Santander
CONSUMER BANK

Annual Report

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General information

REGISTERED OFFICES AND ADMINISTRATION:	Via Nizza 262, 10126 TURIN Tel: 011/63.19.111 - Fax 011/63.19.119	
SHARE STRUCTURE:	Santander Consumer Finance S.A. (Grupo Santander) 100%	
COMPANY BOARDS:		
Board of Directors		
Chairman	*Ettore Gotti Tedeschi	
Deputy Chairman	*Pedro Guijarro Zubizarreta	(until 12/12/2008)
	*Ines Serrano Gonzales	(from 16/12/2008)
Directors	Natale Farinetti	(until 31/01/2008)
	Francisco Javier San Felix Garcia	(until 01/09/2008)
	Ines Serrano Gonzales	(from 17/09/2008 to 16/12/2008)
	Ernesto Zulueta Benito	(from 31/03/2008)
	Paul Adriaan Verburgt	
	*Mauro Viotto	
	*Members of the Executive Committee	
General Management		
Managing Director and General Manager	Mauro Viotto	
Vice General Managers	Arturo Cardone	(until 18/02/2009)
	Marco Gariglio	
	Guido Pelissero	
	Pietro Vailati	
	Maurizio Valfrè	
Board of Statutory Auditors		
Chairman	Alessandro Braja	
Standing Auditors	Giorgio Ferrino Roberto Mignanego	
Alternate Auditors	Aschieri Edoardo Francesco Maria Spano	
Independent auditors	Deloitte & Touche S.p.A.	

Letter from the Chairman

Shareholders,

FY 2008 bore the brunt of one of the worst economic scenarios in the last ten years, both for Italy and world-wide. The devastating crisis that has hit the lending sector, which exploded dramatically in the United States in the second half of 2007, has gradually worsened, spreading all over the world and impacting all of Europe and, with this, Italy.
This context tended inevitably to undermine family and household confidence, contributing to curb Italy's pace of growth which remained extremely low both in terms of private spending and, more generally, GDP.
Against this backdrop, Santander Consumer Bank, also sustained by its close, increasingly profitable cooperation with Group Santander, posted results below but not too far from budget forecasts both in terms of commercial development and earnings.

Main market trends in 2008 are discussed below.

- A general waning of confidence and a wide-scale decline in purchasing power played a major role in restraining household consumption, also with regard to certain categories of products that had become stable features of their basket of purchases.
- Objectively, repercussions on the Italian banking sector have been more limited compared with those affecting many Banks in America (such as the Lehman Brothers crash) and also in Europe; from this point of view, a deeply-rooted aversion for particularly exotic banking products and Banca d'Italia's continuous, attentive vigilance contributed to protecting the solidity of Italian Banks despite not particularly high levels of Tier I capital. Spurred also by the historically low indebtedness of Italian families and despite the difficult economic climate, the Italian consumer credit market maintained an albeit reduced growth trend, with a y/y 1.4% upswing in new loans.
- At overall market level, the briskest sectors in which the Bank operates were Personal Loans, with an increase of 10.9%, and loans secured by one fifth of the borrower's salary with an upswing of 39.3%, thus confirming operators' growing interest in the development of direct loans.
- The special-purpose and car loans sectors, impacted more than others by the general tail-off of consumption, reported a short-fall of 10.2% and 13.7% respectively. This latter data, in particular, is closely tied to the trend of car sales in Italy which dropped by 13.4% over 2007.
- As regards loan quality, the market has started to gradually feel the effects of the difficult economic situation and, despite continuous tuning of loan selection criteria in the finalisation phase, operators' statistical data have started to take a turn for the worse, albeit not yet to an alarming extent.

Performance of Santander Consumer Bank in the same period 2008.

- On an increasingly competitive marketplace, the Bank posted sales results more or less on a par with the previous year, giving priority to safeguarding earnings more than to a mere increase in size; at Group level, new loans progressed to € 3.345 billion with a y/y growth of 15.8%.
- According to Assofin (Italian Consumer Finance and Real Estate Association) data, subsequently reprocessed in house, the Bank maintained its market share of 5.5%.
- As in 2006 and 2007, the Bank continued to steer investments towards the sector of direct loans to customers, with a growth 33.7% in Personal Loans and of 53.9% in loans secured by one fifth of the borrower's salary, a sector in which commercial cooperation with Unifin SpA (also part of Grupo Santander) continued to generate excellent results.
- Despite across-the-board competition, the Bank maintained its unchallenged leading position in the car loans sector, with an 11% increase in volumes of loans and a market share of 9.3%.
- After the the great success achieved in 2006, followed by a period of stabilisation in 2007, there was a certain slowing in 2008 of the project for direct collection of customers' deposits which, however, continued to guarantee a significant, stable amount of liquidity at competitive costs despite the absence of major investments in communication

Other facts worth mentioning:

- In June, the share capital was increased by a further € 50 million to € 172 million, thus confirming the Shareholder's intention to provide the Bank with the necessary financial underpinnings to gear effectively to the market context.

Outlook for 2009

- As, at the moment, there are no convincing signs of a turnaround in the difficult economic climate, it seems legitimate to expect a further downturn in private private spending, at least in those commodity sectors to which consumer finance is traditionally linked (car sector and special-purpose loans).
- However, the consumer finance sector continues to offer interesting scope for growth, fostered both by wider diffusion of a more modern financial culture in households, and also as an instrument that guarantees a stable standard of living in difficult periods of the economic cycle.
- The ECB's monetary policy, conditioned by the need to buoy up the financial system with a suitable level of liquidity and less affected than in the past by fears of a further bout of inflation, was strongly oriented towards accompanying and favouring the significant decline in interest rates. Also in 2008, one of the main features of business of the consumer credit market was a noteworthy concentration of operators, reflected in acquisition/merger processes. As in the case of all maturing markets, also in consumer finance, scale economies are tending to become an ever more crucial pillar of medium/long-term strategies.
- Keeping a tight rein on structure costs, gradually shifting the portfolio mix towards segments with a higher risk/yield profile and, generally, optimising credit risk management in all phases of the production process, will all be equally crucial factors.

History and shareholders

Santander Consumer Bank S.p.A. was set up in November 1988 under the name Finconsumo Bank S.p.A. by ten private credit companies operating in North West Italy and their Leasimpresa S.p.A. subsidiary of Turin, with the strategic goal of reinforcing member banks' presence on the consumer finance market through a specialised entity.

The main milestones in the history of the Company are outlined below:

- in 1993, Istituto Bancario San Paolo di Torino (now Banca Intesa Sanpaolo S.p.A.) purchased a 15.8% stake in the Bank's capital;
- in February 1998, the above bank increased its holding to 50%;
- at the same time, CC-Holding GmbH, holding Company of the CC-Bank AG Group, a German bank specialised in consumer finance, wholly owned by the Spanish Banco Santander Central Hispano Group, purchased the remaining 50%;
- in 1999, Fc Factor S.r.l, specialised in acquiring and managing non-performing loans, was set up (with a 100% interest);
- in 2001, the Company was licensed to exercise banking business, modifying its Articles of Association and changing its name to Finconsumo Bank S.p.A.;
- in September 2003, Banca Sanpaolo IMI S.p.A. (now Banca Intesa Sanpaolo S.p.A) sold 20% of its holding to Santander Consumer Finance S.A., Grupo Santander, lead Company of all Group holdings in the European consumer finance segment;
- at the end of 2003, the 50% interest in the Bank, owned until then by CC-Holding GmbH, was allotted to Santander Consumer Finance S.A.;
- in January 2004, Banca San Paolo IMI S.p.A. (now Banca Intesa Sanpaolo S.p.A.) sold its remaining 30% stake to Santander Consumer Finance S.A.;
- in May 2006, Finconsumo Bank S.p.A. became Santander Consumer Bank S.p.A., completing the process of integration within the Group;
- in May 2006, Santander Consumer Finance Media S.r.l. was set up (with a stake of 65%) in a joint venture with the DeAgostini publishing group; the Company started operations in July 2006.
- in October 2008, Santander Consumer Finanzia s.r.l. (formerly FcFactor s.r.l.) started business in the sector of personal loans channelled through the Agency network.

Rating

In December 2008, Moody's Investor Services issued its updated Credit Opinion which, despite the difficult global economic situation, confirmed Santander Consumer Bank SpA.'s A1 rating on long-term deposits.
The Bank's financial strength rating, i.e. the assessment of its medium-term solidity and ability to generate income regardless of the support of the Shareholder, remained stable at C. The above result confirms the validity of the Bank's decisions regarding its strategic approach to business, the effectiveness of its commercial policies, the financial balance between collection and application of funds, level of operating efficiency and its ability to control risks.
The Bank's rating on short-term deposits (P-1) and also Outlook (Stable) were also confirmed.

Ratings Santander Consumer Bank S.p.A.

Long-term deposits	A1
Short-term deposits	P-1
Financial strength	C
Outlook	Stable

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Corporate governance

Corporate Governance

As established by the Articles of Association and regulations, governance of the Bank is entrusted to the Board of Directors and, as resolved by the Board, to the Executive Committee.

General Management comprises the Managing Director, who also holds the position of General Manager, and five Deputy General Managers.

The following standing committees participate in the activities of the executive boards with advisory and support functions: the Management Committee, the Loan Control Committee, the Money Laundering Analysis Committee, the Emergency Management Committee, the Audit Committee, the Asset & Liability Management Committee, the Stock Financing Committee and, last but not least, the Supervisory Board as per Legislative Decree 231/2001.

Constant exchange of information between Company boards ensures that the members of the various committees, all with proven experience who participate at scheduled meetings, are fully informed of Company operations, thus guaranteeing continuous, positive interaction with executive structures in exercising their guidance, coordination and supervisory powers/duties.

The powers of the Board of Statutory Auditors do not include auditing which, according to provisions introduced by the reform of Company law, has been entrusted to Independent Auditors as of September 2004.

The Board of Directors

According to art. 14 of the Articles of Association, the Board of Directors comprises from five to thirteen Directors and at year-end consisted of five members:

- Ettore Gotti Tedeschi (Chairman)
- Serrano Gonzalez Ines (Deputy Chairman)
- Zulueta Ernesto Benito (Director)
- Paul Adrian Verburgt (Director)
- Mauro Viotto (Managing Director/General Manager)

The term of office of the Board expires with the approval by the AGM of the financial statements at December 31 2008.

