109	5,284,982
Currency:		
Euro	5,346,698	5,209,510
Foreign currency	26,411	75,472
	5,373,109	5,284,982
Add - Valuation adjustments	13,594	11,942
Of which:		
Accrued interest	*14,001*	*12,273*
Fees and commissions	*(407)*	*(331)*
	5,386,703	**5,296,924**

Note 47 contains a detail of the residual maturity periods of these assets at 2010 and 2009 year-end and of the related average interest rates in 2010 and 2009.

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 detail, 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	
	2010	2009
Classification:		
Loans and receivables	2,233	-
Available-for-sale financial assets	309,967	164,619
	312,200	**164,619**
Type:		
Central banks	213,244	159,936
Foreign government debt securities	26,722	4,683
Other fixed-income securities	72,234	-
	312,200	**164,619**
Currency:		
Euro	114,509	164,142
Foreign currency	197,691	477
	312,200	**164,619**

At 31 December 2010 and 2009, 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 2010 and 2009 year-end and of the related average interest rates in 2010 and 2009.

8. Equity instruments

The detail, by type and currency, of "Available-for-Sale Financial Assets – Equity Instruments" in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2010	2009
Type:		
Shares of foreign companies	1,711	1,794
	1,711	**1,794**
Currency:		
Euro	522	523
Foreign currency	1,189	1,271
	1,711	**1,794**

The changes in 2010 and 2009 in “Available-for-Sale Financial Assets - Equity Instruments” in the consolidated balance sheets were as follows:

	Thousands of Euros	
	2010	2009
Balance at beginning of year	1,794	366,752
Net additions (disposals)	62	(365,147)
Valuation adjustments	(145)	189
Balance at end of year	**1,711**	**1,794**

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 2010 and 2009 is as follows:

	Thousands of Euros			
	2010		2009	
	Asset Balance	Liability Balance	Asset Balance	Liability Balance
Interest rate risk	135,614	156,028	171,818	177,620
Foreign currency risk	40	11,552	-	5,478
	135,654 (*)	**167,580 (*)**	**171,818**	**183,098**

(*) Of which EUR 96,849 thousand and EUR 162,065 thousand of asset and liability balances, respectively, relate to amounts held with Santander Group companies (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 “Financial Assets Held For Trading - Loans and Advances to Customers” and “Loans and Receivables - Loans and Advances to Customers" in the consolidated balance sheets, which reflect the Group's exposure to credit risk in its core business, disregarding valuation adjustments:

	Thousands of Euros	
	2010	2009
By loan type and status:		
Commercial credit	203,141	183,921
Secured loans	3,681,459	5,209,887
Other term loans	38,582,168	36,890,414
Finance leases	3,502,189	3,613,437
Receivable on demand and other	2,296,387	4,193,857
Impaired assets	2,824,512	2,922,134
	51,089,856	53,013,650
By borrower sector:		
Public sector - Spain	459	537
Individuals	44,336,035	45,889,282
Energy	1,375	232
Construction	392,970	262,669
Manufacturing	1,275,070	1,188,768
Services	2,825,094	2,230,580
Other sectors	2,258,853	3,441,582
	51,089,856	53,013,650
Geographical area:		
Spain and Portugal	9,414,797	10,654,364
Italy	7,798,528	7,711,948
Germany	22,964,576	23,241,687
Scandinavia	6,365,047	5,456,995
Other	4,546,908	5,948,656
	51,089,856	53,013,650
By interest rate formula:		
Fixed rate	36,729,578	37,865,679
Floating rate	14,360,278	15,147,971
	51,089,856	53,013,650
Currency:		
Euros	42,605,459	43,933,791
Foreign currency	8,484,397	9,079,859
	51,089,856	53,013,650
Less - Valuation adjustments	(2,452,206)	(2,098,811)
Of which:		
Impairment losses	*(2,854,707)*	*(2,714,679)*
Accrued interest	*50,492*	*50,650*
Other	*352,009*	*565,218*
	48,637,650	**50,914,839**

Note 47 contains a detail of the residual maturity periods of loans and advances to customers at 2010 and 2009 year-end and of the related average annual interest rates in 2010 and 2009.

At 31 December 2010 and 2009, there were no loans and advances to customers for material amounts without fixed maturity dates. At 2010 and 2009 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 2010 and 2009 were as follows:

	Thousands of Euros	
	2010	2009
Balance at beginning of year	2,714,679	1,972,951
Net impairment losses charged to consolidated income for the year	1,312,020	1,557,501
Of which:		
Identified losses	*1,214,786*	*1,387,195*
Inherent losses	*97,234*	*170,306*
Changes in the scope of consolidation	(44,030)	214,258
Write-off of impaired balances against recorded impairment allowance	(1,133,274)	(936,048)
Exchange differences and other	5,312	(93,983)
Balance at end of year	**2,854,707**	**2,714,679**
Of which:		
By method of assessment-		
Identified losses	*2,100,257*	*2,147,440*
Inherent losses	*754,450*	*567,239*
By geographical location of Risk-		
Spain	*728,030*	*748,399*
Other	*2,126,677*	*1,966,280*

Previously written-off assets recovered in 2010 amounted to EUR 80,126 thousand (2009: EUR 100,446 thousand) 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 2010 and 2009 in the balance of the financial assets classified as loans and receivables and considered to be impaired due to credit risk at 31 December 2010 and 2009 were as follows:

	Thousands of Euros	
	2010	2009
Balance at beginning of year	2,922,134	2,290,602
Additions net of recoveries	997,579	1,583,824
Written-off assets	(1,133,276)	(936,048)
Exchange differences and other	38,075	(16,244)
Balance at end of year	**2,824,512**	**2,922,134**

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 2010 and 2009, classified by geographical location of risk and by age of the oldest past-due amount:

2010						
	Thousands of Euros					
	With no Past-Due Balances or Less than 3 Months Past Due	With Balances Past Due by				
		0 to 6 Months	6 to 9 Months	9 to 12 Months	More than 12 Months	Total
Spain and Portugal	114,523	100,312	59,714	63,135	450,132	787,816
Germany and Austria	3,623	267,934	112,527	101,738	696,115	1,181,937
Italy	0	132,613	47,954	26,538	240,226	447,331
Scandinavia	23,596	43,399	38,566	33,892	-	139,453
Other	9,908	47,986	25,567	28,241	156,273	267,975
	151,650	**592,244**	**284,328**	**253,544**	**1,542,746**	**2,824,512**

2009						
	Thousands of Euros					
	With no Past-Due Balances or Less than 3 Months Past Due	With Balances Past Due by				
		0 to 6 Months	6 to 9 Months	9 to 12 Months	More than 12 Months	Total
Spain and Portugal	11,948	239,478	177,938	158,673	505,651	1,093,688
Germany and Austria	29,326	558,904	80,434	71,726	406,508	1,146,898
Italy	0	108,244	47,671	42,509	187,133	385,557
Scandinavia	5,025	53,461	21,391	19,075	22,700	121,652
Other	3,748	72,527	22,931	20,449	54,684	174,339
	50,047	**1,032,614**	**350,365**	**312,432**	**1,176,676**	**2,922,134**

The non-performing loans ratio stood at 5.53% at 31 December 2010 (31 December 2009: 5.51%).

The accrued interest receivable on impaired assets amounted to EUR 66,405 thousand at 31 December 2010 (31 December 2009: EUR 59,730 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 2010 and 2009 in the balance of the financial assets classified as loans and receivables and considered to be written-off assets at 31 December 2010 and 2009 were as follows:

	Thousands of Euros	
	2010	2009
Balance at beginning of year	1,678,030	1,251,294
Inclusion of entities in the Group	370,579	47,525
Additions (*)	1,133,276	936,048
Disposals	(658,397)	(556,837)
Balance at end of year	**2,523,488**	**1,678,030**

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	
	2010	2009
Derecognised	**-**	**-**
Retained on the balance sheet:	**12,286,990**	**12,956,498**
Of which:		
Santander Consumer, E.F.C., S.A.	*2,524,428*	*3,198,949*
Santander Consumer Bank, A.G.	*5,529,252*	*5,628,347*
Santander Consumer Bank S.p.A.	*3,397,587*	*3,447,479*
Banco Santander Consumer Portugal, S.A.	*835,723*	*681,723*
Total	**12,286,990**	**12,956,498**

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

In 2010 the subsidiaries mentioned in the foregoing table securitised receivables amounting to EUR 2,101,826 thousand (2009: EUR 4,223,601 thousand). 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			
	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges:				
Micro-hedges	78,669	151	93,459	-
Portfolio hedges	34,293	139,865	18,053	144,448
Cash flow hedges (*):				
Micro-hedges	-	74,936	-	160,587
Portfolio hedges	4,959	103,994	-	169,741
	117,921	**318,946**	**111,512**	**474,776**

(*) Of which EUR 87,962 thousand of losses, net of tax, were recognised as a reduction of consolidated equity at 31 December 2010 (31 December 2009: EUR 182,613 thousand) (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 (recovered by the consolidated entities in doubtful loans), net of impairment losses, and the assets of subsidiaries classified as discontinued operations, the detail being as follows:

	Thousands of Euros	
	2010	2009
Loans and advances to credit institutions	17,003	21,806
Loans and advances to customers	289,411	597,358
Other assets	10,014	14,029
	316,428	633,193
Foreclosed tangible assets	97,218	57,030
Property, plant and equipment for own use	-	95
Other assets from finance leases	12,007	14,264
Other	14,109	6,149
	123,334	77,538
Less - Impairment losses	(39,194)	(18,084)
	400,568	**692,647**

The changes in "Impairment Losses" in the foregoing table in 2010 and 2009 were as follows:

	Thousands of Euros	
	2010	2009
Balances at beginning of year	18,084	1,927
Net impairment losses charged to consolidated income for the year (Note 45)	25,590	16,231
Amounts used	(4,480)	(74)
	39,194	**18,084**

The consolidated entities incurred a net loss of EUR 27,111 thousand in 2010 from the sale of non-current assets held for sale (2009: net loss of EUR 16,326 thousand) (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	
	2010	2009
Deposits from credit institutions	53,275	119,841
Other financial liabilities	211	-
Tax liabilities	100	201
Accrued expenses and deferred income	3,494	10,956
Other liabilities	6,345	159,965
	63,425	**290,963**

13. Investments - Associates

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

	Thousands of Euros	
	2010	2009
Accordfin España, E.F.C., S.A.	-	7,806
Santander Benelux, S.A., N.V.	200,000	-
Konecta B.T.O., S.L.	14,178	11,324
Reintegra, S.A.	1,326	2,381
Other	7,988	7,470
	223,492	28,981
Of which:		
Goodwill	*3,884*	*8,063*
Less-		
Impairment losses	-	(7,806)
	223,492	**21,175**

The changes in 2010 and 2009 in the balance of this item in the consolidated balance sheets, disregarding impairment losses, were as follows:

	Thousands of Euros	
	2010	2009
Balance at beginning of year	28,981	28,905
Purchases and capital increases	200,000	8,688
Sales	(7,806)	-
Effect of equity accounting (Note 34)	2,074	(8,354)
Exchange differences and other	243	(258)
Balance at end of year	**223,492**	**28,981**

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 the shares held by the latter 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 its ownership interests in Accordfin España, E.F.C., S.A. 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.

In December 2010 the subsidiary Santander Consumer Holding GmbH subscribed the capital increase carried out by the subsidiary Santander Consumer Benelux, S.A./N.V. and paid EUR 200,000 thousand for 16.8% of this entity's share capital.

Following is a summary of the financial information on the associates (obtained from their separate financial statements for 2010, not yet approved by their respective managing bodies):

	Millions of Euros
Total assets	12,999
Total liabilities	(11,737)
Equity	(1,203)
Group's share of the net assets of associates	219
Goodwill	4
Total Group share	**223**
Total income	68,392
Total profit	59
Group's share of the profit of associates	2

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	
	2010	2009
Assets relating to insurance contracts covering post-employment benefit plan obligations (Note 23):		
Santander Consumer Finance, S.A.	22,308	23,655
Santander Consumer E.F.C, S.A.	5,852	5,994
	28,160	**29,649**
Assets relating to insurance contracts covering other long-term benefits:		
Santander Consumer Finance, S.A. (Note 23)	945	1,553
	945	**1,553**
	29,105	**31,202**

The interest earned on these assets in 2010 amounted to EUR 1,190 thousand (2009: EUR 1,245 thousand) (see Notes 2-p, 2-q and 32).

15. Tangible assets

The changes in 2010 and 2009 in "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 2009	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
Additions / Disposals (net)	(10,183)	(32,145)	(42,328)
Additions	*20,242*	*146,091*	*166,333*
Disposals	*(30,425)*	*(178,236)*	*(208,661)*
Net additions due to change in the scope of consolidation	27,792	11,026	38,818
Exchange differences	991	228	1,219
Transfers and other	1,296	(8,386)	(7,090)
Balances at 31 December 2010	**323,023**	**413,592**	**736,615**
Accumulated depreciation:			
Balances at 1 January 2009	(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)
Net additions due to change in the scope of consolidation	(7,424)	(18,012)	(25,436)
Charge for the year	(22,469)	(84)	(22,553)
Disposals and retirements	25,717	62,382	88,099
Exchange differences	(629)	(41)	(670)
Transfers and other	(1,649)	(44,972)	(46,621)
Balances at 31 December 2010	**(155,295)**	**(63,343)**	**(218,638)**
Impairment losses:			
Balance at 1 January 2009	-	-	-
Charge for the year (Note 43)	-	(1,554)	(1,554)
Transfers and other	-	(1,120)	(1,120)
Balance at 31 December 2009	-	(2,674)	(2,674)
Charge for the year (Note 43)	(278)	(2,890)	(3,168)
Transfers and other	(501)	418	(83)
Balances at 31 December 2010	**(779)**	**(5,146)**	**(5,925)**
Net tangible assets:			
Balances at 31 December 2009	154,286	377,579	531,865
Balances at 31 December 2010	**166,949**	**345,103**	**512,052**

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 2,482 thousand in 2010 (2009: EUR 8,666 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	Impairment Losses	Carrying Amount
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**
Buildings	97,612	(13,709)	-	83,903
Furniture	92,811	(51,175)	-	41,636
IT equipment	84,324	(66,774)	-	17,550
Other	48,276	(23,637)	(779)	23,860
Balances at 31 December 2010	**323,023**	**(155,295)**	**(779)**	**166,949**

The net balance of “Property, Plant and Equipment for Own Use” at 31 December 2010 includes approximately EUR 163,063 thousand (31 December 2009: EUR 149,912 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	
	2010	2009
Santander Consumer Holding GmbH (Germany)	987,426	842,822
Santander Consumer Bank, S.p.A. (Italy)	199,053	199,053
Santander Consumer Bank, A.S. (Norway)	136,684	129,286
Banco Santander Consumer Portugal, S.A. (Portugal)	59,295	121,699
Unifin, S.p.A. (Italy)	49,994	49,994
Polskie Towarzystwo Finansowe, S.A. (Poland)	21,590	20,907
Santander Consumer Bank, S.A. (Poland)	7,500	7,253
Santander Consumer Finance Benelux B.V. (Netherlands)	35,550	35,550
Santander Consumer Bank, AG (Germany)	53,627	53,627
Santander Consumer Bank GmbH (Austria)	98,074	98,074
SCF Rahoitus Oy (Finland) (*)	-	42,095
Santander Consumer Finance Oy (Finland) (*)	42,095	-
Other companies	2,303	2,191
Total	**1,693,191**	**1,602,551**

(*) Companies merged in 2010 (see Note 3).

The changes in 2010 and 2009 in this item in the consolidated balance sheets were as follows:

	Thousands of Euros	
	2010	2009
Balance at beginning of year	1,602,551	1,425,561
Additions (Note 3-b)	160,000	159,373
Of which:		
Santander Consumer Finance Benelux B.V. (Netherlands)	-	*3,112*
Santander Consumer Holding GmbH (Germany)	*160,000*	-
GE Money Bank GmbH (Germany)	-	*2,535*
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)	(63,000)	-
Exchange differences and other	(6,360)	17,617
Balance at end of year	**1,693,191**	**1,602,551**

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 adequacy 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 2010, the Bank's directors assessed the recoverability of the goodwill recognised and concluded that there was no need to record any impairment losses on this goodwill in addition to those recognised in the year then ended.

b) Other intangible assets

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

	Estimated Useful Life	Thousands of Euros	
		2010	2009
With finite useful life:			
Customer base	10 years	44,150	53,119
IT developments	3 years	271,491	202,894
		315,641	**256,013**

The changes in 2010 and 2009 in this item in the consolidated balance sheets were as follows:

	Thousands of Euros	
	2010	2009
Balance at beginning of year	256,013	234,259
Net additions	129,433	108,240
Amortisation charge	(63,711)	(67,152)
Impairment losses (Note 43)	(6,094)	(19,334)
Balance at end of year	**315,641**	**256,013**

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	
	2010	2009	2010	2009
Inventories	8,548	7,498	-	-
Prepayments	38,617	67,685	-	-
Accrued expenses	-	-	283,125	255,937
Transactions in transit	506	-	18,935	12,644
Other	389,063	339,626	465,138	332,523
	436,734	**414,809**	**767,198**	**601,104**

18. Deposits from central banks and Deposits from credit institutions

The balance of “Financial Liabilities at Amortised Cost – Deposits from Central Banks” in the consolidated balance sheet at 31 December 2010 relates in full to asset-backed securities discounted at European central banks.

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	
	2010	2009
Type:		
Reciprocal accounts	72,924	2,127,236
Time deposits	12,823,805	17,481,828
Other demand accounts	1,839,630	1,257,610
	14,736,359	20,866,674
Currency:		
Euro	9,292,524	13,238,771
Foreign currency	5,443,835	7,627,903
	14,736,359	20,866,674
Add - Valuation adjustments	121,575	176,692
Of which:		
Accrued interest	*122,224*	*177,245*
Other	*(649)*	*(553)*
	14,857,934	**21,043,366**

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 2010 and 2009 year-end and of the related average annual interest rates in 2010 and 2009.

At 31 December 2010, the consolidated entities had unused credit facilities amounting to EUR 892,415 thousand (31 December 2009: EUR 2,169,037 thousand).

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	
	2010	2009
Type:		
Demand deposits-		
Current accounts	9,629,842	9,931,574
Savings accounts	530,683	885,896
Other demand deposits	33,823	7,234
Time deposits-		
Fixed-term deposits	13,770,706	6,861,913
Home-purchase savings accounts	81	164
Other time deposits	150,000	150,100
	24,115,135	17,836,881
Geographical area:		
Spain and Portugal	314,672	258,276
Germany	22,318,375	17,091,130
Poland	1,000,178	-
Italy	441,842	420,737
Scandinavia	36,534	53,794
Other	3,534	12,944
	24,115,135	17,836,881
Currency:		
Euro	23,078,423	17,719,194
Foreign currency	1,036,712	117,687
	24,115,135	17,836,881
Add - Valuation adjustments-	223,741	59,313
Of which:		
Accrued interest	*205,075*	*60,532*
	24,338,876	**17,896,194**

The amount recognised under "Other Time Deposits" in the foregoing table relates to single mortgage-backed 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, except in the legally stipulated circumstances.

Note 47 contains a detail of the residual maturity periods of these financial liabilities at amortised cost at 2010 and 2009 year-end and of the related average annual interest rates in 2010 and 2009.

20. Marketable debt securities

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

	Thousands of Euros	
	2010	2009
Bonds and debentures outstanding	5,750,866	5,814,462
Mortgage-backed bonds	1,193,952	1,193,952
Notes and other securities	3,207,676	6,275,270
	10,152,494	13,283,684
Add - Valuation adjustments-	(9,093)	135,285
Of which:		
Accrued interest	49,064	53,912
Issue premiums/discounts	(142,997)	28,427
Micro-hedges (*)	89,820	57,518
Other	(4,980)	(4,572)
	10,143,401	**13,418,969**

(*) Of which EUR 35,052 thousand relate to a micro-hedge that was discontinued in 2010. This amount is deferred with a credit to "Interest Expense and Similar Charges" in the consolidated income statement until the mortgage-backed bonds included in the foregoing table mature.

