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Report of the Directors

Directors' Report continued

Directors' Remuneration (audited)

The aggregate remuneration received by the Directors of the Company in 2009 was:

	£
Salaries and fees	3,714,844
Performance-related payments	3,476,749
Other taxable benefits	-
Total remuneration excluding pension contributions	7,191,593
Pension contributions	108,031
Compensation for loss of office	1,162,500
	8,462,124

These totals exclude emoluments received by Directors in respect of their primary duties as Directors or Officers of Banco Santander, S.A. in respect of which no apportionment has been made.

Long-Term Incentive Plan (audited)

In 2009, four Executive Directors (2008: two) were granted conditional awards of shares in Banco Santander, S.A. under the Santander Long-Term Incentive Plan for a total fair value of £944,404 (2008: £702,952) based on a share price on 1 July 2009 of euro 8.14 (2008: euro 11.96). Under the Santander Long-Term Incentive Plans granted on 1 July 2009, 21 June 2008 and 31 December 2007, certain Executive Directors, Key Management Personnel (as defined in Note 44 to the Consolidated Financial Statements) and other nominated individuals were granted conditional awards of shares in Banco Santander, S.A.. The number of shares participants will receive depends on the performance of Banco Santander, S.A. during this period. All awards under the Santander Long-Term Incentive Plan will depend on Santander's Total Shareholder Return performance against a competitor benchmark group. Awards made prior to 2009 also depend on Santander's Earnings Per Share performance against a competitor benchmark group. 90.79% of the 40% of the 2007 conditional award of shares vested in July 2009. Subject to performance conditions being met, the remaining 60% of the 2007 conditional award will vest in July 2010, 100% of the 2008 conditional award will vest in July 2011 and 100% of the 2009 conditional award will vest in July 2012.

Remuneration of Highest Paid Director (audited)

In 2009, the remuneration, excluding pension contributions, of the highest paid Director was £3,440,436 (2008: £3,563,784) of which £2,589,259 (2008: £2,742,908) was performance related. There was no accrued pension benefit for the highest paid Director (2008: nil), other than that accrued by, or treated to be accrued by a Spanish subsidiary of Banco Santander, S.A.. A conditional award of shares was made to the highest paid Director under the Long-Term Incentive Plan during 2009 and 2008.

Bank Payroll Tax

In December 2009, the UK Government announced that the Finance Bill 2010 will introduce a bank payroll tax of 50% applicable to discretionary bonuses over £25,000 awarded to UK bank employees between 9 December 2009 and 5 April 2010. Draft legislation and guidance on its application has been published. The estimated cost of the payroll tax is £16m, which was provided in full in 2009.

Retirement Benefits (audited)

Defined benefit pension plans are provided to certain of the Group's employees. See Note 36 to the Consolidated Financial Statements for a description of the plans and the related costs and obligations. No retirement benefits are accruing for any directors under a defined benefit scheme (2008: one) in respect of their qualifying services to the Group.

In July 2009, as part of the Group's periodic review of its pension schemes, updated funding arrangements were agreed with the pension scheme trustees of one scheme.

Non-Executive Directors (audited)

Fees were paid to Non-Executive Directors in 2009 totalling £500,360 (2008: £390,710); this amount is included above in the table of Directors' remuneration.

Directors' Interests and Related Party Transactions (audited)

In 2009, loans were made to two Directors, with a principal amount of £3,000 outstanding at 31 December 2009. No directors had any loans in 2008. In 2009, loans were made to two members of the Group's Key Management Personnel, with a principal amount of £834,730 outstanding at 31 December 2009. See Notes 44 and 45 to the Consolidated Financial Statements included elsewhere in this Annual Report and Accounts for disclosures of deposits and investments made and insurance policies entered into by the Directors, Key Management Personnel and their connected persons with the Group at 31 December 2009. Note 45 to the Consolidated Financial Statements also includes details of other related party transactions.

In 2009, there were no other transactions, arrangements or agreements with the Group in which Directors or Key Management Personnel or persons connected with them had a material interest. No Director had a material interest in any contract of significance other than a service contract with the Group at any time during the year.

No Director held any interest in the shares of any company within the Group at any time during the year and no Director exercised or was granted any rights to subscribe for shares in any company within the Group. During 2009, no Directors exercised share options over shares in Banco Santander, S.A., the parent company of the Company (2008: one).