The Board of Directors also comprises representatives of Santander Group top management, extremely effective in facilitating relationships between the Parent Bank/Subsidiary as it shortens the information chain involved in strategic tasks and in monitoring the various activities performed.

Generally, the Board of Directors is responsible for guidance, coordination and supervision of the Santander Consumer Bank Group, which comprises Santander Consumer Bank S.p.A., Santander Consumer Finanzia S.r.l. (formerly Fc Factor S.r.l.) and Santander Consumer Finance Media S.r.l., and exercises all the functions pertaining to the complex governance of the Group, addressing the multi-faceted issues covered by its mandate.

With regard to the internal control system, in addition to routine guidance and supervision, increasing attention is dedicated to the various activities involved in implementing procedures for periodic testing of the system adequacy and efficient functioning.

Priority is given to correct identification and prudent management of business risks, also through actions on the organisational structures where critical points of certain processes are located and also via the system of tier-one offices.

In exercising its powers, the Board of Directors addresses and resolves on vital aspects of the Bank's business, always in accordance with the strategic policies and approach of the Santander Group:
- determining short/medium-term management options, approving strategic projects and also corporate policies (strategic plan, business plans, projects);
- defining the Bank's propensity to assume various types of risk, also in accordance with expected business returns;

- approving capital allocation methods and the macro-criteria to be adopted in applying investment strategies;
- approving the budget and overseeing general operating performance;
- preparing the periodic Reports on Operations and the annual accounts, with the related proposals for allocation of the net income for the subsequent Shareholders' Meeting;
- examining and approving transactions with a major impact on operations, equity, cash flow and risks;
- reporting to the Shareholders' Meetings;
- approving the organisational structure and related regulations, and supervising adequacy in relation to business;
- approving the system of powers of attorney;
- approving the audit plan and examining the results of the most significant actions.

Other powers, regularly exercised, include:
- the appointment and/or discharge of members of the various Committees and also of the Managing Director, General Manager and Deputy General Managers;
- definition of the operating rules of the above Committees;
- examination and approval of plans regarding branches and all other peripheral structures.

The Board Meeting, called by the Chairman or in the case of impediment thereof by the Deputy Chairman or by whoever acts on his behalf, at least five days prior to the date of the meeting, resolves on a pre-defined agenda and meets at the frequency established by the Articles of Association.

In 2008, six Board Meetings were held with a participation of 86%.

The Executive Committee

At year-end, the Executive Committee, set up according to art. 21 of the Articles of Association, comprised three members:

- Serrano Gonzalez Ines (Chairman)
- Ettore Gotti Tedeschi (member)
- Mauro Viotto (member)

Members of the Committee are appointed for three years and their term of office expires with the approval by the Shareholders' Meeting of the financial statements at December 31 2008.

The Executive Committee is vested with broad powers of ordinary and extraordinary management, excluding the following:
- definition of Group and Bank strategic polices;
- granting of sureties, endorsements and guarantees in general in the interest of the parties concerned;
- decisions that are the exclusive competence of the Board of Directors (appointment of Directors, purchase/sale of real property, equity investments) - the Committee may put forward proposals on this point.

The Executive Committee meets at the frequency necessary to fully exercise its powers.

During 2008, four meetings of the Committee were held with 100% attendance.

The Board of Statutory Auditors also attends the meetings of the Executive Committee.

General Management

General Management areas of responsibility and powers are governed by Company organisational regulations which attribute a fundamental role to this function in managing the Group and also as regards liaising between the Board of Directors/Executive Committee and operating functions and between the Bank and its Santander Consumer Finanzia S.r.l. (formerly FC Factor S.r.l.) and Santander Consumer Finance Media S.r.l. subsidiaries.

At December 31 2008, General Management comprised the Managing Director/General Manager Mauro Viotto and the five Deputy General Managers - Arturo Cardone (Credit Recovery), Marco Gariglio (Planning and Control), Guido Pelissero (Systems and Organisation), Pietro Vailati (Sales), Maurizio Valfrè (Administration and Finance) - and Juan Ramon Duque Bilbao (Risks Management).

The members of General Management directly oversee all the functional areas of the Bank, guaranteeing that management and operating decisions fully comply with strategic policies. Decisions are taken according to the roles and powers of each member of General Management and are constantly coordinated by the Managing Director/General Manager.

General Management is vested with the following functions:
- interaction with the structures of the Santander Group in drafting the strategic plan to be submitted to the approval of the Board of Directors, and also for all major management issues or for studies and projects of high strategic impact;
- interaction with the structures of the Santander Consumer Finance S.A. Parent in drafting operating plans that are subsequently submitted to the approval of the competent boards, and also monitoring of performance and issues regarding the various executive activities;
- of application of the global strategies resolved by the Board of Directors, verifying compliance of Company operations with corporate policies regarding investments, the use of organisational resources and empowerment of personnel;
- identification and definition, according to the strategic guidelines defined by the Board of Directors, of actions for review of the organisational and governance model and also major projects to be submitted to the approval of the related Company boards, supervising application of these;
- formulation of preliminary analysis in order to define the risk management and performance targets of the various business activities;
- supervision of relationships and contacts with the markets and institutional investors;
- promotion of actions intended to reinforce corporate ethics as a mainstay of the internal and external conduct of the Bank.

Amongst others, the Managing Director/General Manager, who participates at meetings of Company boards, is also responsible for decisions regarding credit, according to the powers assigned, is Head of Personnel, represents the Bank before the Courts, liaises directly with the Statutory Auditors, the Independent Auditors and Banca d'Italia, orders routine inspections and administrative surveys and controls in accordance with the audit plan or as proposed by the competent functions.

The Board of Statutory Auditors

The Board of Statutory Auditors of the Bank comprises the Chairman, two standing and two alternate auditors:

- Alessandro Braja - Chairman;
- Giorgio Ferrino - Standing Auditor;
- Roberto Mignanego - Standing Auditor;
- Edoardo Aschieri - Alternate Auditor;
- Francesco Maria Spano - Alternate Auditor.

The Statutory Auditors are appointed for three years and their term of office expires with the approval of the financial statements at December 31 2008.

According to the Articles of Association, the Board of Statutory Auditors is required to verify formal and substantial correctness of Company administration; the Board also acts as qualified interface towards the Supervisory Authorities and the Independent Auditors. At the moment, the Board of Statutory Auditors performs its functions through direct audits and also acquiring information from members of Company boards and from representatives of the Independent Auditors.

In particular, the main activities of the Board include:
- supervising compliance with laws and the Articles of Association in accordance with the principles of correct administration;
- verifying the adequacy the organisational structure, dedicating particular attention to the impact and correct functioning of the internal control system;
- investigating major problems and critical issues highlighted during auditing activities, also monitoring application of the related corrective actions.

The Board of Statutory Auditors attends the meetings of the Board of Directors and of the Executive Committee; it meets at the frequency required to comply with its specific duties and in any case at least every three months, as established by law.

STANDING COMMITTEES

With the approval of the Regulation or with specific resolutions of the Board, inter-functional structures consisting of Standing Committees have been set up in order to optimise functioning of the Bank through joint discussion and sharing of problems and opportunities. Such Committees provide consultancy and put forward proposals regarding matters within their sphere of competence.

Their decision-making powers are restricted and may be exercised as established by the system of delegation of powers or according to mandates conferred for specific activities.

The Management Committee

The Management Committee is responsible for monitoring correct implementation of the decisions of Company boards and also for guaranteeing that these are reflected in Bank operations in general and in the activities of the individual Departments. It plays a major role in monitoring performance of the Bank and of its subsidiaries and in transmitting information to management bodies, thus improving integration and coordination of the actions of the various Departments. The Committee also assists the Managing Director in defining strategic guidelines and in drafting the development plan and also in decisions that affect the Bank's operating result and equity structure.

Members of the Committee include the Managing Director, the five Deputy General Managers and the Head of Risk Management and meetings are usually held every two weeks.

In 2008, the Committee held twenty-five meetings with an attendance of 96%.

If invited by the Chairman, third parties from inside or outside the Company, able to provide suitable, appreciable contributions regarding the problems to be addressed, may also attend the meetings.

The Loan Control Committee

The Loan Control Committee assists Company boards and the Credit Department in effectively monitoring loan and franchisee counterparty risk, adopting predefined methods of leverage.

The Committee comprises the Managing Director and the Heads of the Risk Management, Systems and Organisation and Planning and Control Departments.

The Committee provides consultancy and puts forward proposals to support the guidance and monitoring activities of Company boards and the operating activities of the Managing Director and of the Credit Department. It assists General Management in monitoring the general situation of loans, franchisees and fraud prevention. It oversees the general situation of loans and acceptance and recovery performance, expressing the need for any adjustment.

In 2008, five meetings were held with 82% attendance.

The Money Laundering Analysis Committee

The Money Laundering Analysis Committee, the top corporate entity for the prevention of money laundering, liaises constantly with its fellow committee of the Santander Group in Madrid.
Members include the Managing Director/General Manager (acting as Chairman) and the five Deputy General Managers, one whom is Head of the UPA (Money Laundering Prevention Unit), and who also acts as Secretary.

The Committee meets at least once every three months and a copy of the minutes of its meetings is transmitted to the Central Department for the Prevention of Money Laundering (DCPBC) of the Santander Group with which the UPA liaises continually, also exchanging information.

The main activities of the Committee include:
- definition and coordination of anti-laundering policies, general objectives, rules of conduct of the various Group Boards and departments;
- monitoring of money laundering prevention operations, functioning and problems;
- application of specific preventive measures and updating of internal reference regulations;
- decisions regarding suspicious transactions that must be notified to the Authorities;
- determination of sensitive operations that must be analysed and reviewed.

In 2008, the Committee held four meetings with an attendance of 92%.

The Security and Emergency Management Committee

The mission of the Security and Emergency Management Committee is to ensure correct application of the policies issued by Corporate Security (based in Madrid) and intended to guarantee continuing efficiency of the operating structure, in the normal course of business and in emergencies, through correct functioning of the IT system.
In 2008, the Committee, which comprises the Managing Director, the Deputy General Manager Systems and Organisation and, ad interim, the Head of Local Information Security met every three months with 100% attendance of its members.
Other activities during its meetings included approval of the Business Continuity Plan and of periodic tests on its efficiency, of work plans for the development of corporate information systems and actions directed towards application of security regulations.