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., Santander Consumer Bank A.G., Santander Consumer Bank, S.A. (Poland), Santander Consumer Bank, A.S. (Norway) and AIG Bank Polska, S.A. (Poland), which totalled EUR 802,685 thousand, EUR 2,485,988 thousand, EUR 166,289 thousand, EUR 164,326 thousand and EUR 38,994 thousand, respectively, at 31 December 2010. It also includes the amount of the bonds issued by Fondo de Titulización de Activos Santander Consumer Spain Auto 06, Fondo de Titulización de Activos Santander Consumer Auto 07-1, Fondo de Titulización de Activos Santander Consumer Spain Auto 2010-1 and Santander Consumer Germany Auto 2010-1 UG, which totalled EUR 290,572 thousand, EUR 718,475 thousand, EUR 442,594 thousand and EUR 490,943 thousand, respectively (see Appendix I).

At its meeting held on 18 October 2010, 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 26 November 2010. At 31 December 2010, the outstanding balance of these notes amounted to EUR 150,000 thousand and was recognised under "Bonds and Debentures Outstanding" in the foregoing table.

The balance of "Mortgage-Backed Bonds" in the foregoing table includes the amount of the mortgage-backed bonds (*cédulas hipotecarias*) issued by the Bank on 23 March 2006. These bonds, which are listed on the Spanish AIAF fixed-income 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 on these bonds for the Bank or for the holders, except in the legally stipulated circumstances.

The balance of “Notes and Other Securities” in the foregoing table relates mainly to note issues launched by the Bank, which were admitted to trading on the AIAF market. These notes, issued at a discount, bore average annual interest of 1.16% in 2010 (2009: 1.80%).

At each of its meetings held on 17 June 2010, 24 September 2009 and 16 October 2008, 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. These programmes were registered in the Official Registers of the Spanish National Securities Market Commission (CNMV) at 2010 year-end.

The balance of the notes quoted by the Spanish National Securities Market Commission amounted to EUR 1,768,638 thousand at 31 December 2010 (of which EUR 1,641,345 thousand, EUR 63,365 thousand and EUR 56,521 thousand related to the Notes Programmes of 2010, 2009 and 2008, respectively).

At its meeting held on 27 May 2010, 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 ranging from a minimum of seven days to a maximum of 364 days. This programme was listed on the Dublin Stock Exchange on 2 July 2010. The outstanding balance of these notes amounted to EUR 1,446,445 thousand at 31 December 2010.

The shareholders at the Extraordinary General Meeting of the Bank on 27 May 2010 delegated powers to the Board of Directors for the issuance of fixed-income securities 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 securities or modify the related terms and conditions, and on the applicable interest rates.

At 31 December 2010 and 2009, 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 2010 and 2009 year-end and of the related average annual interest rates in 2010 and 2009.

Information on issues, repurchases or redemptions of debt instruments

Following is a detail, at 31 December 2010 and 2009, of the outstanding balance of the debt instruments issued by the Bank or by any other Group entity at those dates, and of the changes therein in 2010 and 2009.

	Thousands of Euros				
	2010				
	Outstanding Balance at 01/01/10	Issues	Repurchases or Redemptions	Exchange Rate and Other Adjustments	Outstanding Balance at 31/12/10
Debt instruments issued in an EU Member State for which it was necessary to file a prospectus	13,283,684	23,020,072	(26,188,153)	36,891	10,152,494
Debt instruments issued in an EU Member State for which it was not necessary to file a prospectus	-	-	-	-	-
Other debt instruments issued outside EU Member States	-	-	-	-	-
	13,283,684	**23,020,072**	**(26,188,153)**	**36,891**	**10,152,494**

	Thousands of Euros				
	2009				
	Outstanding Balance at 01/01/09	Issues	Repurchases or Redemptions	Exchange Rate and Other Adjustments	Outstanding Balance at 31/12/09
Debt instruments issued in an EU Member State for it was necessary to file a prospectus	14,520,384	27,593,098	(28,839,824)	10,026	13,283,684
Debt instruments issued in an EU Member State for which it was not necessary to file a prospectus	-	-	-	-	-
Other debt instruments issued outside EU Member States	24,142	-	(24,142)	-	-
	14,544,526	**27,593,098**	**(28,863,966)**	**10,026**	**13,283,684**

Other issues guaranteed by the Group

At 31 December 2010 and 2009, there were no debt instruments issued by associates or (non-Group) third parties guaranteed by the Bank or by any other Group entity.

Information, on a case-by-case basis, of certain issues, repurchases or redemptions of debt instruments

The main characteristics of the most significant issues launched by the Group in 2010 and 2009, or guaranteed by the Bank or Group entities in those years, are as follows:

Issuer Data				Data on the Issues Launched in 2010								
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 31/12/10 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee that the Group would Assume
FTA, Santander Consumer Spain Auto 2010-1	(*)	Spain	Fitch AAA Rating & Moody's Aaa Rating	ES0307769002	Senior Debt	29/06/10	493,500 (**)	442,594	3M Euribor + 0.70%	AIAF Fixed-Income Market	-	-
FTA, Santander Consumer Spain Auto 2010-1	(*)	Spain	Fitch A+ Rating & Moody's Aa2 Rating	ES0307769010	Senior Debt	29/06/10	57,000	57,000	3M Euribor + 1.20%	AIAF Fixed-Income Market	-	-
FTA, Santander Consumer Spain Auto 2010-1	(*)	Spain	Fitch BBB+ Rating & Moody's Baa2 Rating	ES0307769028	Senior Debt	29/06/10	49,500	49,500	3M Euribor + 1.50%	AIAF Fixed-Income Market	-	-
FTA, Santander Consumer Spain Auto 2010-1	(*)	Spain	Unrated & Moody's Ca Rating	ES0307769036	Senior Debt	29/06/10	88,500	88,500	3M Euribor + 0.65% + Extra	AIAF Fixed-Income Market	-	-
SC Germany Auto 10-1	(*)	Ireland	Fitch AAA Rating, Moody's Aaa Rating & S&P AAA Rating	XS0525278304	Senior Debt	26/07/10	567,000 (**)	490,943	1M Euribor + 1.05%	Irish Stock Exchange	-	-
SC Germany Auto 10-1	(*)	Ireland	Fitch A Rating & Moody's A3 Rating & S&P A Rating	XS0525278486	Senior Debt	26/07/10	33,000	33,000	1M Euribor + 1.50%	Irish Stock Exchange	-	-

Issuer Data				Data on the Issues Launched in 2010								
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 31/12/10 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee that the Group would Assume
SC Germany Consumer 10-1 Limited	(*)	Ireland	Moody's Aaa Rating & S & P AAA Rating	XS0551312365	Senior Debt	16/11/10	722,500 (**)	684,653	1M Euribor + 1.05%	Irish Stock Exchange	-	-
SC Germany Consumer 10-1 Limited	(*)	Ireland	Moody's A2 Rating & S & P A Rating	XS0551312878	Senior Debt	16/11/10	127,500	127,500	1M Euribor + 1.55%	Irish Stock Exchange	-	-

Issuer Data				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 that the Group would Assume
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 AAA Rating & Moody's Aaa Rating	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 A Rating & Moody's A2 Rating	XS0458705455	Senior Debt	23/11/09	55,000	55,000	1M Euribor + 1.40%	Irish Stock Exchange	-	-

Issuer Data				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 that the Group would Assume
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	-	-

(*) The rights acquired by these special-purpose vehicles were not derecognised since substantially all the risks and rewards associated with these collection rights were not 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 2010		31 December 2009	
Currency of Issue	2010	2009	Outstanding Issue Amount in Foreign Currency (Millions)	Annual Interest Rate at 31/12/10	Outstanding Issue Amount in Foreign Currency (Millions)	Annual Interest Rate at 31/12/09
Euros	1,123,457	1,175,888	-	2.00%	-	2.22%
Norwegian krone (*)	50,022	71,393	390	4.78%	590	4.09%
Polish zloty (**)	38,253	37,076	150	5.89%	150	6.19%
Balance at end of year	**1,211,732**	**1,284,357**				

(*) Including three subordinated loans granted to the subsidiary Santander Consumer Bank AS by a Santander Group entity for NOK 180 million and NOK 210 million, which may be repaid early on or after 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 detail of subordinated liabilities denominated in euros is as follows:

Company	Thousands of Euros	Counterparty	Early Redemption Date	Maturity Date
Santander Consumer E.F.C., S.A. (1)	34,000	Santander Benelux, S.A./N.V.	16/12/14	16/12/19
Santander Consumer Finance, S.A. (1)	153,600	Banco Santander, S.A.	27/02/08	27/02/13
Santander Consumer Finance, S.A. (1)	500,000	Banco Santander, S.A.	28/11/11	28/09/16
Santander Consumer Bank S.p.A.	32,500	Open Bank Santander Consumer, S.A.	(2)	22/06/16
Santander Consumer Bank S.p.A.	32,500	Open Bank Santander Consumer, S.A.		22/06/16
Santander Consumer Bank S.p.A.	16,250	Open Bank Santander Consumer, S.A.	(2)	31/10/18
Santander Consumer Bank S.p.A.	16,250	Open Bank Santander Consumer, S.A.	(2)	31/10/18
Santander Consumer Bank S.p.A.	16,250	Open Bank Santander Consumer, S.A.		31/10/18
Santander Consumer Bank S.p.A.	16,250	Open Bank Santander Consumer, S.A.		31/10/18
Santander Consumer Bank AG	20,000	Open Bank Santander Consumer, S.A.	(3)	06/08/14
Santander Consumer Bank AG	25,000	Open Bank Santander Consumer, S.A.	(3)	30/11/14
Santander Consumer Bank AG	20,000	Open Bank Santander Consumer, S.A.	(3)	20/04/15
Santander Consumer Bank AG	22,000	Open Bank Santander Consumer, S.A.	(3)	20/01/16
Santander Consumer Bank S.p.A.	32,500	Santander Benelux, S.A./N.V.	(2)	22/04/15
Santander Consumer Bank S.p.A.	32,500	Santander Benelux, S.A./N.V.		22/04/15
Santander Consumer Bank S.p.A.	17,500	Santander Benelux, S.A./N.V.	(2)	30/06/15
Santander Consumer Bank S.p.A.	17,500	Santander Benelux, S.A./N.V.		30/06/15
Santander Consumer Bank S.p.A.	20,000	Santander Benelux, S.A./N.V.	(2)	31/12/19
Santander Consumer Bank S.p.A.	20,000	Santander Benelux, S.A./N.V.		31/12/19
Santander Consumer Bank S.p.A.	12,500	Banco Madesant, Sociedade Unipessoal, S.A.	(2)	30/09/19
Santander Consumer Bank S.p.A.	12,500	Banco Madesant, Sociedade Unipessoal, S.A.		30/09/19
SC Germany Consumer 08-1 Limited	39,257	Santander Benelux, S.A./N.V.		
SC Germany Consumer 08-2 Limited	11,656	Santander Benelux, S.A./N.V.		
	1,120,513			
Add - Valuation adjustments	2,944			
Total	**1,123,457**			

(1) May not be redeemed early without authorisation from the Bank of Spain.

(2) May be fully or partially redeemed on or after the first principal repayment date, subject to authorisation from the Bank of Italy.

(3) May not be redeemed early.

The changes in "Subordinated Liabilities" in 2010 and 2009 were as follows:

	Thousands of Euros	
	2010	2009
Balance at beginning of year	1,284,357	841,386
Additions	-	448,655
Of which:		
Spain	-	31,006
Poland	-	12,631
Italy	-	195,318
Germany	-	184,764
Norway	-	24,936
Redemptions	(72,643)	(5,112)
Of which:		
Germany	*(51,272)*	*(5,112)*
Norway	*(21,371)*	-
Exchange differences and other	18	(572)
Balance at end of year	**1,211,732**	**1,284,357**

Note 47 contains a detail of the residual maturity periods of these subordinated liabilities at 2010 and 2009 year-end and of the related average annual interest rates in 2010 and 2009.

22. Other financial liabilities

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

	Thousands of Euros	
	2010	2009
Declared dividends payable	-	110,281(*)
Trade payables	74,250	94,601
Public agency revenue collection accounts	15,740	16,707
Unsettled financial transactions	5,741	7,015
Other financial liabilities (**)	231,487	261,541
	327,218	**490,145**

(*) At 31 December 2009 this amount included EUR 109,693 thousand relating to dividends payable by the Bank.

(**) This item includes EUR 89,386 thousand at 31 December 2010 relating to balances payable arising from tax consolidation with Banco Santander, S.A. (31 December 2009: EUR 95,464 thousand in this connection) (see Note 25).

Note 47 contains a detail of the residual maturity periods of these financial liabilities at 2010 and 2009 year-end.

23. Provisions

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

	Thousands of Euros	
	2010	2009
Provisions for pensions and similar obligations	298,087	310,884
Provisions for taxes and other legal contingencies	29,249	15,283
Provisions for contingent liabilities and commitments	2,371	1,337
Other provisions	54,607	58,358
	384,314	**385,862**

The changes in 2010 and 2009 in the balance of this item in the consolidated balance sheets were as follows:

	2010					2009				
	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
Balances at beginning of year	310,884	15,283	1,337	58,358	385,862	265,795	17,539	1,368	37,969	322,671
Net inclusion (exclusion) of entities in (from) the Group	(3,808)	9,367	1,686	-	7,245	7,438	(525)	(14)	(2,218)	4,681
Additions charged to income:										
Interest expense and similar charges (Note 33)	14,246	-	-	-	14,246	12,705	-	-	-	12,705
Staff costs (Note 41)	4,681	-	-	-	4,681	5,864	-	-	-	5,864
Net additions to provisions (amounts used) (*)	427	6,592	(717)	38,664	44,966	43,676	5,844	136	59,760	109,416
	19,354	6,592	(717)	38,664	63,893	62,245	5,844	136	59,760	127,985
Payments to retired employees and pre-retirees with a charge to return premiums provisions (**)	(24,671)	-	-	-	(24,671)	(25,671)	-	-	-	(25,671)
Insurance premiums paid and return premiums received	(1,807)	-	-	-	(1,807)	(1,854)	-	-	-	(1,854)
Payments to retired employees by insurance companies	-	-	-	-	-	-	-	-	-	-
Amounts used	-	(2,401)	-	(36,868)	(39,269)	-	(2,104)	-	(25,812)	(27,916)
Transfers and other	(1,865)	408	65	(5,547)	(6,939)	2,931	(5,471)	(153)	(11,341)	(14,034)
	(28,343)	1,993	65	(42,415)	(72,686)	(24,594)	(7,575)	(153)	(37,153)	(69,475)
Balances at end of year	**298,087**	**29,249**	**2,371**	**54,607**	**384,314**	**310,884**	**15,283**	**1,337**	**58,358**	**385,862**

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

	Thousands of Euros	
	2010	2009
Post-employment benefits - Spanish entities:		
Recognised actuarial gains/(losses)	5	20
Past service cost	457	154
Pre-retirements	-	880
Curtailments/settlements	-	(55)
	462	999
Other long-term benefits - Spanish entities:		
Recognised actuarial gains/(losses) (obligations and assets)	(745)	1,198
Pre-retirements	71	51,207
Past service cost	86	-
Curtailments/settlements	-	(105)
	(588)	52,300
Foreign entities:		
Recognised actuarial gains/(losses) (obligations and assets)	739	612
Curtailments/settlements	(186)	(10,235)
	553	(9,623)
	427	**43,676**

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

	Thousands of Euros	
	2010	2009
Payments with a charge to the internal provision:		
Post-employment benefits - Spanish entities	2,688	2,772
Other long-term benefits - Spanish entities	14,177	14,623
Foreign entities	7,806	8,276
	24,671	**25,671**

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 pre-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 2010 and 2009 (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 pre-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 2010 and 2009 (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 Agreement to current employees, employees who took pre-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 138 thousand in 2010 (2009: EUR 161 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 Agreement to current employees, pre-retirees (including future insurance premiums for disability and surviving spouse/child benefits for employees who took pre-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 27 thousand in 2010 (2009: EUR 16 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 2010 and 2009 were as follows:

	Thousands of Euros	
	2010	2009
Present value of the obligations:		
To current employees	69	61
Vested obligations to retired employees and pre-retirees	32,607	32,917
Other obligations to retired employees (*)	180	978
	32,856	33,956
Less - Unrecognised actuarial gains/(losses)	(2,111)	(1,918)
Provisions - Provisions for pensions and similar obligations (Note 2-p)	**30,745**	**32,038**
Insurance contracts linked to pensions, taken out with non-related entities (Note 14)	**28,160**	**29,649**

(*) Including the life insurance obligations to retired Bank employees formerly 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:

	2010	2009
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 earliest 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:

	2010	2009
Expected rate of return on reimbursement rights	4.0%	4.0%

The changes in 2010 and 2009 in the cumulative net unrecognised actuarial gains and/or losses were as follows:

	Thousands of Euros	
	2010	2009
Balance at beginning of year	1,918	2,010
Exclusion of companies from the scope of consolidation	-	(7)
Net actuarial gains/(losses) arising in the year (*)	199	(53)
Amount recognised in the year (Note 2-p)	(6)	(32)
Balance at end of year	**2,111**	**1,918**

(*) Relates to obligations and assets amounting to EUR 258 thousand and EUR 457 thousand, respectively, in 2010 (2009: EUR -395 thousand and EUR 448 thousand, respectively).

The changes in 2010 and 2009 in the present value of the accrued defined benefit obligations were as follows:

	Thousands of Euros	
	2010	2009
Present value of the obligations at beginning of year	33,956	34,367
Net exclusion of Group companies from the scope of consolidation	-	(351)
Current service cost (Notes 2-p and 41)	81	46
Interest cost (Notes 2-p and 33)	1,308	1,306
Pre-retirements	-	880
Effect of curtailments/settlements	-	(55)
Benefits paid	(2,688)	(2,772)
Past service cost	457	154
Actuarial (gains)/losses arising in the year (Note 2-p)	(258)	395
Other	-	(14)
Present value of the obligations at end of year	**32,856**	**33,956**

The changes in 2010 and 2009 in the present value of the insurance contracts linked to pensions were as follows:

	Thousands of Euros	
	2010	2009
Fair value of insurance contracts at beginning of year	29,649	30,448
Expected return on insurance contracts linked to pensions (Notes 2-p and 32)	1,139	1,166
Actuarial gains/(losses) arising in the year (Note 2-p)	(457)	448
Premiums paid	165	177
Benefits paid	(2,336)	(2,590)
Fair value of insurance contracts at end of year	**28,160**	**29,649**

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	
	2010	2009
Present value of the obligations:	212,749	201,224
Of which:		
Germany	*160,505*	*154,752*
Less-		
Unrecognised actuarial gains/(losses)	(18,881)	(8,915)
Plan assets	(21,607)	(19,278)
Provisions - Provisions for pensions and similar obligations (Note 2-p)	**172,261**	**173,031**
Of which:		
Germany	*151,565*	*154,503*

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

	2010	2009
Annual discount rate	5.16%	5.5%
Mortality tables	R2005G of Heubeck-Richttafeln	R2005G of Heubeck-Richttafeln
Cumulative annual CPI growth	-	2%
Annual salary increase rate	2.25%	2%
Annual social security pension increase rate	1.75%	2%
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 7,725 thousand in 2010 (2009: EUR 6,527 thousand) (see Note 41).

The changes in 2010 and 2009 in the present value of the accrued defined benefit obligations and in the plan assets were as follows:

	Thousands of Euros	
	2010	2009
Present value of the obligations at beginning of year	201,224	173,406
Net inclusion/(exclusion) of entities in the Group	(3,808)	7,716
Current service cost (Notes 2-p and 41)	4,589	5,803
Interest cost (Notes 2-p and 33)	10,146	10,066
Pre-retirements	-	-
Effect of curtailments/settlements	(186)	(10,235)
Benefits paid	(8,512)	(8,276)
Past service cost	-	-
Actuarial (gains)/losses arising in the year (Note 2-p)	9,230	18,576
Exchange differences and other items	66	4,168
Present value of the obligations at end of year	**212,749**	**201,224**

The changes in 2010 and 2009 in the fair value of the plan assets were as follows:

	Thousands of Euros	
	2010	2009
Fair value of plan assets at beginning of year	19,278	15,107
Expected return on plan assets (Notes 2-p and 33)	1,157	1,109
Actuarial gains/(losses) arising in the year (Note 2-p)	(812)	(702)
Contributions	1,407	1,677
Benefits paid	(706)	(659)
Exchange differences and other items	1,283	2,746
Fair value of plan assets at end of year	**21,607**	**19,278**

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 pre-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). Return premiums amounting to EUR 175 thousand were received in 2010.