The Asset & Liability Management Committee (ALCO)

The Asset & Liability Management Committee provides General Management with support and consultancy in managing financial assets.
In particular, it cooperates with the Management in defining the limits of financial risk that can be assumed, in terms of operational autonomy, financial instruments, markets and counterparties, and defines suitable risk measurement systems and models, also establishing the actions necessary to improve risk/yield balance.
Members of the Committee include the Managing Director, the Head of Administration and Finance, the Head of Planning and Control, the Head of the Risk Planning and Control, the Head of the Treasury Department and the Head of the Finance Department of the Spanish Parent.
In 2008, eight meetings of the Committee were held.

The Audit Committee

The Audit Committee, which reports directly to the Board of Directors and is ultimately responsible for the internal control system, verifies and assesses the continuing adequacy, efficiency and effectiveness of internal controls, also analysing any phenomena with a critical impact on operations or risk profile.
The Committee is, therefore, required to adopt all the measures necessary to improve overall system efficiency.
Members of the Committee include the Managing Director/General Manager, the Deputy General Manager Planning and Control and the Head of Auditing and Operating Controls. If considered advisable, other persons may be invited to participate in the Committee in order to discuss specific topics.
In 2008, five meetings of the Committee were held with 100% attendance of its members.

The Consumer Protection Committee

This Committee periodically collects various types of updated information from the Departments involved in order to monitor consumer protection and satisfaction levels both as regards compliance with current legal requirements and also from the point of view of corporate procedures and operations.
This information is subsequently processed in order to draw up two reports, one monthly and the other quarterly, which are sent regularly to the Santander Consumer Finance S.A. Parent.

The Committee comprises the Managing Director, the Head of the Call Center Department, the Head of the Marketing and Conditions Department and the Head of the Legal Department.

In 2008 the Committee held four meetings, prepared four quarterly reports and eight monthly reports, sending these to the Spanish Parent.

The Stock Financing Committee

The Committee, set up in 2007, periodically collects applications to Dealers for "Stock Financing" and "Revolving Dealer" loans from the branches and also all the information necessary for the preliminary investigation phase for granting of the credit lines or for subsequent monitoring.
The information collected is discussed by the Committee which then proceeds, accordingly, to resolve on granting of the credit lines.

The Committee comprise 5 members: the Managing Director, the Deputy General Manager Sales, the Head of Risks Management, the Head of the Credit Service and the Head of the Bank Area.

In 2008, the Committee held eighteen meetings with an attendance of 85%.

The Oversight Board under Legislative Decree 231/2001

The Oversight Board pursuant to art. 6 of Legislative Decree 231/2001, set up with a resolution of the Board on September 18 2007, is responsible for monitoring functioning of and compliance with the "Organisation, Management and Control Model" and "Code of Conduct" adopted by the Santander Consumer Bank Banking Group in order to prevent the crimes envisaged by Legislative Decree 231/2001.

It comprises:

- The Head of the Legal Department of Santander Consumer Bank - Chairman
- The Chairman of the Board of Statutory Auditors of Santander Consumer Bank - Member
- The Head of the Auditing and Operating Controls Department of Santander Consumer Bank - Member
- The Head of Human Resources of Santander Consumer Bank - Member

and, therefore, incorporates all the various professional competencies necessary to monitor Company operations.

In 2008, the Oversight Board held two meetings, amended the "Organisation, Management and Control Model" to gear this to new legislation introduced in 2008, and the "Code of Conduct" according to the directives of the Spanish Parent; in particular, in addition to providing training for all Group employees regarding the contents and provisions of Legislative Decree 231/2001, the Oversight Board also revised the "Model" to align this with:

- Legislative Decree No. 231 of November 16 2007 on laundering prevention; Legislative Decree No. 81 of April 9 2008 on the protection of workplace health and safety; Law No. 48 of March 18 2008 regarding the liability of corporate entities for cyber-crimes, integrating and detailing the contents and applicability of the legal norms and sanctions envisaged by Legislative Decree 231/2001 in Annex 3 of the Model, which describes and illustrates the offences concerned;
- Law No. 48 of March 18 2008 regarding the liability of corporate entities for cyber-crimes, specifying these offences, the related areas of risk, general principles of conduct, the instructions and controls of the Oversight Board more clearly in the Special Part of the Model.

Santander
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Consolidated financial statements of the Santander Consumer Bank Group

- Report on Operations
- Balance Sheet
- Income Statement
- Cash Flow Statement
- Notes to the Financial Statements

SHARE STRUCTURE

SANTANDER CONSUMER BANK S.p.A.

100% — SANTANDER CONSUMER FINANZIA S.r.l.

65% — SANTANDER CONSUMER FINANCE MEDIA S.r.l.

Consolidated Report on Operations

Overview of the macro-economic scenario and of the lending system

The macro-economic scenario

The main factors that shaped the world economy in 2008 included a further deterioration and expansion of the financial crisis triggered by the sub-prime mortgage speculative bubble that exploded in the United States, continuing political tensions (in particular in the Middle East), spiralling energy costs (in particular the price of oil) and repeated irregular climatic conditions which pushed up the prices of various raw materials.

Despite these factors, according to IMF estimates, there was a y/y 4.9% world-wide increase in GDP with, however, significant differences in development rates in various areas of the world.

Countries outside the Euro and Dollar areas continued to play a major role in boosting world-wide development. Although at a slower pace than in previous years, internal demand continued to expand in Asian countries, promoting constant, very fast growth despite a certain cooling in relation to 2007.
In China and India, the anticipated growth rate for 2008 is respectively 9% (lower than the 10.4% of the previous year) and 5.3% (with a slight short-fall in relation to the 8.7% of the previous year).
There was a certain cooling and reversal of growth in Japan, forged more by the world business cycle than by objective factors of internal weakness, with a reduction of 0.7% in 2008 (in relation to a growth of 3.5% in the previous year). The Bank of Japan revised its monetary policy on two occasions during the year, reducing the benchmark rate from 0.50% to 0.10%, with two subsequent cuts of 0.20%.

Highly positive news arrived also from Brazil which, despite a downturn in the last quarter, achieved a y/y growth of 5.1%, also against a backdrop of low inflation.

There was a significant cooling of expansion in the United States, mainly undermined by the repercussions of the sub-prime mortgage crisis, with an anticipated level of growth of 1.1% (the worst figure after the +0.8% of 2001) which bore the brunt of a 4.3% decline in consumer spending, a significant 23.6% short-fall in exports and a 21.1% tail-off in investments.
The Federal Reserve took decisive action on several occasions, striving to curb the effects of the crisis with a highly expansive monetary policy: no less than five reductions in interest rates (for a total of 425 bps), shaving these from 4.25% at the start of the year to a rate between 0% and 0.25% at year-end. The Lehman Brothers crash, Government interventions to bail out various Agencies (Freddie Mac, Fannie Mae) and pressing requests for assistance from companies such as General Motors, Citigroup and AIG revealed the effective scope of the American crisis.

The Euro area, influenced and conditioned by the repercussions of the US crisis, failed to maintain a constant growth trend on a par with that of recent years, with a 1.5% decrease in GDP.
Business confidence waned gradually and constantly throughout the year, dropping to an all-time low in December 2008; a trend particularly evident in countries such as Germany, France and Spain.
In Europe, there was a sharp y/y decline in household consumption which, by the end of December 2008, had plummeted by 30%, the lowest value since 1985.
In view of the persistently negative data reported more or less all over Europe, considerable uncertainty exists regarding the time necessary for a reversal of the current trend and the start of slow recovery in the Euro area.
Turning to prices, in 2008 there was an 3.3% upturn in the inflation rate, the highest value since the index was first calculated; the increase was driven mainly by the considerable upswing in oil prices and of other staple food products. As opposed to the Fed, in the first part of the year, the ECB upped the benchmark rates from 4.00% to 4.25% in July 2008. As the effects of the crisis continued to spread, it subsequently completely revised its approach, adopting an expansive monetary with three successive reductions in the cost of money between October and December, bringing the benchmark rate to 2.50% at year-end. The ECB continued to apply this expansive policy in the opening months of 2009: during its meeting in March, the ECB voted a further reduction in the benchmark rate, cutting this to an all-time low of 1.50%.

In Italy, with regard to the provisional data for the twelve months of the year, ISTAT data reveal a y/y 4.32% drop in industrial output. For 2008, ISTAT preliminary data indicate a short-fall of 1% in GDP (the worst since 1975),

with a sharp decline in the last quarter of the year; there was a slight y/y easing of tax pressure in 2008 which moved to 42.8% (43.1% in 2007) of GDP.
Italian final consumption dropped by 0.5% in 2008 with, in particular, a negative performance of the "household spending" component which dropped by 0.9%, compared with a 0.6% increase in Public spending. More generally, there was an evident all-round decline, reflected in export data (a drop of 3.7%), imports (minus 4.5%) and the 3% downturn in gross investments in fixed assets.
The mean annual inflation rate was 2.2%, reflecting in particular the drop in the last quarter.
Overall, in 2008, the Italian car registration market reported a decline of 13%, forged by the car sector crisis that has hit Italian, European and world companies. In mid February 2009, the Government launched a new package of car incentives intended to curb the decline in sales recorded during the year.
Italy closed the year with a total debt of € 1,663,637 million, representing 105.8% of GDP, with a y/y upsurge of 103.5%. In 2008, the deficit/GDP ratio was equal to 2.7%.

Sector performance

Despite the particularly difficult economic climate, the consumer finance market continued to expand in 2008, albeit with a much slower rate of growth than in previous years.
Although still well below the average of other EU countries, there was a further increase in loans to households, mainly driven by an evolution in financial culture, the more or less general shrinkage in purchasing power and also strong competitive pressure, which triggered an objective reduction in final funding costs.
Analysing the various sectors, business was briskest in the so-called direct loans sector, including personal loans (with a growth of 10.9%) and credit cards (upswing of 7.2%) in this category.
2008 was not a particularly positive year for special-purpose loans, with a total drop of 10.2%, and also for car loans affected by a constant, more or less evenly-spread downturn throughout the year, closing the year with a short-fall of 13.7%.
In such a difficult year, the 39.3% upswing in loans secured by one fifth of the borrower's salary, which continue to gain ground as a unique financial product effectively supported by guarantees, can be considered highly significant.