- Life insurance guaranteed to pre-retirees by virtue of the Santander Consumer Finance (Spain) Group's Collective 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 pre-retirees by virtue of the Santander Consumer Finance (Spain) Group's Collective 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 Agreement, which is funded by an internal provision.

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

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

- Life insurance guaranteed to pre-retirees by virtue of the Santander Consumer Finance (Spain) Group's Collective 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 pre-retirees by virtue of the Santander Consumer Finance (Spain) Group's Collective 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 Agreement, which is funded by an internal provision.

Santander Consumer Iber-Rent, S.L.

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

- Life insurance guaranteed to pre-retirees by virtue of the Santander Consumer Finance (Spain) Group's Collective 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 pre-retirees by virtue of the Santander Consumer Finance (Spain) Group's Collective 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 2010 and 2009 were as follows:

	Thousands of Euros	
	2010	2009
Present value of the obligations:		
To pre-retirees	94,941	105,680
Long-service bonuses	140	135
	95,081	105,815
Provisions - Provisions for pensions and similar obligations (Note 2-q)	**95,081**	**105,815**
Insurance contracts linked to pensions, taken out with non-related entities (Note 14)	**945**	**1,553**

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:

	2010	2009
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 pre-retirements	0% - 1.5%	0% - 1.5%
Annual increase in bonuses	2%	2%

3. The estimated retirement age of each employee is the earliest 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:

	2010	2009
Expected rate of return on reimbursement rights	4.0%	4.0%

The changes in 2010 and 2009 in the present value of the accrued obligations for other long-term benefits were as follows:

	Thousands of Euros	
	2010	2009
Present value of the obligations at beginning of year	105,815	66,168
Current service cost (Notes 2-p and 41)	11	15
Interest cost (Notes 2-q and 33)	3,949	2,442
Pre-retirements	71	51,207
Effect of curtailments/settlements	-	(105)
Benefits paid	(14,177)	(14,623)
Past service cost	86	-
Actuarial (gains)/losses recognised in the year (Note 2-q)	(674)	1,139
Exchange differences and other items	-	(428)
Present value of the obligations at end of year	**95,081**	**105,815**

The changes in 2010 and 2009 in the present value of the insurance contracts linked to pensions were as follows:

	Thousands of Euros	
	2010	2009
Fair value of insurance contracts at beginning of year	1,553	2,428
Expected return on insurance contracts linked to pensions (Notes 2-q and 32)	51	79
Actuarial gains/(losses) recognised in the year (Note 2-q)	72	(60)
Benefits paid	(556)	(894)
Premiums paid	(175)	-
Fair value of insurance contracts at end of year	**945**	**1,553**

The funding status of the defined benefit obligations in 2010 and the four preceding years is as follows:

	Thousands of Euros									
	Post-Employment Benefits					Other Long-Term Employee Benefits				
	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
Present value of the obligations:										
To current employees	69	61	1,480	1,280	887	-	-	-	-	-
Vested obligations to retired employees	32,607	32,917	31,927	33,191	34,919	-	-	-	-	-
To pre-retirees	-	-	-	-	-	94,941	105,680	65,936	51,759	51,772
Long-service bonuses and other obligations	-	-	-	-	-	140	135	232	242	232
Other	180	978	960	990	763	-	-	-	-	-
	32,856	33,956	34,367	35,461	36,569	95,081	105,815	66,168	52,001	52,004
Less-										
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-
Unrecognised actuarial (gains)/losses	2,111	1,918	2,010	2,153	2,419	-	-	-	-	-
Unrecognised past service	-	-	-	-	-	-	-	-	-	-
Provisions - Provisions for pensions	**30,745**	**32,038**	**32,357**	**33,308**	**34,150**	**95,081**	**105,815**	**66,168**	**52,001**	**52,004**
Of which:										
Insurance contracts linked to pensions (Note 14)	*28,160*	*29,649*	*30,448*	*31,585*	*32,512*	*945*	*1,553*	*2,428*	*3,330*	*4,194*

24. Tax matters

a) Current tax receivables and payables

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.

b) Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting profit to the estimated taxable profit for 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	2009
Consolidated profit before tax	527,974	206,979
Of which:		
From continuing operations	*542,403*	*250,153*
From discontinued operations	*(14,429)*	*(43,174)*
Income tax	158,392	62,094
Permanent differences (*)	(3,337)	(14,703)
Income tax of Group companies	**155,055**	**47,391**
Net temporary increases (decreases) arising on consolidation (**)	(11,715)	53,645
Current income tax recognised in consolidated books	**143,340**	**101,036**
Of which:		
From continuing operations	*141,321*	*99,497*
From discontinued operations	*2,019*	*1,539*

(*) These include the net tax effect of permanent differences at the Group companies and differences arising as a result of the existence of different 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.

c) *Deferred taxes*

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	
	2010	2009
Tax assets:		
Credit loss allowance	205,325	77,735
Tax credit for reinvestment and double taxation of gains on disposal of investments	71,254	57,343
Pension fund	45,949	46,726
Fees and commissions	3,929	3,266
Derivatives	40,346	82,917
Germany	64,285	34,748
Italy	136,808	67,752
Investments	22,200	21,420
Tax assets and tax credits recognised	158,900	131,486
Other	30,518	33,435
	779,514	**556,828**
Tax liabilities:		
Fees and commissions	2,182	2,347
Goodwill	53,434	51,704
Gains on disposal of investments	175,737	139,192
Germany	106,390	72,483
Italy	15	17
Norway	50,961	30,161
Other	14,933	10,490
	403,652	**306,394**

The increase in 2010 in the balance of deferred tax assets relates mainly to the tax assets recognised by certain subsidiaries which reported losses in 2010 and the tax assets recognised as a result of the business combination of Santander Consumer Bank, S.A. and AIG Bank Polska, S.A. (see Note 3).

d) Tax recognised in equity

In addition to the income tax recognised in the consolidated income statement, in 2010 and 2009 the Group recognised the following amounts in consolidated equity:

	Thousands of Euros	
	2010	2009
Tax charged to equity:		
Measurement of available-for-sale equity securities	20	-
Measurement of cash flow hedges	42,606	-
Tax credited to equity:		
Measurement of available-for-sale equity securities	-	(17,215)
Measurement of cash flow hedges	-	(4,880)
Total	**42,626**	**(22,095)**

e) Years open for review by the tax authorities

The Bank has all its transactions from 2005 to 2010 open for review by the tax authorities in relation to the main taxes applicable to it.

In 2010 the tax audit of the transactions performed by the Bank and its subsidiary Santander Consumer, E.F.C., S.A. in 2003 and 2004 was completed in relation to all the taxes applicable to them. Most of the tax assessments were signed on a contested basis.

On 6 October 2010, the tax authorities notified the Bank of the commencement of a new tax audit for 2005, 2006 and 2007 in relation to all the taxes applicable to it. At the date of preparation of these financial statements, the Bank had not been notified by the tax authorities of the conclusions reached in the course of the tax audit.

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 the German subsidiaries Santander Consumer Bank AG and Santander Consumer Leasing GmbH for 2006 to 2008, at the Austrian subsidiary Santander Consumer Bank GmbH for 2005 to 2008 and at Banco Santander Consumer Portugal, S.A.

In the opinion of the Bank's directors and of the Group's tax advisers, the provisions recognised by the Group at 2010 year-end are sufficient to cover the amount of the obligations, 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 Bank's directors 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 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 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 were not denominated in euros. The value of these loans, 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 5 March 2009 and registered in the Mercantile Register on 18 March 2009.

Therefore, at 31 December 2009, the Bank's share capital 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.

On 8 April 2010, the Extraordinary General Meeting of the Bank resolved to increase capital by EUR 362,017 thousand by issuing at par 120,672,212 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 two euro-denominated loans granted by it to the subsidiary Santander Consumer Bank S.p.A. for the ordinary financing of its business. The value of these loans, based on the report prepared by an independent expert, is greater than or equal to the par value of the capital increase carried out by the Bank. This capital increase was executed in a public deed on 27 April 2010 and registered in the Mercantile Register on 4 May 2010. Subsequently, Banco Santander, S.A. sold 30,168,053 shares to Holneth B.V. and 14,247,761 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.

On 16 December 2010, the Extraordinary General Meeting of the Bank resolved to increase capital by EUR 500,000 thousand by issuing at par 166,666,668 ordinary shares of EUR 3 par value each. This capital increase was fully subscribed and paid by the Bank’s shareholders on 16 December 2010, and it was executed in a public deed on 23 December 2010 and registered in the Mercantile Register on 28 December 2010.

Therefore, at 31 December 2010 the Bank's share capital, the only share capital included in the accompanying consolidated balance sheets as a result of the consolidation process, consisted of 1,284,546,168 fully subscribed and paid registered shares of EUR 3 par value each, all with the same voting and dividend rights. At 31 December 2010, 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 31 December 2010, 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 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 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	2009
Accumulated reserves:		
Legal reserve	294,089	247,531
Unrestricted, voluntary and other reserves	2,019,167	1,689,524
Consolidation reserves attributable to the Bank	137,527	228,263
Reserves at subsidiaries	(1,734,092)	(1,466,561)
	716,691	**698,757**
Reserves of entities accounted for using the equity method:		
Associates	**11,069**	**27,606**

Legal reserve

Under the Consolidated Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve 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	
	2010	2009
Santander Consumer, E.F.C., S.A.	(215,369)	3,131
Santander Consumer Holding GmbH	(1,835,735)	(1,760,527)
Santander Consumer Bank, S.p.A.	(5,211)	21,459
Santander Consumer Bank A.S.	126,326	76,737
Polskie Towarzystwo Finansowe, S.A.	(35,734)	(13,379)
Santander Consumer Bank, S.A. (Poland)	34,763	36,904
Other companies	196,868	169,114
	(1,734,092)	**(1,466,561)**

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" includes 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 financial assets classified as available for sale.

The changes in 2010 and 2009 were as follows:

	Thousands of Euros	
	2010	2009
Balance at beginning of year	77	34,319
Revaluation gains / (losses)	(40)	(47,421)
Amounts transferred to income statement	20	(1,496)
Income tax	(13)	14,675
Balance at end of year	**44**	**77**
Of which:		
Equities	*75*	*129*
Bonds	*(31)*	*(52)*

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 2010 and 2009 were as follows:

	Thousands of Euros	
	2010	2009
Balance at beginning of year	(182,613)	(176,238)
Revaluation gains / (losses)	(38,585)	(197,112)
Amounts transferred to income statement	175,807	183,242
Income tax	(42,571)	7,495
Balance at end of year	**(87,962)**	**(182,613)**

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, by 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	
	2010	2009
Santander Consumer UK plc	(24,516)	76,573
Unifin S.p.A.	-	(843)
Santander Consumer Iber-Rent, S.L.	18,229	20,187
Santander Consumer Finance Media, S.R.L.	2,658	2,263
Suzuki Servicios Financieros, S.L.	396	213
Sánchez Ramade Santander Financiera, S.L.	48	(3)
Santander Consumer Multirent Spolka Z Ograniczona Odpowiedzialnoscia	1,629	2,570
Santander Consumer Bank, S.A.	103,575	-
	102,019	100,960
Profit (loss) for the year attributable to non-controlling interests:		
Santander Consumer Finance, (UK) plc	*24,516*	*5,856*
Unifin, S.p.A.	-	*843*
Santander Consumer Iber-Rent, S.L.	*388*	*(1,952)*
Santander Consumer Finance Media S.r.l.	*328*	*320*
Suzuki Servicios Financieros, S.L.	*243*	*771*
Sánchez Ramade Santander Financiera, S.L.	*(47)*	*50*
Santander Consumer Multirent Spolka Z Ograniczona Odpowiedzialnoscia	*102*	*(542)*
Santander Consumer Bank, S.A.	*14,189*	-
	39,719	5,346
	141,738	**106,306**

The changes in 2010 and 2009 in “Non-Controlling Interests” were as follows:

	Thousands of Euros	
	2010	2009
Balance at beginning of year	106,306	68,200
Changes in the scope of consolidation	(106,945) (*)	(1,158)
Change in proportion of ownership interest	103,575 (**)	(7,589)
Changes in capital	-	39,257
Exchange differences and other	(917)	2,250
Profit for the year attributable to non-controlling interests	39,719	5,346
Balance at end of year	**141,738**	**106,306**

(*) Relates mainly to the sale of Santander Consumer UK plc (see Note 3).

(**) Relates mainly to the effect of the business combination between Santander Consumer Bank, S.A. and AIG Bank Polska, S.A. (see Note 3).

30. Memorandum items

The detail of memorandum items is as follows:

	Thousands of Euros	
	2010	2009
Contingent liabilities:		
Bank guarantees and other indemnities provided	3,423,211	757,152
Of which:		
Credit institutions	*3,326,758*	*655,876*
Other sectors	*96,453*	*101,276*
Other contingent liabilities	*43,673*	*80,200*
	3,466,884	**837,352**
Contingent commitments:		
Drawable by third parties	6,705,360	13,666,569
Of which:		
Drawable by credit institutions	2,550	7,681,948
Other sectors	6,702,810	5,984,621
Other contingent commitments	21,725	12,221
	6,727,085	**13,678,790**

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 to be 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 2010 is as follows:

	Thousands of Euros			
	2010		2009	
	Notional Amount	Market Value	Notional Amount	Market Value
Trading derivatives:				
Interest rate risk-				
Forward rate agreements	-	-	-	-
Interest rate swaps	13,145,325	17,228	13,409,096	1,407
Options and futures	-	-	76,094	95
Currency risk-				
Foreign currency purchases and sales	-	-	-	-
Foreign currency options	-	-	-	-
Currency swaps	679,863	(49,154)	745,545	(12,782)
Securities and commodities derivatives	-	-	-	,
	13,825,188	(31,926)	14,230,735	(11,280)
Hedging derivatives:				
Interest rate risk-				
Forward rate agreements	-	-	-	-
Interest rate swaps	20,890,591	(200,876)	18,988,768	(345,211)
Options and futures	-	-	-	-
Currency risk-				
Foreign currency purchases and sales	-	-	-	-
Foreign currency options	-	-	-	-
Currency swaps	15,046	(149)	-	-
Securities and commodities derivatives	-	-	-	-
	20,905,637	(201,025)	18,988,768	(345,211)
	34,730,825	**(232,951)**	**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 2010 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)	3,387,444	16,838,133	13,810,339	-	34,035,916
Currency swaps	482,248	212,661	-	-	694,909
Options and futures	-	-	-	-	-
Total	**3,869,692**	**17,050,794**	**13,810,339**	**-**	**34,730,825**

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 and increase or offset, 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 2010 year-end, the Group held IRS contracts with a nominal value of EUR 800 million, the fair value of which represented a gain of EUR 54,769 thousand at that date, which was offset by the loss of the same amount on the hedged items, and this amount is recognised under "Financial Liabilities at Amortised Cost - 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 granted. 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 or credit 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 -arising from the measurement of the hedging derivatives (IRSs) associated with the hedged financial assets, the notional amount of which was EUR 10,659 million at 31 December 2010- recognised in "Gains/Losses on Financial Assets and Liabilities (Net)" in the consolidated income statement.

In 2010 the Group recognised gains amounting to EUR 3,671 thousand under "Gains/Losses on Financial Assets and Liabilities (Net)" in the accompanying consolidated income statement for 2010, which relate to the ineffective portions of these macrohedges.

ii. Cash flow hedges

Cash flow hedges are used to reduce the variability in the cash flows of the hedged transactions. These hedges use interest rate swaps to convert the variability of the interest rates at which short-term financial liabilities are repriced.

The fair value of the IRSs associated with the hedged items, discounting the portion already accrued and recognised in the consolidated income statement, amounted to EUR (87,962) thousand. This amount was recognised in the Group's consolidated equity at 31 December 2010.

32. Interest and similar income

"Interest and Similar Income" in the consolidated income statements includes the interest accruing 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 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	2009
Balances with the Bank of Spain and other central banks	5,730	6,424
Loans and advances to credit institutions	74,338	201,087
Debt instruments	16,869	39,308
Loans and advances to customers	3,433,110	3,564,660
Insurance contracts linked to pensions (Note 14) (*)	1,190	1,245
Doubtful assets	18,390	17,163
Rectification of income as a result of hedge accounting	158,490	270,937
Other interest	337	402
	3,708,454	**4,101,226**

(*) Includes the return on insurance policies of Spanish entities funding post-employment and other long-term benefits, amounting to EUR 1,139 thousand and EUR 51 thousand, respectively (2009: EUR 1,166 thousand and EUR 79 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 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	2009
Deposits from the Bank of Spain and other central banks	13,748	11,888
Deposits from credit institutions	388,318	613,104
Customer deposits	502,560	658,224
Marketable debt securities	266,022	423,541
Subordinated liabilities	27,657	35,539
Provisions for pensions (Notes 2-p, 2-q and 23) (*)	14,246	12,705
Rectification of expenses as a result of hedge accounting	420,078	433,457
Other interest	3,143	2,797
	1,635,772	**2,191,255**

(*) Includes the interest on post-employment and other long-term benefits of Spanish entities, amounting to EUR 1,308 thousand and EUR 3,949 thousand, respectively, in 2010 (2009: EUR 1,306 thousand and EUR 2,442 thousand, respectively) and of foreign entities, amounting to EUR 8,989 thousand (2009: 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	
	2010	2009
Accordfin España, E.F.C., S.A.	-	(10,070)
Konecta BTO, S.L.	1,801	(239)
Other companies	273	1,955
	2,074	**(8,354)**

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	
	2010	2009
Collection and payment services:		
Bills	4	128
Demand accounts	13,641	11,444
Cards	57,286	56,929
Cheques and orders	34,282	33,384
	105,213	101,885
Marketing of non-banking financial products:		
Investment and pension funds	69	2,828
Insurance	579,755	602,226
Other	1,265	3,102
	581,089	608,156
Securities services:		
Securities trading	2,777	5,322
Administration and custody	1	720
Asset management	217	193
	2,995	6,235
Other:		
Financial guarantees	8,251	7,244
Other fees and commissions	307,428	255,625
	315,679	262,869
	1,004,976	**979,145**

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 accruing 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	
	2010	2009
Brokerage fees on lending and deposit transactions	13,194	12,497
Fees and commissions assigned in respect of off-balance-sheet risks	348	42
Fees and commissions assigned for collection and return of bills	10,512	5,866
Fees and commissions assigned in other connections	11,279	16,726
Fees and commissions assigned for cards	20,871	23,013
Fees and commissions assigned for securities	2,370	1,732
Fees and commissions assigned to intermediaries	41,338	45,792
Other fees and commissions for placement of insurance	36,589	46,632
Other fees and commissions	121,959	17,261
	258,460	**169,561**

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	
	2010	2009
Financial derivatives	11,790	2,950
Bonds	43	71,214(*)
Equities	(9)	2,932
Other	(6,699)	5,954
	5,125	**83,050**

(*) 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 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 includes 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	
	2010	2009
Sales and income from the provision of non-financial services (*)	89,204	115,480
Other	66,909	49,657
	156,113	**165,137**

(*) Relates mainly to income from operating leases on vehicles.

40. Other operating expenses

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

	Thousands of Euros	
	2010	2009
Contributions to Deposit Guarantee Funds (Note 1-g)	14,765	13,219
Changes in inventories	71,753	99,574
Other	47,128	32,604
	133,646	**145,397**

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	
	2010	2009
Wages and salaries	296,370	305,543
Social security costs	52,156	56,823
Additions to pension provisions (Note 23) (*)	4,681	5,864
Contributions to defined contribution pension funds (Note 23)	7,725	6,527
Contributions to plans - foreign entities	*7,725*	*6,527*
Share-based payment costs	3,039	3,190
Other staff costs	17,272	16,857
Termination benefits	1,156	2,927
	382,399	**397,731**

(*) Of which:

- In 2010, EUR 81 thousand relate to "current service cost of defined benefit post-employment obligations - Spanish entities" (2009: EUR 46 thousand) (see Notes 2-p and 23).
- In 2010, EUR 4,589 thousand relate to "current service cost of defined benefit post-employment obligations - foreign entities" (2009: EUR 5,803 thousand) (see Notes 2-p and 23).
- In 2010, EUR 11 thousand relate to "current service cost of other long-term defined benefit obligations - Spanish entities" (2009: EUR 15 thousand) (see Notes 2-q and 23).

In 2010 the average number of employees at the Group, by professional category, was as follows:

	Average Number of Employees	
	2010	2009
The Bank:		
Senior executives	1	1
Middle management	2	2
Clerical staff	3	5
	6	8
Other companies (*)	7,728	6,982
	7,734	**6,990**

(*) Excluding personnel assigned to discontinued operations.

The functional breakdown, by gender, at 31 December 2010 is as follows:

	Total	Men	Women
Senior executives	74	68	6
Middle management	554	421	133
Clerical staff and other	8,010	3,436	4,574
	8,638	**3,925**	**4,713**

At 31 December 2010 and 2009, the Board of Directors of the Bank had 11 members, of whom 2 were women.

The labour relations between employees and the various Group companies are governed by the related collective 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 these systems at 2010 and 2009 year-end is as follows:

	Number of Shares	Year Granted	Employee Group	Number of Persons	Date of Commencement of Exercise Period	Date of Expiry of Exercise Period
Plans outstanding at 1 January 2009	**5,865,351**					
Options granted (Plan I12)	671,941	2009	Executives	207	19/06/09	31/07/12
Options exercised (Plan I09)	(344,371)	2007	Executives	183	23/06/07	31/07/09
Options cancelled, net (Plan I06)	(4,214,900)	2005	Executives	105	15/01/08	15/01/09
Options cancelled, net (Plan I09)	(81,239)	2007	Executives	43	23/06/07	31/07/09
Plans outstanding at 31 December 2009	**1,896,782**					
Options granted (Plan I13)	780,232	2010	Executives	240	11/06/10	31/07/13
Options exercised (Plan I10)	(579,313)	2007	Executives	211	23/06/07	31/07/09
Options cancelled, net (Plan I10)	(58,767)	2007	Executives	21	23/06/07	31/07/09
Plans outstanding at 31 December 2010	**2,038,934**					
Of which:						
Plan I09	-	*2007*	Executives	-	23/06/07	31/07/09
Plan I10	-	*2007*	Executives	-	23/06/07	31/07/10
Plan I11	*586,761*	*2008*	Executives	190	21/06/08	31/07/11
Plan I12	*671,941*	*2009*	Executives	207	19/06/09	30/06/12
Plan I13	*780,232*	*2010*	Executives	240	11/06/10	31/07/13

In 2007 the Santander Group approved a long-term incentive policy aimed at certain executive personnel of the Group companies. Noteworthy among the plans shaping this policy is the Performance Share Plan which, since July 2007, has involved successive cycles of deliveries of shares of Banco Santander, S.A. to the plan beneficiaries. At 31 December 2010, the Santander Group had approved a total of five cycles, two of which had already been settled, one in 2010.

For each cycle a maximum number of shares is established for each beneficiary who remains in the Group's employ for the scheduled duration of the plan, which is three years, with the exception of the first cycle, which had a duration of two years. 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 benchmark group of financial institutions. They are linked to two parameters, namely Total Shareholder Return and growth in Earnings per Share, each having a 50% weighting in determining the percentage of shares to be delivered, for the second cycle (matured in 2010) and the third cycle (maturing in 2011), and to a single parameter, Total Shareholder Return, for the fourth and fifth cycles maturing in 2012 and 2013, respectively.

The delivery dates for the shares will be July 2011, 2012 and 2013, depending on the plan. The shares relating to the beneficiaries of the second cycle were delivered in July 2010 based on the achievement of the targets defined for this plan.

In relation to these plans, Banco Santander, S.A. entered into an agreement with the Group companies whereby it guarantees the delivery of the related shares at the appropriate time in exchange for a non-refundable fixed premium. The total cost of the plans (the maximum number of shares to be delivered valued at the cost of the aforementioned premium) is recognised under "Administrative Expenses – Staff Costs" in the income statement of each company over the accrual period –three years from the date of approval of each plan in force. At 31 December 2010, the expense recognised in this connection amounted to EUR 3,039 thousand (2009: EUR 3,190 thousand).

42. Other general administrative expenses

The detail of "Other General Administrative Expenses" in the consolidated income statements is as follows:

	Thousands of Euros	
	2010	2009
Property, fixtures and supplies	68,154	71,871
Other administrative expenses	35,380	38,355
Communications	42,357	44,499
Taxes other than income tax	24,853	22,307
Technology and systems	131,927	93,785
Public relations, advertising and publicity	59,954	58,198
Per diems and travel expenses	9,894	9,802
Outside services	125,358	148,836
Technical reports	28,403	26,492
Insurance premiums	2,730	3,594
Surveillance and cash courier services	791	753
	529,801	**518,492**

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	
	2010	2009
Recurrent annual audits of the financial statements of the companies audited by member firms of the Deloitte worldwide organisation	3,239	2,279
Of which:		
Audit of the Bank’s separate and consolidated financial statements	*523*	*373*
Annual audits as a result of new inclusions in the Group	547	800
Other tax advisory services	817	638
	4,603	**3,717**

In addition to the audits of financial statements, the internal control audit required by the US Sarbanes-Oxley Act was performed (for EUR 595 thousand in 2010 and EUR 524 thousand in 2009) and other reports were prepared in accordance with the requirements of the tax and non-tax related legislation issued by the national supervisory authorities of the countries in which the Group operates (for a total of EUR 1,405 thousand in 2010 and EUR 620 thousand in 2009).

Also, due diligence review and other corporate transaction services were provided to the various Group companies in 2010 for a total amount of EUR 409 thousand (2009: EUR 772 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 2,508 thousand in 2010 (2009: EUR 1,601 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	
	2010	2009
Goodwill and other intangible assets:		
Goodwill (Note 16)	(63,000)	-
Other intangible assets (Note 16)	(6,094)	(19,334)
	(69,094)	(19,334)
Other assets:		
Other (*)	(3,871)	(2,042)
	(72,965)	**(21,376)**

(*) In 2010 this item includes EUR 3,168 thousand of impairment losses on property, plant and equipment (2009: 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	
	2010	2009
Gains:		
Property, plant and equipment (Note 15)	1,463	594
Investments (Note 3)	103,327	79,614
Of which:		
Open Bank Santander Consumer, S.A.	-	*74,564*
Isban DE GmbH	-	*5,050*
Santander Consumer UK plc	*101,285*	-
Santander Consumer Debit GmbH	*658*	-
Santander Service GmbH	*792*	-
Other	*592*	-
	104,790	80,208
Losses:		
Property, plant and equipment (Note 15)	(3,945)	(9,260)
Investments (Note 3)	(13,782)	(980)
Of which:		
JSC Santander Consumer Bank	*(13,782)*	-
GE Money Services GmbH	-	*(980)*
	(17,727)	(10,240)
	87,063	**69,968**

45. Gains (losses) on non-current assets held for sale not classified as discontinued operations

The detail of “Gains (Losses) on Non-Current Assets Held for Sale Not Classified as Discontinued Operations” in the consolidated income statements is as follows:

	Thousands of Euros	
	2010	2009
Net gains (losses) on disposals:	(27,111)	(16,326)
Tangible assets (Note 12)	*(27,111)*	*(16,326)*
Impairment losses (net) (Note 12)	(25,590)	(16,231)
	(52,701)	**(32,557)**

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 2010 and 2009 are indicated below:

	Thousands of Euros	
	2010	2009
Interest and similar income	40,384	69,258
Interest expense and similar charges	(8,048)	(16,344)
Net interest income	32,336	52,914
Income from equity instruments	35	-
Fee and commission expense	(371)	(432)
Fee and commission income	1,918	2,035
Exchange differences	363	(926)
Other operating income	370	490
Other operating expenses	-	-
Gross income	34,651	54,081
Administrative expenses	(14,924)	(15,398)
Depreciation and amortisation charge	(1,027)	(1,165)
Provisions (net)	(118)	24
Impairment losses on financial assets (net)	(37,031)	(73,332)
Loss from operations	(18,449)	(35,790)
Impairment losses on other assets (net)	-	-
Gains (losses) on disposal of assets not classified as non-current assets held for sale	4,020	(7,384)
Loss before tax	(14,429)	(43,174)
Income tax	(2,019)	(1,539)
Loss from discontinued operations	**(16,448)**	**(44,713)**

Additionally, following is a detail of the net cash flows attributable to the operating, investing and financing activities of discontinued operations in 2010 and 2009:

	Thousands of Euros	
	2010	2009
Cash and cash equivalents at beginning of year	7	124
Cash flows from operating activities	35,376	(4,093)
Cash flows from investing activities	1,491	4,073
Cash flows from financing activities	(36,851)	(97)
Cash and cash equivalents at end of year	**23**	**7**

Loss per share from discontinued operations

The loss per share from discontinued operations, which coincides with the diluted loss per share from those operations, was EUR 0.02 in 2010 (2009: EUR 0.05) (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 2010 and 2009 is as follows:

	2010								
	Thousands of Euros								
	On 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 2010
Assets:									
Cash and balances with central banks	837,434	-	-	-	-	-	-	837,434	0.53%
Available-for-sale financial assets-									
Debt instruments (Note 7)	171,259	79	2,499	24,224	110,905	3,234	-	312,200	3.82%
Loans and receivables-									
Loans and advances to credit institutions (Note 6)	328,828	2,325,381	727,571	1,165,771	555,769	273,343	-	5,376,663	1.36%
Loans and advances to customers (Note 10)	2,180,746	1,057,699	3,341,877	10,167,291	24,706,462	7,183,378	-	48,637,453	8.56%
	3,518,267	3,383,159	4,071,947	11,357,286	25,373,136	7,459,955	-	55,163,750	
Liabilities:									
Financial liabilities at amortised cost-									
Deposits from central banks (Note 18)	165,041	901,625	-	-	-	-	-	1,066,666	1.36%
Deposits from credit institutions (Note 18)	165,779	5,191,762	1,684,176	3,399,243	4,340,083	76,891	-	14,857,934	3.42%
Customer deposits (Note 19)	10,302,522	195,887	2,218,758	2,579,320	8,725,422	316,967	-	24,338,876	2.59%
Marketable debt securities (Note 20)	7,481	2,024,007	1,888,670	1,249,103	1,550,973	3,423,167	-	10,143,401	1.36%
Subordinated liabilities (Note 21)	-	-	-	-	332,636	879,096	-	1,211,732	2.17%
Other financial liabilities (Note 22)	95,260	49,169	32,382	3,464	9,658	137,285	-	327,218	-
	10,736,083	8,362,450	5,823,986	7,231,130	14,958,772	4,833,406	-	51,945,827	
Difference (assets less liabilities)	**(7,217,816)**	**(4,979,291)**	**(1,752,039)**	**4,126,156**	**10,414,364**	**2,626,549**	**-**	**3,217,923**	

	2009								
	Thousands of Euros								
	On 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-	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**	

b) *Equivalent euro value of assets and liabilities*

The detail of the main foreign currency balances in the consolidated balance sheets at 31 December 2010 and 2009, based on the nature of the related items, is as follows:

	Equivalent Value in Millions of Euros			
	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Cash and balances with central banks	55	-	41	-
Financial assets/liabilities held for trading	3	3	-	-
Available-for-sale financial assets	198	-	2	-
Loans and receivables	8,138	-	9,155	-
Non-current assets held for sale	315	-	619	-
Investments	2	-	-	-
Tangible assets	32	-	15	-
Intangible assets	221	-	57	-
Financial liabilities at amortised cost	-	7,006	-	7,888
Liabilities associated with non-current assets held for sale	-	63	-	283
Other assets and liabilities	199	232	65	99
	9,163	**7,304**	**9,954**	**8,270**

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			
	2010		2009	
Assets	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans and receivables:				
Loans and advances to credit institutions	5,377	5,377	5,297	5,297
Loans and advances to customers	48,637	47,954	50,915	51,870
Debt instruments	2	2	-	-
	54,016	**53,333**	**56,212**	**57,167**

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			
	2010		2009	
Liabilities	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities at amortised cost:				
Deposits from central banks and credit institutions	15,925	15,925	21,374	21,374
Customer deposits	24,339	24,312	17,897	17,895
Marketable debt securities	10,143	10,143	13,419	13,419
Subordinated liabilities	1,212	1,212	1,284	1,284
Other financial liabilities	327	327	490	490
	51,946	**51,919**	**54,464**	**54,462**

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 amounts lent and borrowed between the units are shown as increases in the assets and liabilities of each business. These amounts relating to intra-Group liquidity are eliminated and are shown in the "Intra-Group Eliminations" column in the table below in order to reconcile the amounts contributed by each business unit to the consolidated Group's balance sheet.

Additionally, for segment presentation purposes, the equity shown for each geographical unit is that reflected in the related separate financial statements and is offset as 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	2010 Spain	2010 Italy	2010 Germany	2010 Scandinavia	2010 Other	2010 Intra-Group Eliminations	2010 Total	2009 Spain	2009 Italy	2009 Germany	2009 Scandinavia	2009 Other	2009 Intra-Group Eliminations	2009 Total
	Thousands of Euros													
Loans and advances to customers	8,979,099	7,666,512	20,610,416	6,270,134	6,712,601	(1,601,309)	48,637,453	10,576,521	7,696,263	21,008,163	5,344,159	5,546,959	742,774	50,914,839
Financial assets held for trading	35,512	6,232	99,496	-	14,124	(9,473)	145,891	61,513	7,053	123,334	-	5,363	(25,445)	171,818
Debt instruments	702,245	475,051	1,479,840	525	198,770	(2,544,753)	311,678	739,301	-	160,136	605	5,669	(739,298)	166,413
Loans and advances to credit institutions	13,581,000	199,470	7,962,861	11,338	164,385	(16,542,391)	5,376,663	14,243,245	859,597	3,057,774	21,166	199,819	(13,084,677)	5,296,924
Tangible and intangible assets	164,707	264,554	1,377,268	271,653	440,518	2,184	2,520,884	186,853	263,464	1,177,158	257,320	482,508	23,126	2,390,429
Other asset accounts	4,489,955	288,038	1,276,023	122,503	336,909	(3,469,421)	3,044,007	685,494	269,893	829,575	113,590	190,902	634,073	2,723,527
Total assets	**27,952,518**	**8,899,857**	**32,805,904**	**6,676,153**	**7,867,307**	**(24,165,163)**	**60,036,576**	**26,492,927**	**9,096,270**	**26,356,140**	**5,736,840**	**6,431,220**	**(12,449,447)**	**61,663,950**
Customer deposits	287,021	443,386	22,499,777	36,534	1,072,158	-	24,338,876	233,229	421,601	17,147,307	53,794	91,965	(51,702)	17,896,194
Marketable debt securities	6,617,864	1,500,507	2,833,533	165,064	205,583	(1,179,150)	10,143,401	9,874,836	2,174,340	2,562,073	-	1,781	(1,194,061)	13,418,969
Subordinated liabilities	689,073	309,561	138,893	84,090	38,253	(48,138)	1,211,732	687,024	295,346	190,601	71,393	36,545	3,448	1,284,357
Deposits from central banks and credit institutions	12,444,182	5,791,950	5,522,775	5,510,866	3,070,996	(16,416,169)	15,924,600	9,864,568	5,331,465	4,252,524	4,001,072	3,603,770	(5,679,254)	21,374,145
Other liability accounts	758,221	322,126	938,146	166,983	359,025	157,170	2,701,671	825,097	268,947	886,829	149,595	260,778	450,748	2,841,994
Equity	6,889,106	683,336	4,542,485	885,969	1,387,428	(8,672,028)	5,716,296	6,305,941	134,802	(1,594,100)	182,559	999,552	(1,180,463)	4,848,291
Total funds under management	**27,685,467**	**9,050,866**	**36,475,609**	**6,849,506**	**6,133,443**	**(26,158,315)**	**60,036,576**	**27,790,695**	**8,626,501**	**23,445,234**	**4,458,413**	**4,994,391**	**(7,651,284)**	**61,663,950**

(Condensed) Consolidated Income Statement	2010 Spain	2010 Italy	2010 Germany	2010 Scandinavia	2010 Other	2010 Intra-Group Eliminations	2010 Total	2009 Spain	2009 Italy	2009 Germany	2009 Scandinavia	2009 Other	2009 Intra-Group Eliminations	2009 Total
	Thousands of Euros													
NET INTEREST INCOME	**516,402**	**187,559**	**834,289**	**267,616**	**385,317**	**(118,502)**	**2,072,681**	**437,173**	**179,682**	**821,003**	**249,015**	**278,650**	**(55,552)**	**1,909,971**
Share of results of entities accounted for using the equity method	2,260	-	-	-	-	(186)	2,074	(8,329)	-	-	-	-	(25)	(8,354)
Net fee and commission income	55,775	117,947	457,061	2,151	113,415	167	746,516	69,721	145,112	534,087	971	56,006	3,687	809,584
Gains/losses on financial assets and liabilities (net)	13,993	(297)	(7,421)		96	(1,246)	5,125	8,798	2,707	(20,143)	357	(273)	91,604	83,050
Other operating income/(expenses)	8,584	10,419	(15,240)	10,633	7,548	7,989	29,933	8,791	17,786	(67,306)	3,722	8,341	43,721	15,055
GROSS INCOME	**597,014**	**315,628**	**1,268,689**	**280,400**	**506,376**	**(111,778)**	**2,856,329**	**516,154**	**345,287**	**1,267,641**	**254,065**	**342,724**	**83,435**	**2,809,306**
Administrative expenses	(172,751)	(87,130)	(356,546)	(93,559)	(196,634)	(5,580)	(912,200)	(135,804)	(85,957)	(406,612)	(79,081)	(136,494)	(72,275)	(916,223)
Staff costs	(54,604)	(42,778)	(130,777)	(49,991)	(101,610)	(2,639)	(382,399)	(39,838)	(38,961)	(185,611)	(40,397)	(72,470)	(20,454)	(397,731)
Other general administrative expenses	(118,147)	(44,352)	(225,769)	(43,568)	(95,024)	(2,941)	(529,801)	(95,966)	(46,996)	(221,001)	(38,684)	(64,024)	(51,821)	(518,492)
Depreciation and amortisation charge	(12,478)	(7,867)	(42,057)	(13,504)	(15,030)	4,672	(86,264)	(17,487)	(7,874)	(37,921)	(10,132)	(15,518)	(3,562)	(92,494)
Provisions (net)	(2,873)	(8,941)	(20,732)	(711)	(7,302)	(4,407)	(44,966)	(2,728)	-	-	-	(288)	(106,400)	(109,416)
Impairment losses on financial assets (net)	(424,742)	(208,775)	(385,914)	(50,446)	(161,560)	(457)	(1,231,894)	(423,791)	(187,948)	(381,408)	(94,879)	(125,270)	(243,759)	(1,457,055)
PROFIT (LOSS) FROM OPERATIONS	**(15,830)**	**2,915**	**463,440**	**122,180**	**125,850**	**(117,550)**	**581,005**	**(63,656)**	**63,508**	**441,700**	**69,973**	**65,154**	**(342,561)**	**234,118**
Other gains/(losses)	47,911	(19,739)	-	(630)	(71,105)	4,960	(38,603)	(93,135)	(20,867)	18,906	-	(21,066)	132,197	16,035
PROFIT (LOSS) BEFORE TAX	**32,081**	**(16,824)**	**463,440**	**121,550**	**54,745**	**(112,590)**	**542,402**	**(156,791)**	**42,641**	**460,606**	**69,973**	**44,088**	**(210,364)**	**250,153**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**63,399**	**(23,093)**	**348,595**	**87,987**	**38,279**	**(114,086)**	**401,081**	**(216,798)**	**25,789**	**340,459**	**46,673**	**23,361**	**(68,828)**	**150,656**
Loss from discontinued operations (net)	-	-	-	-	(16,448)	-	(16,448)	-	-	-	-	(44,713)	-	(44,713)
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	**63,399**	**(23,093)**	**348,595**	**87,987**	**21,831**	**(114,086)**	**384,633**	**(216,798)**	**25,789**	**340,459**	**46,673**	**(21,352)**	**(68,828)**	**105,943**
Profit (Loss) attributable to the Parent	**38,764**	**(23,421)**	**348,595**	**87,987**	**7,539**	**(114,550)**	**344,914**	**(215,667)**	**24,626**	**340,459**	**46,673**	**(21,894)**	**(73,600)**	**100,597**

(*) Includes the reconciliation of segment reporting to the consolidated financial statements of the Group.