Value of lending operations in 2008

Type of financing	Value lending operations (€m)		
	Jan-Dec 2008	Breakdown	Change in
- Direct loans	21,718	35.7%	10.9%
- Car and motorcycle	18,422	30.4%	-13.7%
- Industrial vehicles	221	0.4%	14.2%
- Other goods	5,054	8.3%	-10.2%
- Credit Cards	9,927	16.4%	7.2%
- Transfer 5th of salary	5,315	8.8%	39.3%
Total Consumer finance	**60,657**	**100.0%**	**1.4%**

Source: Assofin Survey December 31 2008

In 2008, net disbursements in this sector topped the € 60.6 billion mark with almost 99 million transactions, of which 92.1 million transacted with credit cards.
Of the specialist operators surveyed by Assofin, the Santander Consumer Bank Group holds a market share of 5.5%, as upswing on the 4.8% of the previous year.
The Group is currently in eighth position for business generated in its sector, having moved down one position in relation to the same period 2007.

Strategic guidelines

In 2008, sales and income results were below initial forecasts but consistent with budget adjustments made during the year to gear to changes in the interest rates market, to ever fiercer competition between sector operators and, above all, to evolution of the international crisis, the combined effect of which was a downsizing of the growth rates forecast at the start of the year.

Safeguarding of earnings and constant monitoring of risks, the main features of business in 2008, will be re-proposed in 2009 as the main pillars of the strategies adopted by the Bank which also intends to pursue, with ever greater momentum and determination, its goal of increasing Bank dimensions with the aim of achieving a higher critical mass and of increasing its market share.

In view of the presence on the market of competitors belonging to leading Italian and foreign Banking Groups and various processes of integration between these in 2007 and 2008, which make the need to pursue further increases in size able to generate economies of scale even more essential and impellent, this can be considered an unavoidable decision.

In this context, the Group intends to dedicate ever greater attention to market sectors with a particularly interesting risk/yield ratio, such as personal loans and loans secured by one fifth of the borrower's salary and Delegations of Payment, also boosting volumes of business through more significant recourse to external sales networks.

Therefore, the Bank will direct its efforts towards:
- optimising management of its business through ever more attentive control of various items of expense, with the aim of gradually reducing these in relative terms;
- technological innovation, in order to improve efficiency and the level of service provided to Dealers and end customers;
- ever more attentive monitoring of requests for loans through cross-checking of databases and historical series, with the aim of reducing frauds;
- increasing the implicit value of customers through extension of the number of products proposed to the same customer (loan, insurance product, deposit, transfer of one fifth of the borrower's salary, etc.) in order to promote improved, complete satisfaction of customers' needs;
- developing and updating Company professional expertise in order to gear more effectively to continuing modifications to regulations, to an ever more competitive market and to Santander Group strategies.

The strategic guidelines outlined briefly above are regularly and promptly updated and discussed with the direct Shareholder, Santander Consumer Finance S.A., and also with Banco Santander, on the basis of a constant, profitable relationship intended to integrate and deploy the well-entrenched best practices of the Group's various teams to members of the Group.

The Sales network

Although the consumer finance sector reported a y/y downswing in growth rates in 2008, compared with a market growth of 1.4%, the Bank succeeded in boosting its performance by 15.8%.

Although limited, market growth was driven principally by those operators who were able to distribute their product range, in particular those proposed directly to end customers, through the network of outlets of the reference banking institute.

Sustained by strong focus on loan quality, the Bank was able to rationalise its distribution network, interrupting the relationship in cases of negative credit performance, with positive repercussions on risk without undermining development of business.

Despite across-the-board competition, direct products confirmed the positive trend initiated in 2007, reporting a total growth of 33%, well above a market average of 11%, according to Assofin data.

The Bank reinforced its leadership in the automotive segment, with a growth of 11% on a market marked by a 14% shrinkage, thereby increasing its market share from 7% to 9%. The increase was fostered in particular by a development project that made it possible to maximise the effects of existing agreements and also to win away market shares from captive finance companies.

As regards the credit card product, the Bank focussed attention on the insurance compartment, increasing volumes transacted through consolidation of its agreement with Allianz Lloyd Adriatico (+2%) and the excellent performance of the agreement with Assicurazioni Generali (+68%).

In the special-purpose loans sector, the Bank consolidated existing agreements and launched a process of specialisation of the sector sales network, actions that made it possible to close the year with a result on a par with year-end 2007, even more noteworthy considering the current market context which, according to Assofin data, closed with a shrinkage of 10%.

The motorcycle compartment was characterised by a y/y 10% short-fall for the Bank; a negative performance but better than that of its main competitors who, inevitably affected by the general y/y 11% short-fall in registrations, shed around 17%.

The particularly positive trend of sales of the Loans Secured by One Fifth of Borrower's Salary product, a sector in which the Bank posted an increase of 53% compared with a market average of 39%, was confirmed in 2008 through Unifin Spa (in which the Santander Consumer Finance, S.A. Parent holds a 70% interest).

Marketing

In 2008, new communication actions addressing alternative channels such as SMS (text messaging) and e-mail were further reinforced and optimised. These actions contributed to maintaining a high rate of redemption of direct marketing campaigns targeting existing Bank customers which, together with further optimisation of traditional communication channels, promoted an 11% upswing in volumes generated by this business.

To permit more sophisticated segmentation of the marketing database, a new data structure was defined during the year in order to maximise the impact of new campaigns.

With a view to developing alternative sales channels, the Bank stepped up activities channelled through its WEB site in order to permit concurrent management of different product offers and to provide users with the possibility of requesting loans directly on-line after simulating the most suitable financial plan using an integrated calculator.

Marketing Department activities were upgraded during the year, concentrating various commercial reporting functions in this area, with the aim of automating the production and management of information and of facilitating sales network access to this.

Sales of insurance services combined with loans continued to score excellent results both as regards well-consolidated covers such as Credit Protection Insurance (CPI), Theft Fire and All-In-One insurance, and covers introduced more recently (such as the new GAP product according to which the customer is paid an indemnity equal to 20% of the costs of the vehicle purchase invoice in the case of theft, fire or complete write-off) which, overall, posted a y/y growth of 45%.

Nationwide Agreements and Credit Cards

In 2008, this Department concentrated mainly on improving the organisation of commercial activities through further focus on the development and support of agreements with the highest potential, in order to provide Top Dealers with a more suitable level of service, and also through the stipulation and subsequent management of new agreements.
As regards operations, particular attention was dedicated to developing and introducing the main system implementations necessary for more efficient process automation.

Commercial activities
New important sales agreements were sealed in the Automotive sector with partner such as Mazda and Chev.it (Association of Chevrolet Dealers). In the furnishings sector, an activity addressing nation-wide distribution networks (such as the Scavolini network) was developed, also rationalising business in the "Durables" sector, with particular attention to high prestige agreements (Bang&Olufsen and Nital).
The strategy adopted for development of "Top" agreements in the Automotive sector focussed once again on exploiting these to support the Stock Financing product.

In 2008, total volumes of new loans ascribable to the National Agreements and Cards Department reflected a slight y/y decrease of 3.6%.
The Motorcycle segment registered a y/y 10% short-fall in volumes, to be ascribed mainly to shrinkage of the market which tended to penalise in particular more powerful motorbikes.

Similarly, there was a slight y/y decline of 8% in the "Car" sector.

The Furnishings sector returned fairly good results in terms of volumes with an increase of 2%, with also broad margins for improvement due in particular to the synergy developed with the new product Specialists structure, the results of which will be revealed in 2009.

Credit cards business trends
Particular attention was dedicated to developing new applications, in order to automate the main activities, and also to process rationalisation through outsourcing of various not typically commercial activities.

Direct Loans Department

During 2008, personal loans to private customers achieved a further significant increase with a y/y growth of 34% in lending volumes, which moved from € 727 to € 972 million.
On a fast-changing, competitive market, accompanied by an extremely volatile macro-economic situation in particular in the second half of the year, Direct Loans achieved a satisfactory result, also with regard to product earnings, forged by constant, attentive management of sales and risk policies. As regards lending volumes, a noteworthy contribution was once again provided by the Multimedia Products Branch which manages the acquisition of personal loans via the corporate website www.santanderconsumer.it and cooperation with other theme-based sites.

In 2008, Direct Loans also activated new interesting distribution channels: of these, it is worth mentioning the agreement with the Mediolanum Banking Group, which, in around 9 months of activity, provided a noteworthy contribution to all-round growth.
A strategic project dedicated to managing the distribution of personal loan products on third party networks was completed with the cooperation of the main corporate Departments. This project was directed towards promoting management efficiency and maximising business line earnings while maintaining the Bank's credit policy unchanged. To implement the project, it was necessary to modify the name and corporate purpose of FcFactor srl (now Santander Consumer Finanzia srl), a Company with a sole shareholder, Santander Consumer Bank SpA, registered in the general list of financial intermediaries held by Banca d'Italia pursuant to art. 106 of the Consolidated Banking Act: following this modification, the Company can now disburse and manage loans on its own behalf. Following completion of the test period (July 2008) and initial trials on complex agency networks (October 2008), around € 41 million of personal loans were issued through Santander Consumer Finanzia. December 31 2008 marked the conclusion of the complex activity of conversion and implementation of the external networks that previously placed their personal loans through Santander Consumer Bank, thus guaranteeing complete management of personal loans production deriving from agency relationships or credit brokerage at Santander Consumer Finanzia in 2009. Commercial and operational management of Santander Consumer Finanzia is assured by Santander Consumer Bank on the basis of specific servicing contracts.

Also in 2008, the direct loans channel steered particular attention to improving the efficiency and effectiveness of its organisation and of its sales/distribution strategies with the ultimate goal of generating a highly interesting portfolio as regards volumes, earnings and quality.

Banking Products Department

Marketing of deposit products such as "Conto Santander Consumer", a high-yield deposit account and "Santander Time Deposit", a high-yield 6 or 12 month time deposit account continued in 2008.
A specific special offer on the 12-month Time Deposit with a rate of 5.40% was launched between the second and third quarter. There was therefore a satisfactory all-round increase in deposits on Santander Time Deposit which, at December 31, moved to € 84 million for around 1,600 accounts opened; this was accompanied by a drop in deposits on Conto Santander Consumer which amounted to € 238 million for around 20,000 accounts opened at December 31 2008. Therefore, generally speaking, the Bank maintained its market penetration despite fierce competition from new competitors and traditional banks, and also extremely limited investments in communication.
Opening of current accounts intended for franchised sales points, as preferential instruments for the settlement of channelled workflows and for short-term cash management and, above all, as settlement accounts for Stock Financing operations (financing of stocks of goods - new vehicles and motorbikes - reserved for Top Dealers) continued in 2008. In December, 260 accounts had been opened and credit lines granted reached € 120.3 million with a draw-down of around € 68.5 million.
The examination and approval of consumer finance contracts and personal loans that reach specific levels of exposure/risk was stepped up during the year. In 2008, the Banking Products Department processed around 52,000 contracts, around 49% up on the previous year.