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 2010 and 2009:

	Thousands of Euros	
	31/12/10	31/12/09
Spain	725,742	847,680
Abroad:		
European Union	2,657,819	2,948,163
OECD countries	324,893	284,321
Other countries	-	21,062
	2,982,712	3,253,546
Total	**3,708,454**	**4,101,226**

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 2010 and 2009:

	Revenue (Thousands of Euros)					
	Revenue from External Customers		Inter-Segment Revenue		Total Revenue	
	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09
Spain and Portugal	992,711	1,227,914	384,730	514,746	1,377,441	1,742,660
Italy	618,885	640,481	32,141	31,504	651,026	671,985
Germany	2,190,601	2,449,562	291,285	172,915	2,481,886	2,622,477
Scandinavia	454,856	420,194	-	-	454,856	420,194
Other	618,390	591,646	12,419	41,688	630,809	633,334
Inter-segment revenue adjustments and eliminations	-	-	(720,575)	(760,853)	(720,575)	(760,853)
Total	**4,875,443**	**5,329,797**	**-**	**-**	**4,875,443**	**5,329,797**

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 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 Inventory 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 2010 and 2009, by business, are as follows:

(Condensed) Consolidated Income Statement	Thousands of Euros				
	2010				
	Automotive	Consumer Finance and Cards	Direct Finance	Other (*)	Total
NET INTEREST INCOME	**822,058**	**301,308**	**681,541**	**267,775**	**2,072,682**
Share of results of entities accounted for using the equity method	-	-	-	2,074	2,074
Net fee and commission income	298,775	121,500	280,337	45,904	746,516
Gains/losses on financial assets and liabilities (net)	-	-	-	5,125	5,125
Other operating income/(expenses)	14,632	(1,900)	6,114	11,087	29,933
GROSS INCOME	**1,135,465**	**420,908**	**967,992**	**331,965**	**2,856,330**
Administrative expenses	(329,374)	(151,400)	(223,462)	(207,964)	(912,200)
Staff costs	(164,905)	(74,456)	(105,600)	(37,438)	(382,399)
Other general administrative expenses	(164,469)	(76,944)	(117,862)	(170,526)	(529,801)
Depreciation and amortisation charge	(38,563)	(12,650)	(21,095)	(13,956)	(86,264)
Provisions	(21,119)	(4)	(4,190)	(19,653)	(44,966)
Impairment losses on financial assets (net)	(503,609)	(154,314)	(448,813)	(125,158)	(1,231,894)
PROFIT (LOSS) FROM OPERATIONS	**242,800**	**102,540**	**270,432**	**(34,766)**	**581,006**
Other gains/(losses)	-	-	-	(38,603)	(38,603)
PROFIT (LOSS) BEFORE TAX	**242,800**	**102,540**	**270,432**	**(73,369)**	**542,403**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**179,540**	**75,824**	**199,972**	**(54,254)**	**401,082**
Profit (Loss) from discontinued operations (net)	45	57	(5,053)	(11,497)	(16,448)
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	**179,585**	**75,881**	**194,919**	**(65,751)**	**384,634**

(*) "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				
	2009				
	Automotive	Consumer Finance	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	-	-	-	(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	-	-	-	(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**

49. Related parties

The Group’s related parties 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 2010 and 2009, 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 2010 and 2009. Related party transactions were made on terms equivalent to those prevailing in arm's-length transactions.

	Thousands of Euros							
	2010				2009			
	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:								
Loans and advances to credit institutions (Note 6)	3,985,255	997,333	-	-	62,850	4,829,093	-	-
Loans and receivables-								
Loans and advances to customers (Note 10)	-	12,658	1	42	-	13,433	16	40
Trading derivatives (Note 9)	-	96,849	-	-	-	131,483	-	-
Hedging derivatives (Note 11)	-	39,252	-	-	-	-	-	-
Other assets (Note 17)	7,914	6,026	-	-	9,105	1,704	-	-
Liabilities:								
Deposits from credit institutions (Note 18)	5,587,343	6,985,321	-	-	548	17,993,273	-	-
Customer deposits (Note 19)	6,374	27,798	-	-	1,714	9,083	-	-
Marketable debt securities (Note 20)	687,339	2,116,181	-	-	-	3,037,402	-	-
Subordinated liabilities (Note 21)	287,422	924,310	-	-	-	1,284,357	-	-
Other financial liabilities (Note 22)	-	92,310	-	-	172	164,936	-	-
Trading derivatives (Note 9)	-	162,065	-	-	-	142,222	-	-
Hedging derivatives (Note 11)	-	279,697	-	-	-	-	-	-
Other liabilities (Note 17)	-	2,515	-	-	16	-	-	-
Income statement:								
Interest and similar income (Note 32)	50,715	115,826	-	-	2,757	246,723	-	-
Interest expense and similar charges (Note 33)	174,388	555,551	-	1	8	1,029,842	-	1
Fee and commission income (Note 35)	45,957	9,203	-	-	38,064	9,774	-	-
Fee and commission expense (Note 36)	5	36,132	-	-	1,252	10,355	-	-
Gains/losses on financial assets and liabilities (net) (Note 37)	-	42,873	-	-	-	23,657	-	-
Exchange differences	-	-	-	-	-	26	-	-
Other operating income (Note 39)	-	189	-	-	-	1,640	-	-
Other operating expenses	-	-	-	-	-	7,510	-	-
Other general administrative expenses (Note 42)	-	141,342	-	-	-	96,306	-	-
Gains/(losses) on disposal of assets not classified as non-current assets held for sale (Note 44)	-	102,735	-	-	-	78,634	-	-
Memorandum items:					-			
Contingent liabilities (Note 30)	-	3,323,930	-	-	50	648,869	-	-
Contingent commitments (Note 30)	-	10,020	-	-	62,886	7,598,745	-	-

(*) Includes information relating to Santander Benelux, S.A./N.V., an associate which, in turn, belongs to the Santander Group.

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. Banco Santander's risk committee and the Group 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. The separation of the functions of the business areas (risk-takers) and those of the risk areas responsible for risk measurement, analysis, control and reporting provides sufficient independence and autonomy for the performance of adequate risk control.

- Decisions by consensus (even at branch level), which ensure that different opinions are taken into account and avoid situations in which individual decision-making powers are delegated.

- Decisions on credit transactions are taken jointly by the risk and commercial areas.

- Definition of responsibilities. The type of activities to be performed, segments, risks to be assumed and risk decisions to be made are clearly defined for each risk-taking unit and, where appropriate, each risk management unit; based on the powers delegated to them. How these transactions should be arranged and managed and where they should be recognised for accounting purposes is also defined.

- Risk measurement. Risk measurement takes into account all risk exposures assumed across the business spectrum and uses measures based on the components and dimensions of risk throughout its life-cycle for the management of risk at any given time.

- From a qualitative standpoint, this integrated vision translates into the use of a series of comprehensive measures, which are fundamentally the charge for capital at risk and RORAC (return on risk-adjusted capital).

- Risk limitation. This aims to limit, in an efficient and comprehensive manner, the maximum levels of risk that are set for the various risk measures, where the risks being incurred are known and the Group has the infrastructure required for their management, control and reporting. It also aims to ensure that undesired types of risk are not incurred and that the capital charge, by risk type, exposure and loss, does not exceed the approved maximum limits.

- Establishment of risk policies and procedures. The risk policies and procedures constitute the basic regulatory framework, consisting of circulars, frameworks and operating rules, through 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.

As part of the Santander Group, the risk management and control process at Santander Consumer Finance is structured in the following phases:

- Establishment of the risk management frameworks and policies that reflect the principles and standards governing the general modus operandi of Santander Group's risk activities, based on a corporate risk management framework, which includes the organisational and management models, as well as a series of more specific corporate frameworks for the functions accountable to the risk unit. Local risk units transpose corporate risk regulations into their internal policies and develop the procedures required to implement them.

- 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 methodologies and models implemented subject to a validation and approval process.

- 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.

Santander Group calculates the minimum regulatory capital in conformity with Bank of Spain Circular 3/2008 on the determination and control of minimum capital requirements for credit institutions. This Circular completed the transposition into Spanish banking legislation of the Directives (2006/48/EC and 2006/49/EC) that incorporated the New Basel Capital Accord (BIS II) into European Union legislation.

As a result of the new developments in the regulatory framework, commonly referred to as BIS III, Santander Group has taken measures to apply the future requirements of BIS III -increased levels of high-quality capital and adequate capital conservation and countercyclical buffers- sufficiently in advance.

Santander Group also intends to apply the two new liquidity ratios, indicated in BIS III, which guarantee sufficient liquidity even in stress scenarios. These ratios are the *Liquidity Coverage Ratio* (LCR) for the short term (30 days) and the *Net Stable Funding Ratio* (NSFR), which relates to the structure of financing.

Following is an analysis of the Group's main types of risk: credit, market and operational 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 the risk function at Santander Consumer Finance is based on the type of customer and, accordingly, a distinction is made between individualised customers and standardised customers throughout 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, financial institutions 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 credit risk map - 2010

The following table shows the global map of the credit risk, expressed in nominal amounts, to which the Group was exposed at 31 December 2010:

SCF Group - Gross Credit Risk Exposure			
	2010 (Millions of Euros)	Change/ December 2009	% of Portfolio
Germany	22,259	(0.3%)	41.93%
The Netherlands	1,170	23.9%	2.20%
Spain	8,463	(14.3%)	15.94%
Italy	7,939	0.7%	14.96%
Portugal	1,383	7.7%	2.61%
Nordic countries	6,515	16.9%	12.27%
Poland	3,567	48.9%	6.72%
Czech Republic	231	(33.9%)	0.44%
Hungary	224	(7.7%)	0.42%
Austria	1,334	5.4%	2.51%
SCF Group	**53,085 (*)**	**3.4%**	**100%**

(*) Group management information which, therefore, does not coincide with the amounts recognised in the consolidated books.

Credit risk exposure grew by 3% in year-on-year terms 35% of this growth was due to the effect of fluctuations in the year in the exchange rates of the main currencies against the euro.

Germany and Spain account for 58% of the nominal credit risk exposure, a decline with respect to prior years. Particularly noteworthy among the other European countries were Italy, the Nordic countries and Poland, which together account for 34% of the exposure.

b) Variations in main aggregates in 2010

The changes in non-performing loans and the cost of credit reflect the impact of the deterioration of the economic environment, mitigated by prudent risk management, which generally enabled the Group to keep these data at levels below those of its competitors. As a result, Santander Consumer Finance has a significant NPL coverage ratio and high level of available general reserves.

The non-performing loans ratio stood at 5.53% in December 2010, up 2 basis points in the year, reflecting a slowdown in the growth experienced by this ratio in recent years. The NPL coverage ratio was 101%, as compared with a coverage ratio of 92.9% at the end of 2009.

c) Distribution of credit risk

The Group is geographically diversified, since it is present in more than 15 countries, and concentrates its activities on its core markets. Santander Consumer Finance has a mainly retail profile (consumer loans represent 95% and inventory financing for dealers 5%) as it engages principally in vehicle financing.

Metrics and measurement tools

Credit 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 credit 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 Santander Consumer Finance focuses mainly on the retail business, assessments are primarily based on scoring models or tables which, combined with other credit policy rules, 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 the scoring models used for the approval and management of portfolios (by rating the transactions composing the portfolios to assess their credit quality and estimating their potential losses), other tools are available to assess existing accounts and customers which are used in the defaulted loan recovery process. Thus, an attempt is made 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 rating 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 scantly representative of the total risks managed, since it relates mainly to dealer inventory financing (5% of the total portfolio).

Credit risk parameters

The assessment of customers or transactions using *rating* or *scoring* systems constitutes a judgement of their credit quality, which, using the Basel terminology, is quantified in terms of *probability of default* (PD).

In addition to customer assessment, the quantification of credit risk requires the estimation of other parameters, 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, or the analysis of expected recoveries, which is related to the guarantees provided and other characteristics of the transaction: type of product, term, etc.

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 and must be charged in the transaction price.

These risk parameters also make it possible to calculate the regulatory capital in accordance with the regulations deriving from the new Basel Capital Accord (BIS II). Regulatory capital is determined as the difference between unexpected loss and expected loss.

Unexpected loss is the basis for the capital 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.

For portfolios with scant internal *default* experience, such as banks, sovereign risk or global wholesale banking, estimates of the risk parameters (PD, LGD and EAD) are based on external sources: market prices or studies conducted by rating 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 final *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 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 parameters estimated for the global portfolios are the same for all the Group's units. Accordingly, a financial institution with an 8.5 *rating* will have the same PD, regardless of the Group unit in which its exposure is accounted for. By contrast, the retail portfolios have specific *rating* and *scoring* systems in each of the Group's units, which require separate estimates and specific assignment of parameters in each case.

The parameters are then assigned to the unit's on-balance-sheet transactions 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 a change in 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 provisioning and write-off policy, 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 Santander 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) Monitoring

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.

e) Risk control function

Supplementing the management process, the risk control function obtains a global view of Santander Consumer Finance’s loan portfolio, through the various phases of the risk cycle, with a level of detail sufficient to permit the assessment of the current position of the exposure and any changes therein.

The aim of the control model is to assess the solvency risk assumed in order to detect any areas requiring attention and to propose measures to correct any possible impairment. Therefore, it is essential that the control activity itself be accompanied by an analysis component aimed at facilitating a proactive approach to the early detection of problems and the subsequent recommendation of action plans.

Any changes in the Group’s risk exposure with respect to budgets, limits and benchmarks are controlled on an ongoing and systematic basis, 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.

One of the focal points in 2010 was to strengthen the vision of the various units from a local control perspective, obtaining in-depth knowledge of their business contexts, legislation, strategies, local regulations and changes in their portfolios. Also, the uniformity of the control model was consolidated by establishing standards in the data flow, its portfolio-based analysis and the monitoring of the main management metrics, which facilitate the ongoing measurement of the exposure of each of the business segments.

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.

Scenario analysis

Stress tests are performed periodically in order to monitor and control the various loan portfolios. Scenario analysis is a relevant tool intended to measure the sensitivity of the value of a portfolio to changes in the circumstances surrounding it. Thus, taking into account factors such as variations in the interest rate, the unemployment rate or housing prices, the Group is able to ascertain whether the general allowances recognised are adequate in relation to the estimated impacts obtained in the *stress tests*.

f) Recovery process

As part of the Santander Group, Santander Consumer Finance considers loan recovery management to be a strategic, integral business activity.

Santander Consumer Finance has incorporated the global model of the Santander Group, combining it with a local implementation, considering the specific features of the business in each area of activity.

The main objective of loan recovery is to contribute to a reduction in the need for provisions and reduce the costs associated with risk.

Thus, the specific aims 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 the debts, regardless of their status for accounting or management purposes.

- To maintain and strengthen the relationship with customers, paying attention to their payment behaviour and offering refinancing products to meet their needs in accordance with the corporate admission and control policies carefully established by the risk area.

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.

Recovery management involves the use of a multichannel customer relation strategy.

The telephone channel is aimed at large-scale, standardised management and involves high levels of activity in contacting customers and monitoring their payments, with each conversation being prioritised and adapted on the basis of the status of their debts (in arrears, doubtful or non-performing), their balances and their payment commitments.

The commercial recovery management network, which complements the telephone channel, is geared towards establishing close relationships with selected customers. It consists of teams of highly commercially-oriented agents with specific training and excellent negotiating skills who carry out a personalised management of their own portfolios of high impact customers (high balances, special products and specially managed customers).

The recovery activity for advanced stages of default (pre-litigation and litigation) involves both in- and out-of-court management and the continuation of commercial and monitoring activities through the telephone channels and agent network, applying specific strategies and practices based on the particular stage of default.

The management model favours proactiveness and oriented management, achieved through ongoing recovery campaigns specifically tailored to particular groups of customers and stages of default. Predefined objectives are pursued using specific strategies and intensive actions conducted through the appropriate channels within limited time frames.

Adequate local production and daily and monthly analyses of management information, aligned with corporate models, were defined as the basis for the business intelligence required in order to take management-orienting decisions on an ongoing basis and to monitor their results.

In 2010 Santander Consumer Finance consolidated the implementation of the global recovery model in Spain and introduced its management methodology and work practices in the other European countries and units within its sphere of operations.

Concentration risk

Concentration risk is a key component of credit risk management. 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 eight 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.

At 31 December 2010, the sum of the 20 largest credit exposures represented 0.71% of credit risk.

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:

a) *Trading*: this item includes financial services for customers, trading operations and positioning in fixed-income, equity and foreign currency products.

The Santander Consumer 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.

b) *Balance sheet management*: interest rate risk and liquidity risk arising as a result of the maturity and repricing gaps of all assets and liabilities.

c) *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 foreign currency 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. This 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. 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 Group's economic value, whilst maintaining adequate liquidity and solvency levels.

The Market Risk area supports business management, defines risk measurement methodologies, assists in establishing limits and controls the structural market risks arising from the Group's operations, ensuring that the risks assumed are within the risk appetite limits established by the Risk Committee.

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.

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.

- *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 Group permanently monitors maximum gap profiles.

The measures used to control liquidity risk in balance sheet management are the liquidity gap, liquidity ratios and the structural liquidity table.

- *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 unstable balance for liquidity purposes is determined.

- *Liquidity ratios*

The minimum liquidity ratio compares the liquid assets available for sale or transfer (after the relevant discounts and adjustments have been applied) and the assets maturing in less than twelve months with the liabilities maturing in less than twelve months.

- *Structural liquidity table*

The aim of this analysis is to determine the structural liquidity position on the basis of the liquidity profile (more or less stable) of the various asset and liability instruments.

<u>Structural foreign currency risk / Hedges of results / Structural equities risk</u>

Structural foreign currency 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 identify and delimit, in an efficient and comprehensive manner, the main types of market risk incurred, so that they are consistent with business management and the defined strategy.

- 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, depending 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 Santander Consumer Finance in operational risk control and management is to identify, measure/assess, control/mitigate and inform about this risk.

The priority of Santander Consumer Finance, 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.

Compliance with the new regulatory framework

Throughout 2010 Santander Group participated in the impact studies launched by the Basel Committee and CEBS and coordinated at local level by the Bank of Spain to gauge the new regulations known as Basel III, the implementation of which involves the establishment of new capital and liquidity standards, with more stringent criteria that are homogenous at international level.

Santander Group has very sound capital ratios, in keeping with its business model and its risk profile, which places it in a good position to comfortably comply with Basel III. The impact analysis performed did not disclose significant effects on the high capital adequacy ratios of the Group, which benefits from a considerable organic capacity to generate capital. The new capital regulations will be implemented gradually between 2013 and 2019.

Santander Group intends to adopt, over the next few years, the advanced internal ratings-based (AIRB) approach under Basel II for substantially all its banks, until the percentage of net exposure of the loan portfolio covered by this approach exceeds 90%. The short-term attainment of this objective also depends on the acquisitions of new entities and the need for the various supervisors to coordinate the validation processes of the internal approaches. The Group is present in geographical areas where there is a common legal framework among supervisors, as is the case in Europe through the Capital Requirements Directive. However, in other jurisdictions, the same process is subject to the framework of cooperation between the home and host supervisors under different legislations, which in practice entails adapting to the different criteria and timetables in order to obtain authorisation to use the advanced approaches on a consolidated basis.

Accordingly, Santander Group continued in 2010 with the project for the gradual implementation of the technology platforms and methodological improvements required for the roll-out of the AIRB approaches for regulatory capital calculation purposes at the remaining Group units. Santander Group has obtained authorisation from the supervisory authorities to use advanced approaches for the calculation of regulatory capital requirements for credit risk for the Parent and the main subsidiaries in Spain, the United Kingdom and Portugal, which represents nearly two thirds of its total exposure at 2010 year-end. The Group's Basel implementation strategy is focused on obtaining authorisation for the use of AIRB approaches at the main entities in the Americas and in consumer banking in Europe.

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.

With regard to operational risk, the Group considers that the development of the internal model should be based primarily on the experience accumulated in the management of the entity through the corporate guidelines and criteria established after assuming control, which are a distinctive feature of Santander. The Group has performed numerous acquisitions in recent years and, as a result, a longer maturity period is required in order to develop the internal model based on its own management experience of the various acquired entities. However, although Santander Group has initially decided to use the standardised approach for regulatory capital calculation purposes, it is considering the possibility of adopting AMA approaches once it has collated sufficient data using its own management model in order to make as much use as possible of the virtues that characterise the Group.

Internal validation of risk models

Internal validation is a pre-requisite for the supervisory validation process. A fully-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.

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.

Internal model validation at the Santander Group encompasses credit risk models, market risk models, financial asset 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 risk management (controls, *reporting*, uses, involvement of senior management, etc.).

The internal validation function of Santander Consumer Finance as part of the Santander Group, is located at corporate level within the integrated risk control and internal risk validation area (CIVIR) and reports directly to the third deputy chairman of the group and to the chairman of the risk committee.

51. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Appendix I

Subsidiaries

Company	Country	Registered Office	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Power (c)	Line of Business	Millions of Euros (a)		
			Direct	Indirect			Capital and Reserves (a)	Net Profit (Loss) (a)	Investment Amount (b)
AIG Bank Polska Spólka Akcyjna	Poland	Strzegomska 42c, 53-611 Wroclaw, Poland.	-	70.00%	75.01%	BANKING	248	20	115
AKB Marketing Services Sp. z.o.o.	Poland	Poznan/ul.Marcelinska 90, 60-324 (Poznan)	-	70.00%	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	45	(1)	27
Banco Santander Consumer Portugal, S.A.	Portugal	Rua Castilho 2/4, 1269-073 (Lisbon)	80.09%	19.91%	100.00%	BANKING	111	7	177
FTA Santander Consumer Spain Auto 06	Spain	-	-	(d)	-	SECURITISATION	(7)	(1)	-
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	-	2
Hispamer Renting, S.A.U.	Spain	Ciudad Grupo Santander, Av. Cantabria, 28660 (Boadilla del Monte) – Spain	-	100.00%	100.00%	FULL-SERVICE LEASE	12	(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	13	1	28
Polskie Towarzystwo Finansowe, s.a.	Poland	Pl. Solny 16, 50-062 (Wroclaw)	100.00%	-	100.00%	SERVICES	2	-	24
Sánchez Ramade Santander Financiera, S.L.	Spain	Plaza de Colón 10 (Córdoba)	50.00%	-	50.00%	FINANCIAL SERVICES	-	-	-
Santander Consumer Beteiligungsverwaltungsgesellschaft mbH	Germany	Santander Platz 1, 41061 (Mönchengladbach)	-	100.00%	100.00%	HOLDING COMPANY	868	-	868
Santander Consumer Bank AS	Norway	Strandveien 18, 1366 Lysaker, 0219 (Baerum)	100.00%	-	100.00%	FINANCE	454	69	612
Santander Consumer Bank AG	Germany	Santander Platz 1, 41061 (Mönchengladbach)	-	100.00%	100.00%	BANKING	1,489	434	3,242
Santander Consumer Bank GmbH	Austria	Andromeda Tower, Donau-City. Str.6-Wien (Vienna)	-	100.00%	-	FINANCE	826	29	863

Company	Country	Registered Office	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Power (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 (Turin)	100.00%	-	100.00%	FINANCE	355	(50)	555
Santander Consumer Bank Spólka Akcyjna	Poland	Pl. Solny 16, 50-062 (Wroclaw)	70.00%	-	75.01%	BANKING	326	7	217
Santander Consumer Finance a.s.	Czech Republic	Safrànkova 1, 155 00 (Prague 5)	-	100.00%	100.00%	LEASE	28	3	26
Santander Consumer Finance Benelux B.V.	The Netherlands	Kokermolen 10-14, NL-3994	-	100.00%	100%	FINANCE	16	4	33
Santander Consumer Finance Media S.r.l.	Italy	Vía Nizza 262, I-10126 (Turin)	-	65.00%	65.00%	FINANCE	8	1	5
Santander Consumer Finance Oy	Finland	Hermannin Rantatie 10, 00580 (Helsinki)	-	100.00%	100.00%	FINANCE	129	8	157
Santander Consumer Finance Zrt.	Hungary	Kapas Center, Kapas U6-12H-1027 (Budapest)	-	100.00%	100.00%	FINANCE	7	(5)	-
Santander Consumer Finanzia, S.r.l.	Italy	Vía Nizza 262, I-10126 (Turin)	-	100.00%	100.00%	FACTORING	34	(15)	31
Santander Consumer France, S.A.	France	4/6 Rue Jeanne Maillote - 59110 La Madeleine, Lille	100.00%	-	-	FINANCE	3	-	3
Santander Consumer Holding GmbH	Germany	Santander Platz 1, 41061 (Mönchengladbach)	100.00%	-	100.00%	HOLDING COMPANY	820	(255)	2,017
Santander Consumer Iber-Rent, S.L.	Spain	Santan Bárbara 1, 28180 (Torrelaguna)	-	60.00%	60.00%	FULL-SERVICE LEASE	60	(2)	18
Santander Consumer Holding Austria GmbH	Austria	Rennweg 17, A 1030 (Wien)	-	100.00%	100.00%	LEASE	863	-	-
Santander Consumer Leasing GmbH	Germany	Santander Platz 1, 41061 (Mönchengladbach)	-	100.00%	100.00%	LEASE	6	22	87
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	-	5
Santander Consumer Services GmbH	Austria	Thomas Alva Edison Str.1 Eisendstadt	-	100.00%	-	SERVICES	-	-	-

Company	Country	Registered Office	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Power (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	307	(42)	505
SC Germany Auto 08-2 Limited	Ireland	-	-	(d)	-	SECURITISATION	(4)	1	-
SC Germany Auto 2009-1 Limited	Germany	-	-	(d)	-	SECURITISATION	-	-	-
SC Germany Auto 2010-1 UG (haftungsbeschränkt)	Germany	-	-	(d)	-	SECURITISATION	-	-	-
SC Germany Consumer 08-1 Limited	Ireland	-	-	(d)	-	SECURITISATION	-	-	-
SC Germany Consumer 09-1 Limited	Ireland	-	-	(d)	-	SECURITISATION	-	-	-
Silk Finance No. 3 Limited	Ireland	-	-	(d)	-	SECURITISATION	(10)	4	-
Suzuki Servicios Financieros, S.L.	Spain	C/Carlos Sainz 35, Pol.Ciudad del Automovil, (Leganés, Madrid)	-	51.00%	51.00%	INTERMEDIATION	1	-	-
Unifin S.p.A.	Italy	Strada Maggiore 47-I, 40125 (Bologna)	100.00%	-	100.00%	FINANCE	40	7	82

(a) Data obtained from the financial statements of each subsidiary for the year ended 31 December 2010. 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 1159/2010, of 17 September, approving the rules for the preparation of consolidated financial statements, in order to determine voting power, the voting power relating to subsidiaries or to other parties acting in their own name but on behalf of Group companies was added to the voting power 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

Company	Location	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Power (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	(2)	1
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	-	-	-	-
Grupo Konecta UK, Ltda.	United Kingdom	-	48.21%	48.21%	FINANCE	-	(1)	-	-
Grupo Konectanet, S.L.	Spain	-	48.25%	48.26%	HOLDING COMPANY	19	5	1	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
Konecta Marketing & Publicidad, S.L.	Spain	-	30.88%	30.88%	SERVICES	-	-	-	-
Konecta Activos Inmobiliarios, S.L.	Spain	-	49.08%	49.08%	PROPERTY	8	-	1	
Konecta Brazil Outsourcing, Ltda.	Brazil	-	48.25%	48.25%	SERVICES	-	-	-	-
Konecta Broker, S.L.	Spain	-	48.26%	48.26%	SERVICES	-	-	-	-
Konecta Bto, S.L.	Spain	-	48.26%	48.26%	TELECOMMUNICATIONS	40	36	4	-
Konecta Chile, S.A.	Chile	-	35.71%	35.71%	SERVICES	5	4	-	-
Konecta Colombia Grupo 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.U.	Spain	-	48.26%	48.26%	MARKETING	-	-	-	-
Konecta Portugal, Lda.	Portugal	-	48.26%	48.26%	MARKETING	1	1	-	-
Konecta Servicios Administrativos y Tecnológicos, S.L.	Spain	-	48.26%	48.26%	SERVICES	-	-	-	-

Company	Location	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Power (b)	Line of Business	Millions of Euros (a)			
		Direct	Indirect			Assets	Capital and Reserves	Profit (Loss)	Amount of Ownership Interest
Home services online solutions, S.L.	Spain	-	48.26%	48.26%	SERVICES	-	-	-	-
Konecta Servicios de Empleo ETT, S.A.	Spain	-	48.26%	48.26%	TEMPORARY EMPLOYMENT AGENCY	1	-	-	-
Konectanet Andalucia, S.L.	Spain	-	48.26%	48.26%	SERVICES	1	-	-	-
Kontacta Comunicaciones, S.A.	Spain	-	36.20%	36.20%	SERVICES	2	1	1	-
Kontacta Top Ten, S.L.	Spain	-	36.20%	36.20%	SERVICES	-	-	-	-
Omega Financial Services GmbH	Germany	-	50.00%	50.00%	SERVICES	2	-	2	-
Puntoform, S.L.	Spain	-	48.26%	48.26%	TRAINING	-	-	-	-
Reintegra Comercial España, S.L.	Spain	-	45.00%	45.00%	DEBT RECOVERY	8	3	-	-
Reintegra, S.A.	Spain	-	45.00%	45.00%	COLLECTION AND PAYMENT SERVICES	3	1	1	1
Reintegra Contact Center, S.L.U.	Spain	-	45.00%	45.00%	SERVICES	10	6	1	-
Santander Benelux, S.A./N.V.	Belgium	-	16.80%	16.80%	BANKING	12,837	1,150	54	200
Santander Mediación Operador de Banca-Seguros Vinculado, S.A.	Spain	7.00%	1.00%	8.59%	ADVISORY SERVICES	68	2	-	-
Transolver Finance E.F.C., S.A.	Spain	50.00%	-	50.00%	LEASE	171	26	(15)	12
Ufi Servize, S.r.l.	Italy	-	23.17%	23.17%	SERVICES	-	-	-	-

(a) Data obtained from the financial statements of each associate and/or jointly controlled entity for the year ended 31 December 2010. 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 1159/2010, of 17 September, approving the rules for the preparation of consolidated financial statements, in order to determine voting power, the voting power relating to subsidiaries or to other parties acting in their own name but on behalf of Group companies was added to the voting power 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 company holding a direct ownership interest in such companies.

Appendix III

Notifications of acquisitions of investments at 31 December 2010

(Art. 155 of the Consolidated Spanish 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	
AIG Bank Polska, S.A.	Banking	70%	70%	08/06/10
Santander Benelux, S.A./N.V.	Banking	16.8%	16.8%	28/12/10

Appendix IV

List of agents to whom Bank of Spain Circular 4/2010 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
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
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
Álvarez y Garrúes Tres, S.L.	Salvador Dalí, 12 - Ourense	32002	B27412816	01/11/10	31/10/15	Ourense and its province	Consumer loans, and automotive financing, leasing and full-service leasing
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 and Villanueva del Rey, Villarralto, Villa Viciosa de Córdoba and El Viso.	Mortgage loans, consumer loans, finance leases
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
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
Asesoramiento Financiero Toledano Cortés, S.L.	Agustín Rodríguez Sahagún, 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

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
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
Berga Gestió, S.L.	Gran Vía, 46 - Berga (Barcelona)	08600	B64396476	02/01/10	01/01/15	Berguedá, Solsonès, Alt Urguell, Navàs, Cardona	Consumer loans and automotive financing, leasing and full-service leasing.
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
Centro Asesor de Teruel Financiera, S.L.	Carretera de Alcañiz 3 - Bajo - Teruel	44003	B44224947	02/06/08	01/06/13	Teruel and its entire 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
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
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
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

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
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
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
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
Financerland S.L.	De la Concepción - 15 - Oteniente	46870	B97405427	01/01/04	02/01/09	Onteniente	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
Finanduero 2007, S.L.U.	Plaza Arco Isilla, 5 - Aranda de Duero	9018	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
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
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

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
Gestió 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 Granja 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
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
Graciano Vega Vidal, S.L.	Agua, 2 - Gijón (Asturias)	33206	B33957580	02/01/10	01/01/15	Gijón, Cabrales, Cangas de Onís, Caravía, Caso, Colunga, Llanes, Nava, Onís, Parrés, Peñamerella Alta, Peñamellera Baja, Pesoz, Pilonga, Ponga, Rivadedeva, Rivadesella, Villaviciosa	Consumer loans, 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
Ilinium Mediación, S.L.	Alejandro Tomás 4-B - Hellín	2400	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
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
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
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
Jordi Masso Riera	Bruc 52 Bajos - Igualada	8700	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
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
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

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
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
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
Opportunity Center S.L.	De la Industria 49 - Alcobendas	28108	B84291236	27/04/05	31/05/08	Andalusia, Aragón, Asturias, Balearic Islands, Canary Islands, Cantabria, Castilla-León	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
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
Santex Financial Services, S.L.	Sancho el Sabio 29 - Vitoria	1008	B01445923	02/07/08	01/07/13	Vitoria and its entire province	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Sedace, S.L.	Concordia 2 - Vera	4620	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
Servicios Financieros Segovianos, S.L.	Hierro, 17 - Madrid	28045	B85877330	10/02/10	09/02/15	Segovia and its province	Consumer loans, and automotive financing, leasing and full-service leasing.
Servicios Financieros Sorianos, S.L.	Plaza del Salvador, 1 - Soria	42600	B42180927	02/01/06	-	Soria	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
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
Hermanos P.Q. Servicios Financieros S.L.	Calle Armonía 14 - Vera	4620	B04678348	01/09/09	31/07/13	Vera	Mortgage loans, consumer loans
Tudegues Tudela, S.L.	Sancho el Fuerte, 1 - 1º - Tudela - Navarra	31500	B31618325	23/02/10	22/02/15	Tudela	Consumer loans, and automotive financing, leasing and full-service leasing.
Ilinum Finance, S.L.	Calle Juan de Herrera 2 - Albacete	2005	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 2010

General background

After shrinking by 0.6% in 2009, the world economy recorded a strong recovery of output in 2010 which could result in growth of around 5%, a rate that is higher than the average for the decade prior to the global crisis (+4%). This recovery, which was more intense in the first half of the year, was underpinned, on the one hand, by the monetary and fiscal stimulus measures adopted by the major developed economies to counter the weakness of their internal demand and, on the other, by the greater capacity for internal growth of the emerging economies, particularly Asia and Latin America, which are less leveraged, have fewer restrictions for growth and have been less intensely impacted by the crisis.

These differences resulted in a two-speed recovery, with a higher pace of growth in the emerging economies than in the developed economies, which was a trend that persisted through to the end of 2010 and the beginning of 2011. However, the positive surprises in growth presented by the US and German economies point to a more solid recovery with greater homogeneity between regions in 2011, albeit with uncertainties.

The US economy ended 2010 with signs of more dynamic domestic demand (consumption and investment), albeit still incipient. The United States presented year-on-year GDP growth of 2.9% for 2010 as a whole.

In Germany, growth in the manufacturing sector, supported by external demand, is also percolating through to internal demand via employment and confidence. Conversely, in the rest of Europe, the uncertainties about the fiscal situation in peripheral countries such as Greece and the bail-out of the Irish financial system added more risk to the performance of the euro zone in the second half of the year.

The euro zone grew by 1.7% year-on-year in 2010, after a fourth quarter (annualised quarterly rate of 1.1%) that sustained the trend of growth and heralded greater strength for the beginning of 2011. After rising through the year driven by energy prices, inflation ended December at 2.2%, which was higher than the target set by the European Central Bank, which nevertheless made no changes to the official rate of 1% in 2010.

The United Kingdom ended the year with a sharp deceleration in growth (-2.1% annualised quarterly rate), having been hard hit by the bad weather, after a good third quarter (+2.9%). In the year as a whole there was growth of 1.4% year on year, and this trend is expected to continue over the coming quarters. On the other hand, inflation continued to be very high (3.7% in December) due partly to the increase in indirect taxes and to the depreciation of the pound sterling.

Against this background, the Bank of England kept the official rate stable at 0.5% throughout the year, although the pressure from inflation has increased the likelihood of a rise in rates in the first half of 2011. As a result, the pound rose slightly against the euro in the year (EUR 1 = GBP 0.86).

At the beginning of 2011 the rise in the price of oil gathered speed, putting pressure on inflation and forcing the ECB to toughen its anti-inflationary discourse. All of this increases the likelihood of a preventive move being made to raise interest rates in the first half of the year in order to anchor inflation expectations. The euro, which had risen in the final months of 2010 against the dollar to EUR 1 = USD 1.34, is maintaining this trend in 2011 due to the new expectations regarding rates.

The favourable features of European activity continue to be underpinned largely by the positive trend of activity in Germany, with GDP that increased by 3.5% in the year overall. Noteworthy was the improved performance of manufacturing, the foreign sector and investment which, according to the latest confidence figures and the good behaviour of the labour market, is already being passed on to internal demand.

In Spain the economy performed better than was expected, with zero growth in the third quarter and quarterly growth of 0.2% in the fourth quarter, as a result of which the fall in the year overall was reduced to -0.1% year on year. Consumption performed negatively in the second half of the year (spending was brought forward to the first half to beat the VAT increase), with foreign trade leading growth.

Nevertheless, this improved trend was not sufficient to create jobs, and the unemployment rate remained at around 20%. The increase in energy prices and in taxes (tobacco) led to a sharp upturn in inflation (3% in December), and this trend intensified at the beginning of 2011.

Business performance

- Robust income levels due to management of prices and cost of financing, which has been kept low.

- Cost control through the harnessing and consolidation of synergies and restructurings.

- Lower credit loss provisions recognised due to the enhanced quality of the loan portfolio, with a lower non-performing loans ratio and greater coverage. Coverage reached 101% of non-performing loans at 2010 year-end.

- In the second half of 2010, AIG's business in Poland was incorporated and the Russia and UK units were sold. 50.1% of the UK business was sold to Banco Santander UK, which already owned the remaining 49.9%.

In 2010 the area obtained an attributable profit of EUR 345 million, EUR 244 million more than in 2009.

Strategy

The main management focus was on organic growth and cross-selling, supported by brand agreements and penetration in used cars, which countered the drop in the number of new cars being registered in Europe. At the same time, there was a considerable effort in risk control and loan approval and recoveries, which led to improvements in credit quality.

In addition, the Group actively managed its businesses: it acquired units in markets with strong potential, mainly Germany and Poland, while discontinuing businesses without a critical mass, as in the case of the disposal of the Russian unit.

Also, further progress was made in loan admission and recovery policies in the various countries following the initial positive results obtained.

The additions included most notably the consolidation of AIG Bank in Poland, which positioned the unit as leader among specialised financial institutions. This merger was formalised at the beginning of 2011 and enabled the Group to combine directly the experience and positioning of Santander Consumer Bank in the vehicle finance sector with the experience of AIG Bank Polska in the financing of sales, cash loans, credit cards and deposits, which will be to the benefit of the customer.

Also, progress was made in the integration of new units in 2010. Noteworthy is the effort made in Germany, which combined the integration of GE with the migration to Partenón of most of the business modules in Germany, which is expected to be completed in 2011. This will be the operating base for the integration of the SEB retail business acquired in January 2011. This transaction was completed on 31 January 2011 and, therefore, it is not presented on the balance sheet or the income statement of the area.