Processing Department

To offer customers a higher level of service and to gear to the negative socio-economic scenario, the Processing Department concentrated on optimising the processes in which it is involved, with the main objective of streamlining loan acquisition, investigation and allocation procedures.

To improve Department efficiency, upgrading of the professional standard of each single resource, in terms of know-how and decision-making authority, proved to be strategically advantageous, also considering the upswing in the average lending volumes of each product line.

When coping with high workloads or particularly critical situations, the multi-skill training of each operator permitted migration of resources between work groups, making it possible in certain cases to support two decentralised loading platforms.

A new "Processing Department Quality" team, dedicated to monitoring Processing Department volumes and constant control of outsourced activities, has been set up.

The list of Top Dealers was increased from 300 to 351 while the SLA (Service Level Agreement) maintained an average value of 95%.

The activity addressing contracts cut off via telephone contact with Top Dealers continued during the year with a percentage of final approvals of 75%.

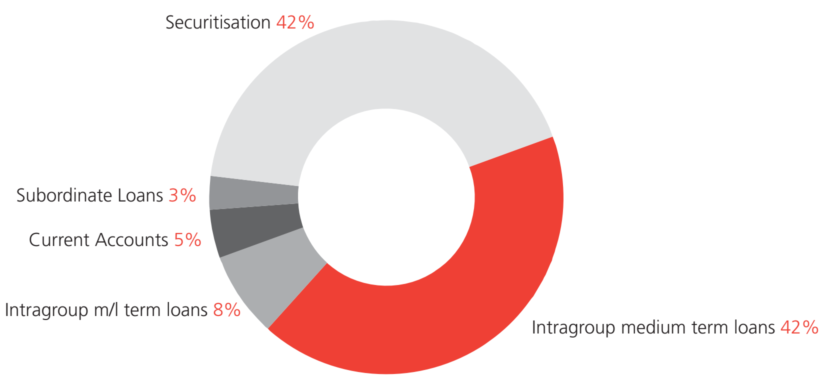
The number of resources assigned to these activities was increased during the year to gear to the considerable upswing in direct loan volumes.

Two measures adopted during the year made it possible to streamline loan acquisition processes, i.e. implementation of the CV environment on the AS400 operating system (fast loading of contracts by outsourcers) specular to the WEB environment (Internet loading of contracts by Dealers) which promoted fairer distribution of workloads to credit analysts and different evaluation (and management) of contracts with telephone uncertainties, which generated an increase in the percentage of automatic finalisation of cut-off contracts.

Financial management

During the year, the ECB pursued a twofold monetary policy: after a first half-year of rate stability and the rate increase in July, the ECB decided to curb the effects of the fast-spreading financial crisis as far as possible by maintaining high levels of liquidity: a decision reflected in three subsequent rate cuts (50 bps in October and November, a further 75 bps in December) in the last quarter of 2008. As regards funding and coverage policies, adequately supported by the Shareholder, the Bank succeeded in anticipating the most significant market trends and, aware of the difficulties inherent in prompt transfer of such costs to the lending side, sought to establish the best compromise between maximising short/medium-term results and exposure to interest rate risk.
This has the extremely positive effect of retrenching negative effects in the phase of rate stability/increase in the first part of the year, subsequently taking full advantage of the reduction phase in the closing part of the year.
At year-end, total indebtedness, direct and indirect (securitisation), reached € 7,734 million, moving up 32.5% in relation to the € 5,835 million reported in the previous year.
The breakdown of indebtedness according to technical form is shown in the graph below:

Funding



Short-term funds issued at market rates by the Shareholder (representing 42% of total exposure), flanked in an almost identical percentage by securitisation of performing loans, also equal at year-end to around 42%, continued to represent the most significant component.

At year-end, funding via customers' current accounts accounted for 5% of the total, slightly lower than the 7% posted in December 2007, despite a significant reduction in investments in communication.
In the medium/long-term segment, "Upper Tier II" and "Lower Tier II" subordinate loans, used as an additional capital instrument as their characteristics comply with the requirements of the Supervisory Authorities for calculation in the Bank's Regulatory Capital, moved to € 230 million.

With regard to the first securitisation programme launched in 2004, amortisation of the Series 1 securities issued in March 2004 continued, while amortisation of the Series 2 securities issued in December 2004 started in August 2008. In the year just ended, Class A securities were repaid for a total of € 216,535,934.44, of which € 82,405,892.89 referring to Series 1 and € 134,130,041.55 to Series 2.

Also with regard to securitisation, a new securitisation programme with similar characteristics to on-going programmes was launched in October and subsequently concluded in December 2008. This new programme, also with a maximum amount of € 2.5 billion, had to be created in order to gear to evolution of the consumer credit market and to the Bank's strategic policies in terms of product mix.
A first tranche of securities (Series 1) has already been issued against the new Programme for € 750 million, floated on the market in December 2008, as shown below:

Title	Amount	Rating S&P	Coupon
Class A	691,850,000	AA-	EURIBOR 3 months + 60 bps
Class B	31,500,000	A-	EURIBOR 3 months + 175 bps
Class C	21,400,000	BBB-	EURIBOR 3 months + 300 bps
Class D	5,250,000	Not rated	

As opposed to the other securitisation programmes, the Bank has not subscribed the securities of the Junior Tranche (subscribed by the Spanish Santander Consumer Finance S.A. Parent) but an entire tranche of Class A Senior securities, with a view to optimising cash flows and utilisation of regulatory capital.

Financial risk management policies

With a portfolio of fixed-rate loans with an approximate duration of 20.1 months and funding based on variable- or fixed-rate contracts of shorter duration, the Bank is inevitably exposed to rate risk which is managed according to Group-wide macro-strategies with precise, formally-defined limits of exposure.

Such risk is hedged through trading in derivatives (in most cases Interest Rate Swaps contracts) mainly with the Parent Bank.
Through these contracts, usually with a duration of between two and four years and EURIBOR 3 or 6 months as variable benchmark parameter, the Bank "artificially" increases the contractual duration of certain portfolios of funds.

Precise limits of exposure to interest rate risk (measured proportionally to the effects on Net Present Value of the portfolio and on the interest margin deriving from an instantaneous increase in market rate curves of 100 bps), to liquidity risk and counterparty credit risk, the latter restricted to operations on financial instruments (derivatives), are defined in agreement with the Group.

With a view to separating responsibilities, monitoring of exposure to rate, liquidity and counterparty risk is entrusted to an organisational unit (Risk Planning and Control) rather than to the Treasury Department which is responsible for financial management of operations.

Detailed reports on exposure to financial risks are prepared twice a month and submitted periodically to the Board of Directors or to the Executive Committee. The Bank's financial policies are discussed with the Asset & Liability Committee (ALCO) whose functions are detailed elsewhere in this Report.

Risk Planning and Management Control

The monitoring and attentive management of corporate risks have always been amongst the Bank's core princi-

ples. The attention dedicated to correct identification of risks is reflected in actions on governance, powers of attorney, processes and controls.
The management of the Bank implements the risk management process according to guidelines and specific resolutions of the Board of Directors and also determines the Bank's propensity to assume the various types of risk, taking into account the development of its business. The main goal is to maintain the Bank's exposure within limits deemed acceptable by Company boards and compatible with yield targets. Efficient monitoring of risks is also an essential factor in correct application of the principles of the Basel Committee.

Risk management is constantly discussed with the Shareholder: the Bank liaises with the Santander Group both as regards corporate governance and monitoring/control instruments (including the corporate database which permits monitoring and comparative analysis at Santander Consumer Finance S.A. Spanish Parent level).

The principle benchmarks adopted in controlling the main quantitative risks to which the Bank is exposed are summed up below:

- Credit risk: acceptance and behavioural scoring, evolution of losses in time, migration rates, impairment tests, Markov trend analyses.
- Interest rate risk: ALCO, prospective and back testing, valorisation at market according to different scenarios, interest margin analyses.
- Liquidity risk: mismatch analysis and stress tests.
- Business risk: self-assessment questionnaires, risk indicators, operating loss database, fraud prevention squad, continuity plan, IT Audit.
- Market risk: cross-sectional analyses, with stress techniques based on the regulatory "look through" approach.

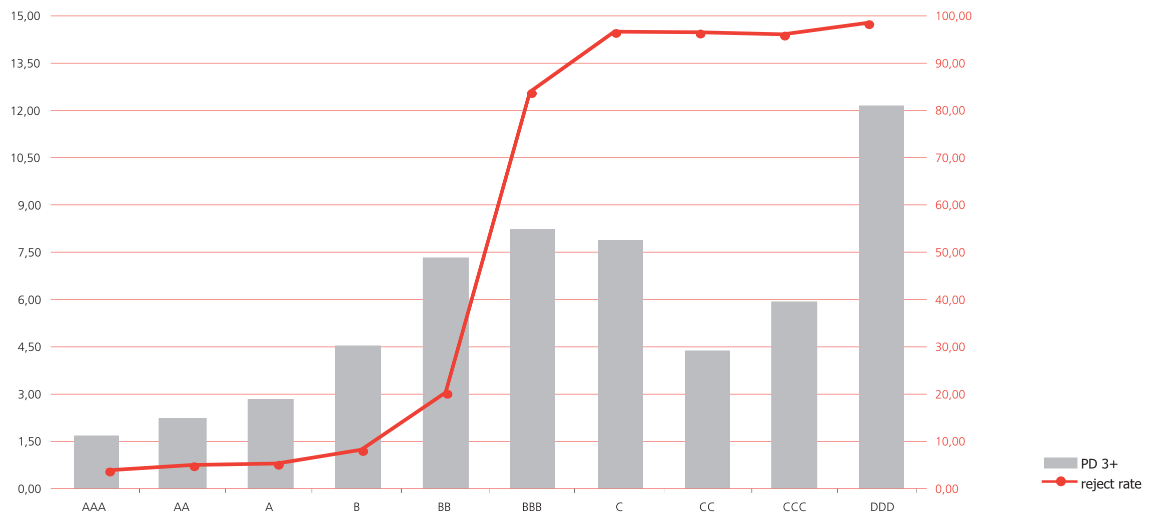
As established by the second pillar of Basel II, in 2008 the Bank prepared its first simplified ICAAP report, forwarding this to Banca d'Italia. This report accompanies and integrates existing Risk Policies.