In November 2010 the Bank sold its 50.1% ownership interest in the share capital of Santander Consumer (UK), plc to Santander UK plc, which forms part of the Santander Group, for GBP 185.5 million (EUR 218 million), giving rise to gains of EUR 101 million.

Earnings

All these actions are reflected in the income statement, where attributable profit grew by EUR 244 million to EUR 345 million.

- Sound performance of net interest income (+8.5%) underpinned by an active management of spreads and by average portfolio growth. Slowdown of fee and commission income (-7.8%) due to the fall in new vehicle financing, albeit partially offset by higher levels of penetration in insurance and the expansion of the range of insurance products offered. As a result of these effects, gross income continued to grow and was up 1.7% on the year-ago period.

- Strict control of costs, which fell by 0.43% with respect to 2009 thanks to the consolidation of the synergies attained in the latest acquisitions and to the restructuring measures that were implemented. The performance of income and costs made it possible to further improve the efficiency ratio, which reached a level of 35%, almost 100 basis points lower than 2009.

- Reduction in credit loss provisions (-15%) due to the enhanced credit quality of the portfolios. These provisions reflect the impact of the more demanding accounting framework regarding provisions in Spain (EUR 26 million) and the higher general purpose provisions due to the increase in volumes and portfolios. Both of these factors were offset by the lower specific provisions due to the improved credit quality of the business. At the same time, 2010 saw the start of a trend of containment thanks to the efforts made in loan approval and recovery in the credit risk area. The coverage of doubtful assets increased to 101%, which is above that of the comparable entities in the market in which the Group operates.

- Turning to the other line items, there was a smaller negative impact on discontinued operations and higher minority interests because of Poland.

A similar performance was achieved in the various geographical areas, albeit in varying degrees. Accordingly, Germany, the top-ranking area in terms of profit, was very active in the management of spreads and in cost reduction, which evidenced the positive impact of synergies.

A very positive trend was seen in the Nordic countries, which more than doubled the profit obtained in 2009 due to better credit quality and a moderate increase in production. Spain's performance is still weak, as reflected in the lower revenue, which is being offset by cost reduction and notably lower provisions than in 2009 (-29.9%) due to the improved credit quality. Lastly, higher business volume was achieved in Poland following the integration of AIG Bank (EUR 3,600 million in loans and EUR 1,009 million in deposits).

Activity

Gross loans and receivables amounted to EUR 51,090 million, as compared with almost EUR 51,000 million in 2009.

New loan production (more than EUR 20,100 million) fell with respect to 2009 as a result of the drop in the number of new cars being registered in Europe (-5% year-on-year).

By unit, noteworthy was the growth in Spain, which obtained a profit in 2010, and Nordic countries, where profit increased by 13% in local currency terms. All of this offsets the lower production in Germany (-10%) due to the end of the public incentives for vehicle replacement, which led to a 23% decline in the number of new cars being registered with respect to 2009.

In terms of liabilities, customer deposits amounted to EUR 24,338 million, 36% more than in 2009, because of the German unit's capacity to attract funds and the addition of Poland. Additionally, Santander Consumer Finance increased the volume of issues launched, thereby drastically reducing its dependency on the parent of the Group, the objective being to be entirely self-funding by 2012.

Risk management

Corporate risk management principles

2010 highlighted the importance of the Santander Group's risk policy geared towards maintaining a predictable medium-low risk profile in all of its risks, a distinguishing feature that has enabled the Santander Group to occupy one of the most outstanding positions in the market during these years of marked uncertainty on the economic stage.

For the Santander Group, quality in risk management constitutes one of its distinguishing features and, therefore, represents a focal point of its activities. In its more than 150 years of history, Santander has developed a combination of prudence in risk management together with the use of advanced risk management techniques which has proven to be crucial to obtaining recurring, healthy economic results and, in short, to creating value for shareholders.

The intense turbulence affecting the financial markets since July 2007 has demonstrated the effectiveness of Santander'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. Banco Santander's risk committee and the Group 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. The separation of the functions of the business areas (risk-takers) and those of the risk areas responsible for risk measurement, analysis, control and reporting provides sufficient independence and autonomy for the performance of adequate risk control.

- Decisions by consensus (even at branch level), which ensure that different opinions are taken into account and avoid situations in which individual decision-making powers are delegated.

- Decisions on credit transactions are taken jointly by the risk and commercial areas.

- Definition of responsibilities. The type of activities to be performed, segments, risks to be assumed and risk decisions to be made are clearly defined for each risk-taking unit and, where appropriate, each risk management unit; based on the powers delegated to them. How these transactions should be arranged and managed and where they should be recognised for accounting purposes is also defined.

- Risk measurement. Risk measurement takes into account all risk exposures assumed across the business spectrum and uses measures based on the components and dimensions of risk throughout its life-cycle for the management of risk at any given time.

- From a qualitative standpoint, this integrated vision translates into the use of a series of comprehensive measures, which are fundamentally the charge for capital at risk and RORAC (return on risk-adjusted capital).

- Risk limitation. This aims to limit, in an efficient and comprehensive manner, the maximum levels of risk that are set for the various risk measures, where the risks being incurred are known and the Group has the infrastructure required for their management, control and reporting. It also aims to ensure that undesired types of risk are not incurred and that the capital charge, by risk type, exposure and loss, does not exceed the approved maximum limits.

- Establishment of risk policies and procedures. The risk policies and procedures constitute the basic regulatory framework, consisting of circulars, frameworks and operating rules, through 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.

As part of the Santander Group, the risk management and control process at Santander Consumer Finance is structured in the following phases:

- Establishment of the risk management frameworks and policies that reflect the principles and standards governing the general modus operandi of the Santander Group's risk activities, based on a corporate risk management framework, which includes the organisational and management models, as well as a series of more specific corporate frameworks for the functions accountable to the risk unit. Local risk units transpose corporate risk regulations into their internal policies and develop the procedures required to implement them.

- 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 methodologies and models implemented subject to a validation and approval process;

- 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.

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 2010 the Risk Committee held 99 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 subcommittees which are structured by geographical area, business line and type of risk, all of which are defined in the corporate risk governance model.

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 its business growth, the organisational and functional structure of the two Risk Units was defined as follows:

- The integrated risk control and internal risk validation unit, with global-reaching corporate responsibilities, which provide support to the Group's governing bodies, namely:
  - Validation 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.
  - Integrated risk control in order to ensure that the risk management and control systems are consistent with the Bank's global risk profile.
- The Risk Unit, whose functions are divided into two blocks:
  - A corporate structure, with global-reaching responsibilities ("all risks, all geographical areas"), which establishes the risk policies, methodologies and control systems: capital adequacy, market and methodology.
  - A business structure, centred on the performance and management integration of the risk function in the Group's commercial, global and local businesses.

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 - 2010

The following table shows the global map of credit risk, expressed in nominal amounts, to which the Group was exposed at 31 December 2010:

SANTANDER CONSUMER FINANCE GROUP - GROSS CREDIT RISK EXPOSURE

SCF Group - Gross Credit Risk Exposure			
	2010 (Millions of Euros)	Change on December 2009	% of Portfolio
Germany	22,259	(0.3%)	41.93%
The Netherlands	1,170	23.9%	2.20%
Spain	8,463	(14.3%)	15.94%
Italy	7,939	0.7%	14.96%
Portugal	1,383	7.7%	2.61%
Nordic countries	6,515	16.9%	12.27%
Poland	3,567	48.9%	6.72%
Czech Republic	231	(33.9%)	0.44%
Hungary	224	(7.7%)	0.42%
Austria	1,334	5.4%	2.51%
SCF Group	**53,085 (*)**	**3.4%**	**100%**

(*) Group management information which, therefore, does not coincide with the amounts recognised in the consolidated financial statements.

Credit risk exposure grew by 3% in year-on-year terms. 35% of this growth was due to the exchange rate effect of the main currencies against the euro in 2010.

Germany and Spain account for 58% of the nominal credit risk exposure, a decline with respect to previous years. Particularly noteworthy among the other European countries were Italy, the Nordic countries and Poland, which account for 34% of the exposure.

Variations in main aggregates in 2010

The changes in non-performing loans and the cost of credit reflect the impact of the deterioration of the economic environment, although this was mitigated by prudent risk management making it possible, in general, to keep Santander's ratios below those of its competitors. As a result, Santander Consumer Finance has a significant NPL coverage ratio and high level of general allowances.

Accordingly, the non-performing loans ratio stood at 5.53% in December 2010, up 2 basis points in the year, reflecting a slowdown in the growth experienced by this ratio in recent years. The NPL coverage ratio was 101.1%, as compared with a coverage ratio of 92.9% at the end of 2009.

Specific credit loss provisions, net of recoveries of written-off assets, amounted to EUR 1,215 million, i.e. 2.4% of average credit risk exposure to customers (average lending plus off-balance-sheet exposures for the year), as compared with 2.62% in 2009.

Distribution of lending

The Group is geographically diversified, since it is present in 15 countries, and concentrates its activities on its core markets. Santander Consumer Finance has a mainly retail profile (consumer loans represent 95% and stock financing for dealers 5%) as it mainly engages in vehicle financing.

Measures and measurement tools

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 Santander Consumer Finance 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 (5% of the total portfolio).

Credit risk parameters

The assessment of customers or transactions using *rating or scoring* systems constitutes a judgement of their credit quality, which is quantified through the *probability of default* (PD), in accordance with Basel II terminology.

In addition to customer assessment, the quantification of credit risk requires the estimation of other parameters, 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, or the analysis of expected recoveries, which is related to existing guarantees and other characteristics of the transaction: type of product, term, etc.

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 and must be charged in the transaction price.

These risk parameters also make it possible to calculate the regulatory capital in accordance with the regulations deriving from the new Basel Capital Accord (BIS II). Regulatory capital is determined as the difference between unexpected loss and expected loss.

Unexpected loss is the basis for the capital 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.

For portfolios with scant internal *default experience*, such as banks, sovereign risk or global wholesale banking, risk parameter estimates (PD, LGD and EAD) are based on external sources: market prices or studies conducted by rating 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 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*.

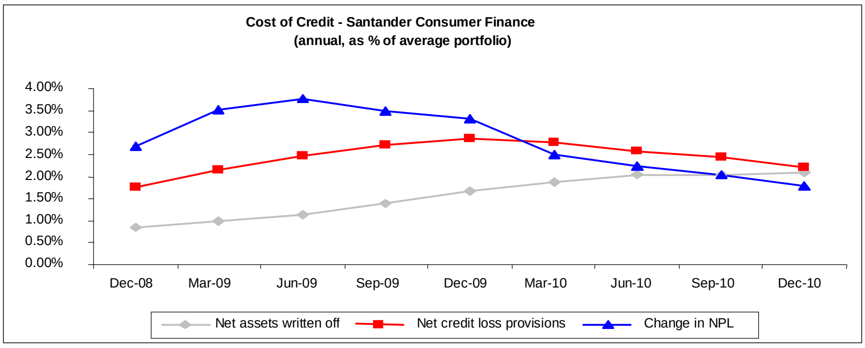
The estimated parameters for the global portfolios are the same for all the Group's units. Therefore, a financial institution with an 8.5 rating will have the same PD, regardless of the Group unit in which its exposure is accounted for. By contrast, the retail portfolios have specific *rating and scoring* systems in each of the Group's units, which require separate estimates and specific assignment of parameters in each case.

The parameters are then assigned to the units' on-balance-sheet transactions in order to calculate the expected losses and the capital requirements associated with their exposure.

Observed loss: measures of cost of credit

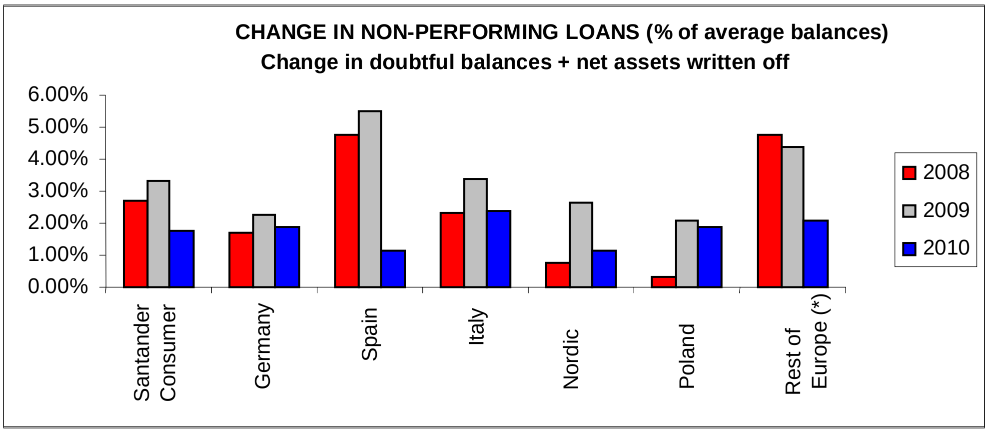
To supplement the predictiveness provided by the advanced models described above, other habitual measures are used to facilitate prudent and effective management of credit risk based on observed loss.

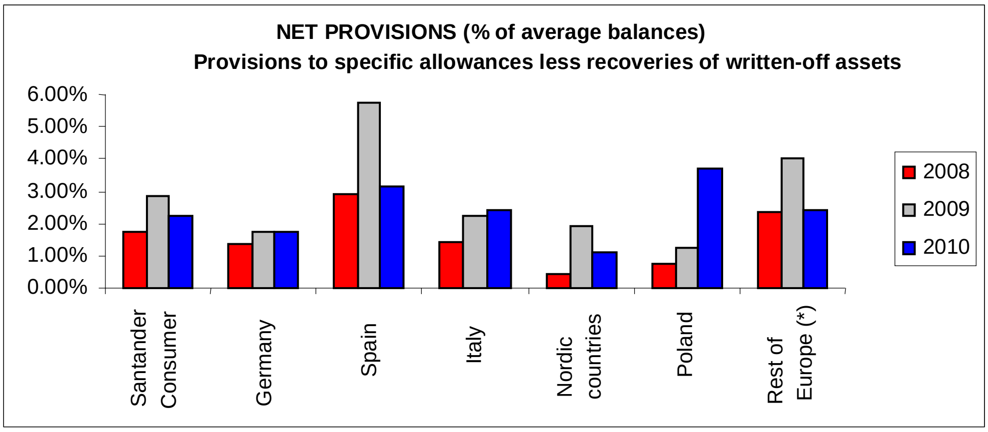
As part of the Santander Group, the cost of credit risk at Santander Consumer Finance is measured using different approaches: variation in non-performing loans in the recovery process (ending doubtful assets - beginning doubtful assets + assets written off - recovery of assets written off), net credit 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).

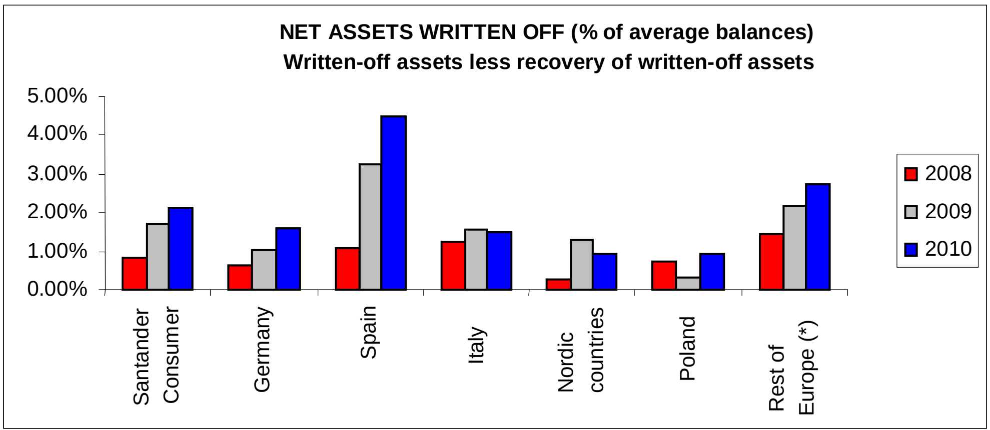


The three indicators measure the same reality and, consequently, converge in the long term although they represent successive moments in credit cost measurement: flows of non-performing loans (change in NPL), coverage of doubtful loans (net credit loss provisions) and classification as write-offs (net 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.

The following charts reflect the cost of Santander Consumer Finance’s credit risk in its main areas of activity in 2010 and prior years, measured using the different approaches:







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. 2010 saw a recovery of two of the three management metrics.

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 Santander 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.

Monitoring

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, which it performs through 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) 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.

Risk control function

Supplementing the management process, the risk control function obtains a global view of Santander Consumer Finance's loan portfolio, through the various phases of the risk cycle, with a level of detail sufficient to permit the assessment of the current position of the exposure and any changes therein.

The aim of the control model is to assess the solvency risk assumed in order to detect any areas requiring attention and to propose measures to correct any possible impairment. Therefore, it is essential that the control activity itself be accompanied by an analysis component aimed at facilitating a proactive approach to the early detection of problems and the subsequent recommendation of action plans.

Any changes in the Group's risk exposure with respect to budgets, limits and benchmarks are controlled on an ongoing and systematic basis, 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.

One of the focal points in 2010 was to strengthen the vision of the various units from a local control perspective, obtaining in-depth knowledge of their business contexts, legislation, strategies, local regulations and changes in their portfolios. Also, the uniformity of the control model was consolidated by establishing standards in the data flow, its portfolio-based analysis and the monitoring of the main management metrics, which facilitate the ongoing measurement of the exposure of each of the business segments.

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.

Scenario analysis

Stress tests are performed periodically in order to monitor and control the various loan portfolios. Scenario analysis is a relevant tool intended to measure the sensitivity of the value of a portfolio to changes in the circumstances surrounding it. Thus, taking into account factors such as variations in the interest rate, the unemployment rate or housing prices, the Group is able to ascertain whether the general allowances recognised are adequate in relation to the estimated impacts obtained in the stress tests.

Recovery process

As part of the Santander Group, Santander Consumer Finance considers loan recovery management to be a strategic, integral business activity.

Santander Consumer Finance has incorporated the global model of the Santander Group, combining it with a local implementation, considering the specific features of the business in each area of activity.

The main objective of loan recovery is to contribute to a reduction in the need for provisions and reduce the costs associated with risk.

Thus, the specific aims 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 the debts, regardless of their status for accounting or management purposes.

- To maintain and strengthen the relationship with customers, paying attention to their payment behaviour and offering refinancing products to meet their needs in accordance with the corporate approval and control policies carefully established by the risk area.

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.

Recovery management involves the use of a multichannel customer relation strategy.

The telephone channel is aimed at large-scale, standardised management and involves high levels of activity in contacting customers and monitoring their payments, with each conversation being prioritised and adapted on the basis of the status of their debts (in arrears, doubtful or non-performing), their balances and their payment commitments.

The commercial recovery management network, which complements the telephone channel, is geared towards establishing close relationships with selected customers. It consists of teams of highly commercially-oriented agents with specific training and excellent negotiating skills who carry out a personalised management of their own portfolios of high impact customers (high balances, special products and specially managed customers).

The recovery activity for advanced stages of default (pre-litigation and litigation) involves both in- and out-of-court management and the continuation of commercial and monitoring activities through the telephone channels and agent network, applying specific strategies and practices based on the particular stage of default.

The management model favours proactiveness and oriented management, achieved through ongoing recovery campaigns specifically tailored to particular groups of customers and stages of default. Predefined objectives are pursued using specific strategies and intensive actions conducted through the appropriate channels within limited time frames.

Adequate local production and daily and monthly analyses of management information, aligned with corporate models, were defined as the basis for the business intelligence required in order to take management-orienting decisions on an ongoing basis and to monitor their results.

In 2010 Santander Consumer Finance consolidated the implementation of the global recovery model in Spain and introduced its management methodology and work practices in the other European countries and units within its sphere of operations.

Concentration risk

Concentration risk is a key component of credit risk management. 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 eight 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

1. 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 Finance 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 Santander Consumer 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 foreign currency risk at Santander Consumer arises mainly from investments in banks in currencies other than the 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 at Santander Consumer 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. 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 Group, whilst maintaining adequate levels of liquidity and capital adequacy.

The Market Risk area at Santander Consumer supports business management, defines risk measurement methodologies, assists in establishing limits and controls the structural market risks arising from the Group's operations, ensuring that the risks assumed are within the risk appetite limits established by the Risk Committee.