Credit policy

As regards credit policy, the Bank continued to maintain/improve the automated decisional process underlying the discriminatory power of the internal rating system during assessment of loan applications. In particular, four new scoring models were developed in 2008 for evaluation of the following products:
- personal loans, with four new scorecards distinguished according to type of customer;
- used cars, according to a dedicated scorecard;
- furnishings, with a dedicated scorecard;
- household appliances, with two dedicated scorecards structured according to commercial type.

These operations addressed a large swathe of products, while development of the other models was postponed to 2009.

Graph showing distribution by rating segments of performance ("ctz") and reject rate

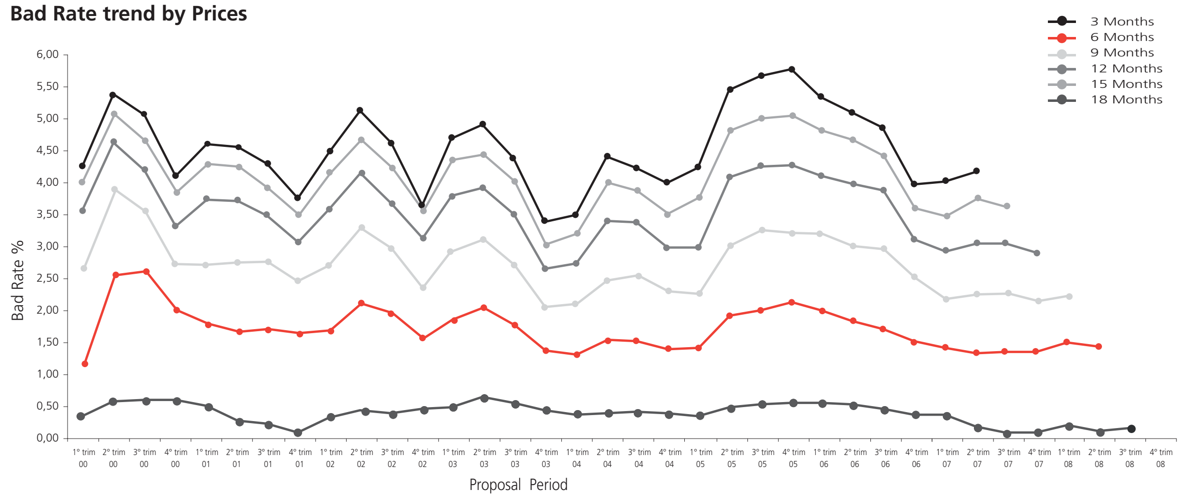


The graph shows the litigation rate generated in 2008 expressed in percentage terms (histogram) for each individual rating grade and the related reject rate (line).

Quality of the Portfolio

In the graph below, the bad rate represents the percentage of contracts characterised by a maximum peak of three consecutive overdue instalments, regardless of future payment of these. The curves represent the maturity of the portfolio considering the same production quarter. Starting from 2005, the bad rate curves have shown an evident reversal of trend, interrupting the positive trend of gradual reduction of the litigation rate until that date. This phenomenon has been generated mainly by loss of information on the credit circuit deriving from introduction of the Code of Conduct. Since 2007, corrective measures have been adopted in the acceptance phase in order to mitigate the effect of the increase in risk. These actions, mainly based on scoring system adjustment and on raising cut-off thresholds, have made it possible to align customer acceptance policies with the forecast probability of default. The effects of these measures are reflected in the graph that shows a substantial reduction in bad rate lines over 2005 and 2006. In the second half of 2008, there was a downswing in entry phase customers mainly due to continuing deterioration of the international economic situation.

Bad Rate trend by Prices



Customer Service

During the year, the Customer Service continued to develop and fine-tune various activities initiated in 2007, also launching a number of new management optimisation and cost reduction projects.

Overall, inbound call volumes moved up by around 17%, accompanied by a reduction in transfers to operator, reflecting the improved efficiency of the inbound call distribution procedures.

Changes in inbound call management are illustrated briefly below:

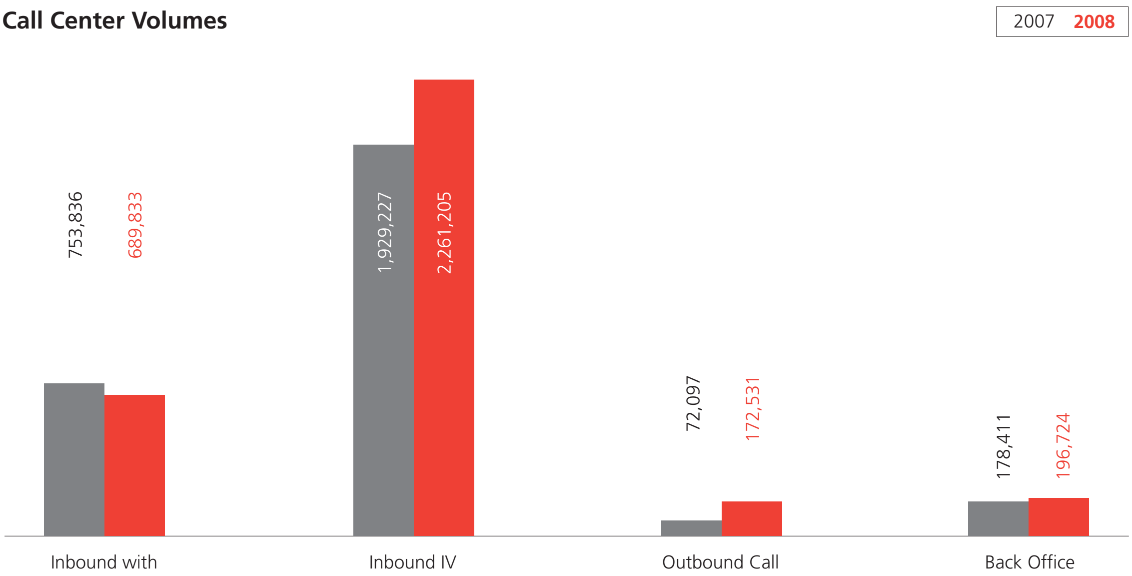
- at the start of 2008, separate management of calls from charged services (899) and numbers with urban root (black number) was introduced with the specific intention of migrating flows towards charged numbers. To improve management efficiency and customer service, priority of 899 services (cards, consumer credit and presale of personal loans) and insurance cards was maintained at higher levels, with guaranteed minimum service levels of 95%. Management of credit card and consumer loan after-sales services (black number) with Interactive Voice Responder recognition via card/contract number by the customer was introduced in April. Calls recognised by the credit recovery system have been migrated automatically towards these queues, thereby streamlining the call distribution process.

- in the last quarter 2008, there was a drop in volumes of 899 numbers concurrently with disabling of access by all telephone subscribers to these numbers (except at the explicit request of the user), a measure enacted by a procedure of the Communications Authority. There was a more than twofold increase in use of the outbound SMS channel compared with traffic in 2007, while management of inbound SMS continued to return an excellent level of customer satisfaction: in 2008, 42,064 requests (almost twice those in 2007) were received and managed, thereby freeing the telephone channel and providing customers with a faster service.

The Group Quality project launched in 2007 was further consolidated in 2008, focussing mainly on monitoring, development and check-up of all the activities. This goal was achieved through:

- “Mystery Calls” that permit direct checking of external operators’ replies to our customers with also the possibility, if necessary, of providing specific instructions regarding a topic or specific group of operators.
- Spot checks on back office and data entry activities in order to promote an excellent level of quality on all customer contact channels.
- Start-up and development of a Business Intelligence project activity for identification and outbound management of criticalities (multiple calls in defined time sequences, check-up calls to verify reception of fax/documents sent, etc.) notified directly by customers.
- •Outsourcing and control of the entire outbound part concerning Dealer risk “quality” calls. This has promoted savings in terms of management and also constant, more efficient checking of Dealers, both as regards control and prevention, in cooperation with the internal fraud-prevention unit. The twofold y/y increase in outbound calls should also be noted.
- Further development of the portal dedicated to external operators which comprises various reply and training support tools.

Call Center Volumes



Call Center

IT Systems

2008 marked the first year of full operation of ISBAN (a secondary Italian branch), a Company to which all staff previously employed at the Systems Service of the Bank were transferred in 2007 and who are responsible for all-round management of the Information System.

During the year, ISBAN reinforced its organisational structure, completing its integration in the Group structure and revising its internal set-up.

In addition to normal activities dedicated to managing the Bank's information systems and technological structures, ISBAN also participated in a range of projects for development of sales activities and integration with the Bank's major partners.
The projects for integration with Banca Mediolanum information systems, for placement of Bank products through the network of Family Bankers, and overhaul of the Santander Consumer Finanzia IT platform should also be noted. This latter project made it possible to broaden the Company's operations, focused previously only on credit recovery (factoring) to also include the possibility of multi-channel distribution of the Parent's financial products.

As regards infrastructure management, procedures and structures were revised with a view to improving service continuity solutions, also completing voice migration on Voip architecture.

Overhaul of all front-end application programs, both for loading and after-sales management, using latest generation architectures and languages, was initiated in the last quarter of the year and will continue to be a core activity in 2009.

Legal Department

Prevention of money laundering

With regard to the prevention of money laundering, the related Company manual has been amended to reflect new regulations on this subject, with consequent review of the Company training course.

Compliance Function

In accordance with Banca d'Italia Order July 10 2007, with a resolution of the Board of Directors of December 12 2007, Santander Consumer Bank S.p.A. has outsourced the Compliance Function, assigning this appointment to a Company specialised in this sector, Consilia Business Management S.r.l.. During 2008, the Legal Department assisted the Compliance Function in establishing its role and responsibilities and in defining and formally approving its regulation.

Organisation

During the year, the Organisation Department participated actively in the Bank's main strategic projects, supporting and coordinating the activities of the parties involved.
The Department was also actively engaged in defining the procedures, in the start-up and management of the "Personal Loan" product at the Santander Consumer Finanzia Company of the Group and also in the optimisation of the technical-operating procedures for the acquisition of Leasing contracts and document management via the fax server application.
Implementation and update of security procedures continued according to requests received from the Shareholder and in cooperation with ISBAN.
With regard to the general obligations established by Legislative Decree No. 196 of 30/06/2003 (Code on Privacy), the Privacy Policy Statement has been updated for all Group companies.

Human Resources

At year-end, the Bank workforce comprised 701 employees of which 10 directors, 134 managers and 557 staff members of whom 27 with insertion contracts.
At year-end, 64 resources were involved in post-graduate internships. The y/y decrease in resources was to be ascribed to management of turn-over steered towards enhancing the efficiency of all Company functions.