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.

Each of these activities is measured and analysed using different tools in order to reflect their risk profiles as accurately as possible.

2. Methodologies

A. 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.

- *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 Group permanently monitors maximum gap profiles.

The measures used to control liquidity risk in balance sheet management are the liquidity gap, liquidity ratios and the structural liquidity table.

- *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 unstable balance for liquidity purposes is determined.

- *Liquidity ratios*

The minimum liquidity ratio compares the liquid assets available for sale or transfer (after the relevant discounts and adjustments have been applied) and the assets maturing in less than twelve months with the liabilities maturing in less than twelve months.

- *Structural liquidity table*

The aim of this analysis is to determine the structural liquidity position on the basis of the liquidity profile (more or less stable) of the various asset and liability instruments.

***B.* Structural foreign currency risk / Hedges of results / Structural equities risk**

Structural foreign currency 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.

3. 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 identify and delimit, in an efficient and comprehensive manner, the main types of market risk incurred, so that they are consistent with business management and the defined strategy.

- 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, depending 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 2010

A. *Balance-sheet management*

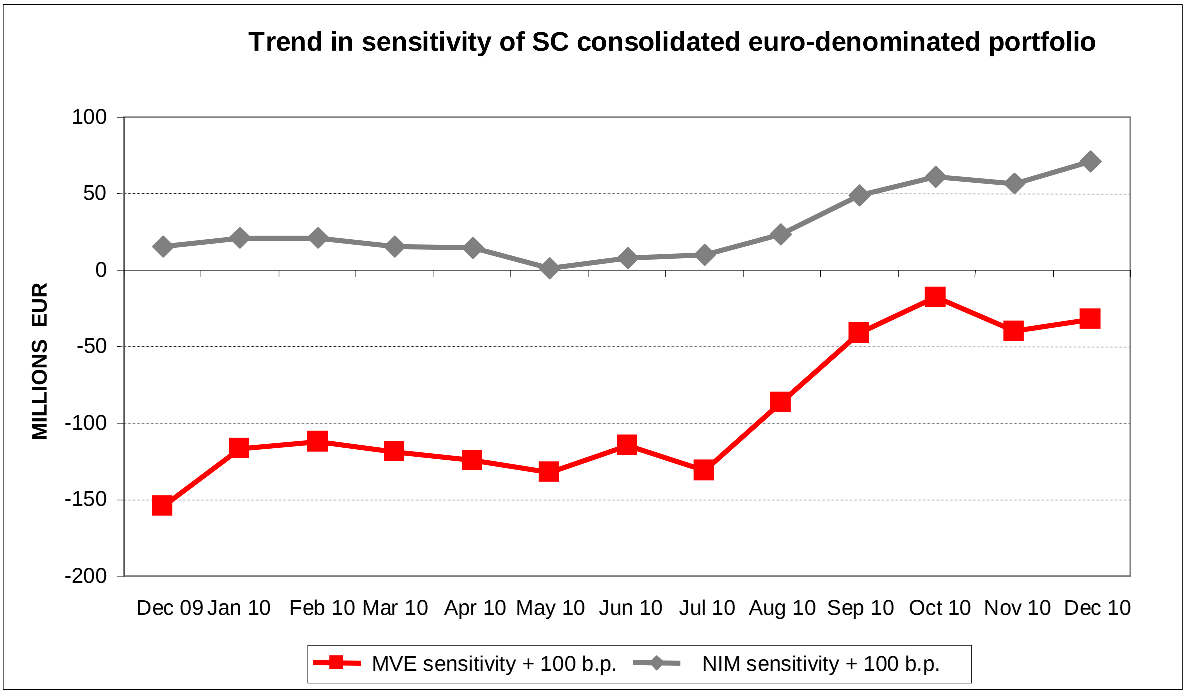
A1. Interest rate risk

The maximum interest rate risk appetite for 2010 for the consolidated portfolios denominated in euros was set at EUR 45 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 220 million for the sensitivity of the market value of equity (MVE) in the same scenario.

The limit of the sensitivity of the net interest margin was increased to EUR 75 million in October 2010 in order to modify the Group's positioning in view of the shift in the interest rate cycle towards a bullish scenario. The exposure at 31 December 2010 was EUR 71 million, and the scope of consolidation comprised the following countries: Germany, Austria, the Netherlands, Belgium, Spain, Italy, Portugal and Finland.

In the light of the aforementioned change in cycle, the Group decided to reduce the sensitivity of the market value of equity considerably in 2010, especially in the second half of the year, to a negative sensitivity of EUR 32 million at 2010 year-end. This reduction in risk was achieved mainly by arranging hedges in Italy and Spain, and through the campaign to attract customer deposits in Germany which led to a significant increase in the balance of customer deposits (from EUR 17,091 million in December 2009 to EUR 22,318 million in December 2010) and in their average duration (from 11 months in December 2009 to 15 months in December 2010).

The chart below shows the changes in the sensitivity of the net interest margin and of the market value of equity in 2010.



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 2010:

- Issue programmes:

AIAF PROMISSORY NOTES PROGRAMME

Santander Consumer Finance launched a Promissory Notes Issuance Programme for EUR 10,000 million which is traded on the Spanish AIAF Bond Market, with maturities of between 3 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 2010 for EUR 10,428 million in 375 transactions. The average outstanding balance was EUR 2,854 million, with a high of EUR 4,066 million and a low of EUR 1,796 million.

ECP PROGRAMME

Santander Consumer Finance has an EUR 8,000 million multi-currency European Commercial Paper (ECP) programme outstanding, with maturities of between 7 days and 364 days. The Bank launched ECP issues for EUR 9,941 million in 238 transactions in 2010. The average outstanding balance was EUR 2,657 million, with a high of EUR 3,617 million and a low of EUR 1,919 million.

SECURITISATIONS

In 2010 the Bank performed one asset securitisation transaction (FTA Santander Consumer Spain Auto 2010-1), of vehicle financing loans of EUR 689 million contributed by Santander Consumer EFC.

EMTN PROGRAMME

Santander Consumer Finance has a multi-currency Euro Medium Term Note (EMTN) programme outstanding, with a maximum amount of EUR 5,000 million. At the end of 2010, the outstanding balance was EUR 150 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 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. At 31 December 2010, the open foreign currency position amounted to EUR 851 million, the most significant positions being in Norwegian krone (EUR 613 million) and in Polish zloty (EUR 224 million).

Structural foreign currency risk is managed centrally at Santander Group level by applying the general corporate procedures.

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).

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 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 2010 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 includes events with accounting impacts (including positive effects) and non-accounting impacts.

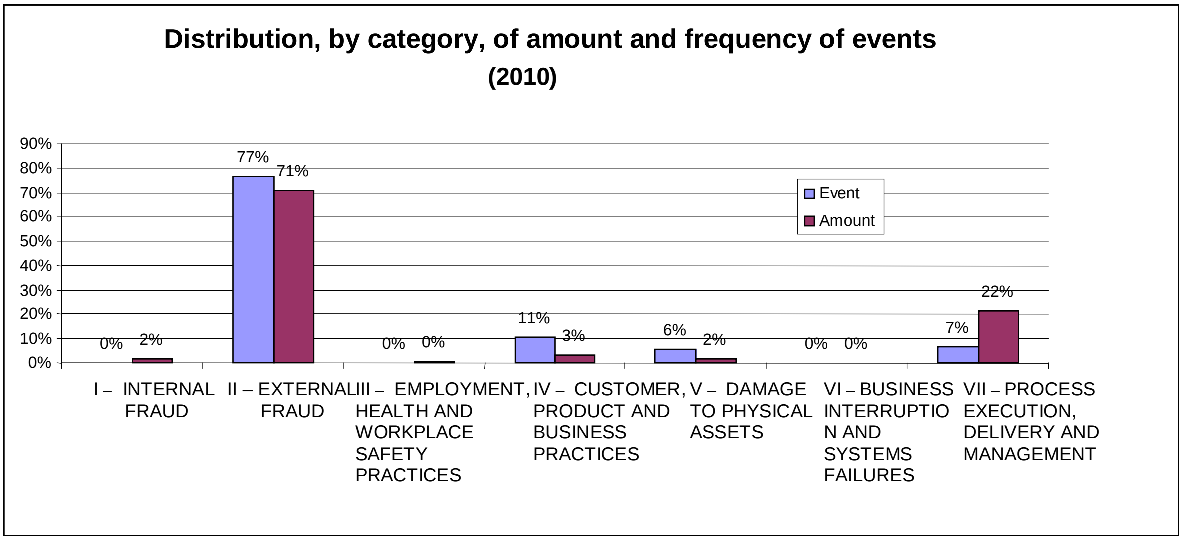
- Self-assessment questionnaires completed by the main Group units are received and analysed.

- 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) 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.

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.

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 Santander 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 and Management Control, 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.

COMPLIANCE WITH THE NEW REGULATORY FRAMEWORK

Throughout 2010 the Santander Group participated in the impact studies launched by the Basel Committee and CEBS and coordinated at local level by the Bank of Spain to gauge the new regulations known as Basel III, the implementation of which involves the establishment of new capital and liquidity standards, with more stringent criteria that are homogenous at international level.

Santander has very sound capital ratios, in keeping with its business model and its risk profile, which places it in a good position to comfortably comply with Basel III. The impact analysis performed did not disclose significant effects on the high capital adequacy ratios of the Group, which benefits from a considerable organic capacity to generate capital. The new capital regulations will be implemented gradually between 2013 and 2019.

The Santander Group intends to adopt, over the next few years, the advanced internal ratings-based (AIRB) approach under Basel II for substantially all its banks, until the percentage of net exposure of the loan portfolio covered by this approach exceeds 90%. The short-term attainment of this objective also depends on the acquisitions of new entities and the need for the various supervisors to coordinate the validation processes of the internal approaches. The Group is present in geographical areas where there is a common legal framework among supervisors, as is the case in Europe through the Capital Requirements Directive. However, in other jurisdictions, the same process is subject to the framework of cooperation between the home and host supervisors under different legislations, which in practice entails adapting to different criteria and timetables in order to obtain authorisation to use the advanced approaches on a consolidated basis.

Accordingly, Santander continued in 2010 with the project for the gradual implementation of the technology platforms and methodological improvements required for the roll-out of the AIRB approaches for regulatory capital calculation purposes at the remaining Group units. The Santander Group has obtained authorisation from the supervisory authorities to use advanced approaches for the calculation of regulatory capital requirements for credit risk for the Parent and the main subsidiaries in Spain and Portugal, which represents nearly two thirds of its total exposure at 2010 year-end. The Group's Basel implementation strategy is focused on obtaining authorisation for the use of AIRB approaches at the main entities in the Americas and in consumer banking in Europe.

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.

With regard to operational risk, the Group considers that the development of the internal model should be based primarily on the experience accumulated in the management of the entity through the corporate guidelines and criteria established after assuming control, which are a distinctive feature of Santander. The Group has performed numerous acquisitions in recent years and, as a result, a longer maturity period is required in order to develop the internal model based on its own management experience of the various acquired entities. However, although the Santander Group has initially decided to use the standardised approach for regulatory capital calculation purposes, it is considering the possibility of adopting AMA approaches once it has collated sufficient data using its own management model in order to make as much use as possible of the virtues that characterise the Group.

With respect to Pillar II, the Santander Group uses an economic capital approach to quantify its global risk profile and its capital position as part of the internal capital adequacy assessment process (ICAAP) at consolidated level. This process, which is supplemented with a qualitative description of the risk management and internal control systems, is reviewed by the internal audit and internal validation teams and is subject to a corporate governance structure that culminates in its approval by the Group's Board of Directors, which also establishes the strategic factors relating to risk appetite and capital adequacy targets on an annual basis. The economic capital model considers risks not included in Pillar 1 (concentration risk, interest rate risk and business risk). The Group's diversification offsets the additional capital required for the aforementioned risks.

In accordance with the capital requirements set by the European Directive and Bank of Spain rules, the Santander Group publishes its Pillar III disclosures report on an annual basis. This report, the first edition of which was published with data at 31 December 2008, comfortably meets the market transparency requirements in relation to the so-called Pillar III. The Santander Group considers that the market reporting requirements are fundamental to complement the minimum capital requirements established in Pillar I and the supervisory review process performed through Pillar II. In this respect, its Pillar III disclosures report incorporates the recommendations made by the Committee of European Banking Supervisors (CEBS) to make Santander an international benchmark in terms of market transparency, as is already the case with its annual report.

In parallel to the roll-out of advanced approaches at the various Group units, Santander is carrying out an ambitious training process on Basel at all levels of the organisation, covering a significant number of professionals from all areas and divisions, with a particular focus on those most affected by the changes arising from the adoption of the new international standards on capital.

Internal validation of risk models

Internal validation is a pre-requisite for the supervisory validation process. A fully-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.

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.

Internal model validation at the Santander Group encompasses credit risk models, market risk models, financial asset 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 risk management (controls, reporting, uses, involvement of senior management, etc.).

The internal validation function of Santander Consumer Finance as part of the Santander Group, is located at corporate level within the integrated risk control and internal risk validation area (CIVIR) and reports directly to the third deputy chairman of the group and chairman of the Risk Committee. This function is performed at a global and corporate level in order to ensure uniformity of application.

It should be noted that the Santander Group's corporate internal validation framework is fully consistent with the internal validation standards for advanced approaches 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, FSF, etc.) and of the recommendations on best risk management practices made by various public and private organisations.

Organisation, mission and features of the function

The integrated risk control function is located in the integrated risk control and internal risk validation unit. This function provides risk control and management support to the Group's governing bodies.

A special focus is placed on the following risks: 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 modules:

Module 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;

Module 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

Module 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 risk management practices.

The main features of the function are as follows:

- Global and corporate 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 incurred as a result of Santander's business activities.
- Special attention is paid to the 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 Group has developed internally the specific methodology and tools to support this function, in order to systematise it and tailor it to Santander's specific needs, thereby enabling the Group to formalise implementation of the methodology and make it traceable and objectifiable. The methodology and tools are articulated through the three modules described above for all the addressed risks:

Module 1) Testing or review guidelines have been defined for each risk, and are divided into control areas (e.g. corporate governance, organisational structure, management systems, management integration, technology environment, contingency plans and business continuity, 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 an annual 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. Additionally, the situation of each risk is reviewed on a half-yearly basis, following up the recommendations arising from the integrated control annual report.

Module 2) It is made easier for senior management to monitor, with an integrated approach, the various risks assumed and their consistency with the previously-established risk appetite.

Module 3) In order to follow up the recommendations on risk management and control made by internal audit and by the supervisory authorities, the Group uses SEGRE, a tool which also enables it to include the recommendations made by the integrated risk control function itself. 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 2010

In 2010:

(a) The second review cycle of the various risks, in which the management and control systems in place were tested and assessed for these risks, was completed in close cooperation with the corporate risk control areas. Areas for improvement were identified, giving rise to recommendations, with the related implementation schedule agreed upon with the areas involved, together with the half-yearly follow-up of the progress made on the 2009 recommendations;

(b) The Group reports periodically to the Board of Directors and to the Executive Committee of Banco Santander with an integrated view of all risks; and

(c) Work continued to extend the integrated risk control model to the Santander Group's main 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. Basel II 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, for the purpose of measuring capital adequacy, is 99.95%, higher than the 99.90% assumed by the regulatory capital formulas proposed in the New Basel Capital Accord. For management measurement purposes, the confidence level applied is even more demanding, i.e. 99.97%. The difference with respect to the regulatory requirement means that the probability of error assumed by the Group is 0.05%, instead of 0.1%, i.e. 2 times lower than the BIS II standard.

In external rating terms, a 99.95% confidence level requires the Group to have sufficient capital to achieve a capital adequacy ratio equivalent to a rating of between AA and A+, whereas the maximum rating attainable with a 99.90% confidence level would be A-, given the higher associated probability of insolvency.

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:

VC = economic profit - (economic capital 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 2010 for the Santander Group was 13.61%.

As was the case in 2009, Santander Consumer Finance obtained a RORAC above the cost of capital in 2010 and maintained, therefore, a positive contribution to the value creation of the Santander Group.

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 II of Basel.

Proposed distribution of profit

The distribution of the Bank's net profit for 2010, amounting to EUR 454,867 thousand, that will be proposed for approval by the shareholders at the Annual General Meeting is as follows:

Dividends: EUR 350,008 thousand.

Legal reserve: EUR 45,487 thousand.

Voluntary reserve: EUR 59,373 thousand.

Share capital and treasury shares

The Group did not perform any transactions involving treasury shares in 2010 and it did not have any treasury share balance in its balance sheet at 2010 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 2010 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 and implementation of the DRM commercial platform for dealer monitoring and reporting.

- The implementation of the Cumbre corporate accounting management platform at the units.

Significant events after the reporting period

Significant events occurring after 2010 year-end are detailed in Note 1-i to the consolidated financial statements.

Outlook

The outlook for 2011 points to an improvement in the macroeconomic situation. The global economic recovery of 2010 has given way to a phase of expansion that is expected to become firmly established in 2011. The high growth of the emerging economies is being joined by the increasingly sound growth of the main developed countries, with the USA and Germany at the forefront. In contrast, Europe's peripheral economies will still continue to show weak rates of growth.

With regard to interest rates, the cycle of rises in the emerging economies has not ended and is expected to continue in 2011 under pressure from the upturn in their rates of inflation due to the thrust of domestic demand and the rise in prices of imported goods. In the developed world, the rise in the price of oil is also putting pressure on inflation and, consequently, on the central banks' target of keeping inflation under control. As a result, the European Central Bank toughened its anti-inflationary discourse in the first quarter of 2011, a move that was interpreted by the market as heralding a rise in rates as a preventive measure intended to anchor inflation expectations and avoid second round effects.

By geographical area, in the core euro zone activity will continue to expand with very dynamic external demand and a gradual increase in employment. In the peripheral countries, however, growth will continue to be encumbered by the still incomplete deleveraging processes and the doubts that the financial markets still have about these economies.

The Group's objective for 2011 is to continue to grow and generate profit in a climate that is once again expected to be complex and highly demanding.

In view of the projected decline in volumes, the Group's efforts will be centred on maintaining spreads at current levels and on increasing the share in all the markets in which it is present on the back of the global agreements with international automobile manufacturers and the consolidation of the portfolios acquired in 2010.

In addition, the Group aims to maintain cost discipline and also to focus on an appropriate quality portfolio based on correct loan approval and risk management policies which bore such good results in 2010.

Annual 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 CNMV Circular 1/2004, of 17 March, does not prepare an Annual Corporate Governance Report, which is prepared and presented to the CNMV by Banco Santander, S.A., as the Santander Group's Parent company.

Capital structure and significant holdings

▪ Banco Santander, S.A.	811,743,331	Percentage of ownership 63.19%
▪ Holneth, B.V.	321,136,542	Percentage of ownership 25.00%
▪ Fomento e Inversiones, S.A.	151,666,295	Percentage of ownership 11.81%
▪ Total number of shares	1,284,546,168	
▪ Nominal value (euros)	3,00	
▪ Share capital (euros)	3,853,638,504	

On 8 April 2010, the shareholders at the Extraordinary General Meeting of the Bank resolved to increase capital by EUR 362,016,636 by issuing at par 120,672,212 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 two consumer finance loans granted by Banco Santander, S.A. to finance the ordinary consumer credit business of the subsidiary Santander Consumer Bank S.p.A. The value of this contribution, according to the independent expert's report, prepared under his own responsibility, is equal to or greater than the amount by which the Bank increased its capital. On 10 May 2010, Banco Santander, S.A. sold 30,168,053 shares to Holneth B.V. and 14,247,761 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.

Also, on 16 December 2010, the shareholders at the Extraordinary General Meeting of the Bank resolved to increase capital by EUR 500,000,004 by issuing at par 166,666,668 ordinary shares of EUR 3 par value each. This capital increase was fully subscribed and paid by the Bank's current shareholders in proportion to their ownership interest in the Bank's share capital.

As a result, at 31 December 2010, the Bank's share capital consisted of 1,284,546,168 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 2010.

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.

Side 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 Law, 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 government 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 freely chosen lawyers and court procedural representatives (*procuradores*).

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.