Resources were allocated for 63% to the sales area and the remaining 37% to various General Management functions.
Average age was 35 while the percentage of female staff (38%) in relation to total employees was unchanged.

Company training activities contributed to enhancing and consolidating professional expertise with around 20,000 hours of training. Attention was also focused on managerial skills such as leadership, communication and management of resources, with more than 1,600 hours of training. On-line training continued to play a major role, with around 2,200 hours of courses addressing a range of topics in a context of high level efficiency.

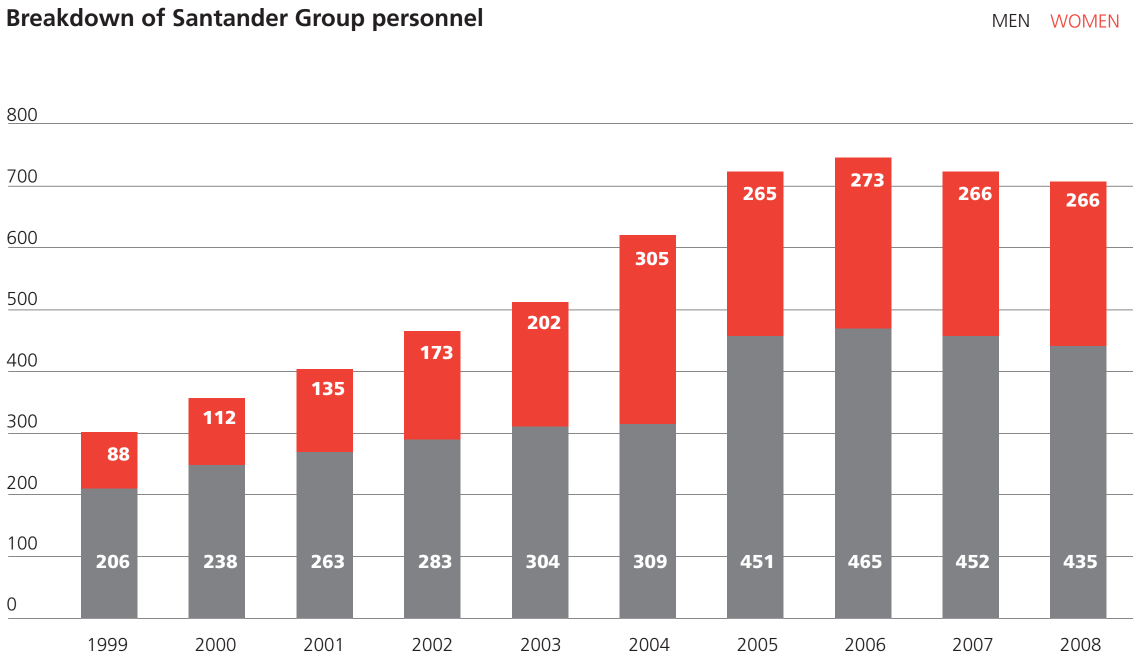
The refresher courses on ISVAP regulations, involving in-house personnel for a total of around 3,000 hours of training, were completed successfully.
The first training project for people with "high potential" wound up with a day of training at the Santander Corporate Training Centre; the participants demonstrated enthusiasm and satisfaction with the entire training path, structured according to different methods of learning.
The extraordinary participation of all personnel in the "Settimana Santander" which, launched by the Parent in June amongst all the business units, offered employees an occasion to develop and enhance their feeling of belonging to the Group with charity and social initiatives, was particularly worth noting.
Due mention must also be made of the continuous spirit of international cooperation with other Group business units which, in 2008, culminated in an exchange of employees with Abbey National Bank; an Italian colleague was involved in a three-month training and professional experience in London at Abbey HQ, while an Abbey colleague was hosted at our Bank in order to share Group best practices.

Cooperation with leading Italian Universities continued with excellent results: during the year, 72 new graduates were involved in internships at the Bank, many of whom were subsequently hired.
In order to attract high potential talents to the Company, Santander Consumer Bank attended the career guidance days organised by the main Italian Universities.

As usual, relationships with the Trade Unions were inspired by transparency, correctness and respect of reciprocal roles.
The agreement relating to the 2008-2010 Integrative Company Contract which establishes new parameters for payment of VAP (production bonus), new maternity policies and leave for children's medical visits, in addition to most favoured rates for advanced payment of leaving indemnities, favourable rates for loans to personnel and a *Long-term Service Bonus* on reaching 25 years of service with the Group, has been signed.

As in previous years, the Bank's results in 2008 were also forged by the active participation, professional maturity and commitment of all Group personnel to whom we express our sincere thanks.

Breakdown of Santander Group personnel



Credit Recovery

The gradual deterioration of the Italian economy, which took a further turn for the worse in the last quarter of the year, generated a need for prompt action in order to guarantee correct, timely management of contracts involved in credit recovery procedures.

These actions were directed towards:

- reinforcement of recovery activities and results in the initial phases of management;
- a reduction in monthly disbursements of loans;
- optimisation of internal and external resources;
- reduction of management costs.

The various strategies adopted to achieve the above objectives promoted more efficiently targeted management of contracts involved in credit recovery procedures.

A project for definition of a consumer credit customer behavioural scoring model was launched and completed in the first half of the year, with the assistance of a specialised external Company.
The model developed makes it possible to segment customers who enter the credit recovery phase according to expected willingness to pay, with a twofold advantage:

- rationalisation and optimisation of recovery activities;
- organisation of the activity in such a way as to permit investment of suitable energy and economic resources.

An automated system for differentiated management of consumer loan contracts involved in litigation based on acquisition of all useful information available in the customer portfolio (managed dynamically) in order to define like groups of customers was set up in the second part of the year.

On the basis of this segmentation, differentiated recovery policies have been defined according to effective risk and probability of recovery, identifying the most suitable partner companies from which credit recovery is out-sourced according to different levels of complexity (low, medium or high).

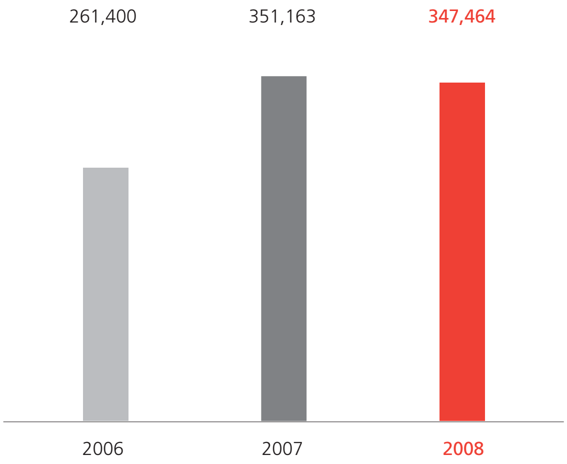
Despite a significant upswing in volumes (+29%, in amount), this new strategy promoted more effective recovery, also confirmed by compliance in the second half of the year with the losses on loans budget and also a notewor-thy trimming of recovery costs.

In view of the positive effects of application of behavioural scoring to the consumer loan product, the possibility of broadening the analysis to also include other consumer credit products (Credit Cards/Leasing) in 2009 has been evaluated.

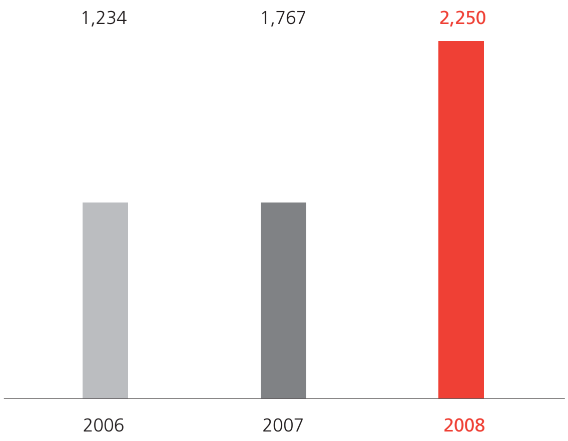
There has also been a gradual increase in leasing product volumes in litigation (+39%, in amount) spurred mainly by the increase in disbursements and also by the difficult economic situation.
As regards the credit card product, there was a reduction in incoming volumes (-12%, in amount), tied also to downsizing of the portfolio managed.

Overall, there was a y/y overall 27% upswing in positions managed by credit recovery in terms of amount, and a 2% reduction in terms of number of contracts, with a consequent significant increase in the average ticket.

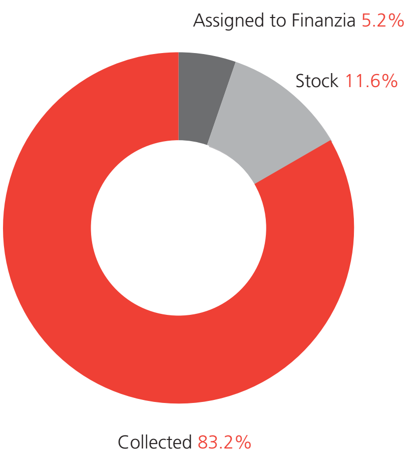
Contracts



Amounts
€/mln



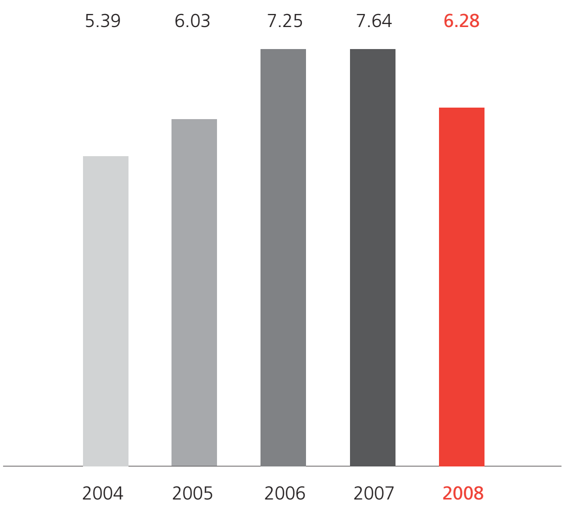
Performance Nominal Value



The percentage of successful recovery on new consumer loan contracts was 91.9%.

As highlighted in the graph below, the outcome of recovery activities in terms of value was positive for 83.2% of the contracts managed during 2008, with a stock under management of 11.6% at year-end.

Percentage ratio



During the year, the percentage ratio between the value of contracts not collected and that of contracts involved in recovery procedures, in the reference month, was 6.28%.

As regards Litigation, there was an increase in leasing product volumes both in terms of number of contracts and, mainly due to the increase in the unitary ticket, value. There was, however, a slight reduction in the number of new positions, while the inbound risk of credit card and consumer loan products was more or less constant.
With regard to management of the leasing contracts in litigation, action was taken in the second half of the year to gear to the significant increase in volumes. A project has been launched for overhaul of the dedicated structure in order to improve efficiency and results in 2009, while curbing costs and guaranteeing identification, monitoring and management of risks.

Sarbanes - Oxley

The 2002 Sarbanes-Oxley Act, also known as Public Company Accounting Reform and Investor Protection Act is a United States Federal Law enacted in June 2002 as a reaction to a number of major financial scandals involving leading US companies (including Enron, Tyco International, Adelphia, Peregrine Systems and WorldCom). Section 404 of the Law mandates the putting in place of a fully-articulated system of internal controls able to guarantee the reliability and accuracy of accounting information, with particular emphasis on the process of financial reporting, as a pre-emptive requirement for listing on the New York Stock Exchange.
In particular, the above section also imposes annual certification by the management of listed companies or those belonging to a Listed Group of the adequacy of the system of internal control on financial reporting (ICFR), with the following main objectives:

- Identification and documentation of corporate financial data generation processes;
- Identification of the risks inherent in such processes (with particular focus on risks relating to data integrity and traceability);
- Identification of risks not directly tied to financial reporting processes but liable to generate material errors;
- Definition of the controls adopted to monitor the above risks and assessment of these in terms of design and effectiveness.

To this end, the Banco Santander Spanish Parent has launched, starting from 2006, a global project whose first actions included the setting up of a specific central organisational unit, based in Spain, responsible for coordinating the project at peripheral unit level.
During 2008, the Parent mandated extension of the above-mentioned regulation to companies of the Santander Group operating in Italy. According to a specific resolution of the Board of Santander Consumer Bank, responsibility for local coordination of the SOX project has been allocated to the Administration and Reporting Department, with the following main tasks:

- Act as intermediary between the central unit of the Group and local organisational units responsible for monitoring the corporate processes acquired within the SOX perimeter;
- Manage population of the specific software available on the Group intranet intended to host the documentation certifying processes, risks and controls;
- Monitor compliance with the deadlines and formalities established by Group directives.

In the preliminary phase, concluded in May 2008, an accounting map was drawn up with the aim of verifying that corporate processes affected by the SOX internal control model, correlating these with the corresponding accounting documents, are able to guarantee suitable representation of accounting data. In accordance with the instructions provided by the Group central unit, particular emphasis has been laid on the processes involved in monthly closings of the accounts for transmission of operating/financial data to the Spanish Parent.
Therefore, seven macro-areas of analysis have been identified amongst the "standard" areas established by Group instructions and the quantitatively more significant processes have been identified in each area. Each process was subsequently segmented into sub-processes, identifying the related owner (usually the Department Head) and subsequently formalising a short description of the related activities in order to define the main risks and control of these; lastly, a person has been assigned to each control, process and area (as indicated above). These activities were completed in September 2008.
Suitable tests, based on sampling procedures and complying with the methods established by the Parent, were then carried out on the controls identified by the various sub-process owners and to be certified by these. The control, sub-process and area certification phase and subsequent certification of the Model of Internal Control by the Managing Director and Finance Manager was completed in February 2009.

Tax disputes

With regard to the tax audit by the *Agenzia delle Entrate - Direzione Regionale del Piemonte* (Revenue Office - Regional Management of Piedmont) in the period December 2003 - March 2004, the following should be noted.

On December 29 2006, the *Agenzia delle Entrate - Ufficio Torino 1* (Revenue Office - Turin 1) appealed against the decision handed down by the Provincial Tax Commission which acknowledged the complete legitimacy of the Bank's conduct with regard to the findings of the auditors (in detail: illegitimate deduction of losses, non-permissible accelerated depreciation, failure to invoice taxable operations, failure to pay purchases). In its appeal, the Tax Authorities did not submit any particular new findings in relation to those expressed in the first level of judgement.

Following the public hearing on June 11 2007, the decision of the Regional Tax Commission of Turin was deposited on October 1 2007 and subsequently published. In partial modification of the first level decision, the Bench ruled as follows:
- the non-deductibility of the loss following assignment without recourse of receivables, quantifying the related recovery to taxes according to the book value of the receivables instead of their nominal value, as demanded by the Tax Authorities and also re-asserting the principle of the need to quantify and recognise the effects of "receivables of modest amount" (without however specifying the maximum amount to be considered as "modest");
- the illegitimacy of the accelerated depreciation charged;
- the liability to VAT of certain services tied to transactions with credit cards;
- the exemption from VAT of assignment without recourse of receivables according to the procedure adopted by the Bank.

Furthermore, in the records of the cross-examinations and in the final report of the assessment procedure with acceptance for tax years 2000-2001-2002, finalised in April 2006, the Tax Authorities had expressed their agreement with the Bank's assumptions regarding:
- the suitability of the procedure adopted to qualify, albeit on a statistical basis, the existence of "certain and precise" data such as to permit deductibility of the losses;
- the substantial congruity of the transfer price, also liable to a further reduction in view of the declining trend of the average amounts recovered by Santander Consumer Finanzia.

With regard to such dispute:
- on March 11 2008, a tax-assessment notice was served for € 4,087 million;
- on June 16 2008, a second tax-assessment notice was served for € 1,073 million.

As counselled by its fiscal consultants, the Bank has proceeded to request, by the deadlines, partial cancellation of the above tax-assessment notices and, although still firmly convinced that it has behaved in accordance with tax regulations, proceeded to pay these on May 12 and August 18 2008 respectively.

On November 13 2008, the Attorney General's Office, on behalf of the *Agenzia delle Entrate*, appealed to the Supreme Court of Cassation against certain sections of the sentence handed down by the Regional Tax Commission of Turin on October 1 2007, without however producing new evidence to support its claims.
On November 14 2008, the Bank also presented an appeal to the Supreme Court of Cassation for quashing of the aforementioned sentence.
The date of the hearing has yet to be defined.

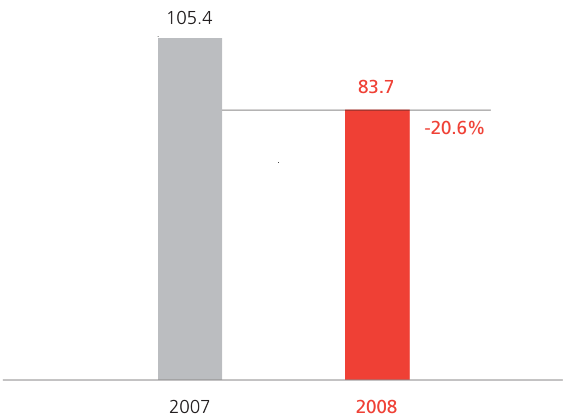
On the other hand, during 2008, no new claims were submitted regarding the partial tax audit on income taxes for the 2005 tax period carried out in April-May 2007 by the Tax Police - Turin Section.
The audit examined both formal and substantial aspects. The Official Tax Audit Report issued at the end of the audit once again asserted the non-deductibility by the Bank of losses following assignment without recourse of receivables for an asserted taxable amount to be recovered to taxation (for the purpose of IRES and IRAP) of € 6.256 million. Therefore, the claims made were the same as those of the dispute indicated above.

Overview of financial-operating performance and of the main balance sheet aggregates

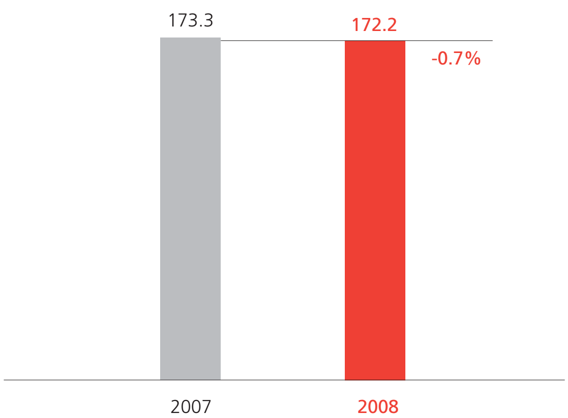
The main operating-financial performance indicators of the year, with prior year comparables, are set forth below (data in €m).

					Change	
	2008	**% ATM**	**2007**	**% ATM**	**Absolute**	**(%)**
Interest margin	**83.7**	**1.2**	**105.4**	**1.8**	**(21.8)**	**(20.6)**
Commissions, net	116.1	1.6	83.5	1.4	32.5	39.0
Sales margin	**199.7**	**2.8**	**189.0**	**3.3**	**10.8**	**5.7**
Net income from trading activities	15.1	0.2	10.2	0.2	4.9	48.5
Net income from transfer of financial assets	(42.6)	(0.6)	(25.8)	(0.4)	(16.8)	65.3
Intermediation margin	**172.2**	**2.4**	**173.3**	**3.0**	**(1.1)**	**(0.7)**
Other operating income (expense)	44.3	0.6	38.6	0.7	5.8	14.9
Administrative costs	(93.9)	(1.3)	(89.7)	(1.6)	(4.2)	4.7
- personnel costs	(36.6)	(0.5)	(36.4)	(0.6)	(0.2)	0.5
- other administrative costs	(57.3)	(0.8)	(53.3)	(0.9)	(4.0)	7.5
Amortisation and depreciation	(6.2)	(0.1)	(6.8)	(0.1)	0.6	(9.0)
Operating margin	**116.4**	**1.7**	**115.3**	**2.0**	**1.1**	**0.9**
Net adjustments for losses on:	(71.8)	(1.0)	(63.1)	(1.1)	(8.7)	13.8
- Receivables	(71.8)	(1.0)	(63.1)	(1.1)	(8.7)	13.8
Income before taxes	**44.6**	**0.6**	**52.3**	**0.9**	**(7.6)**	**(14.6)**
Taxes	(23.9)	(0.3)	(32.8)	(0.6)	(8.9)	27.2
Net income	**20.8**	**0.3**	**19.5**	**0.3**	**1.3**	**6.6**
Consolidated income for the year	**20.8**	**0.3**	**19.5**	**0.3**	**1.3**	**6.6**
Group interest in net income	**20.8**	**0.3**	**19.5**	**0.3**	**1.3**	**6.7**

Interest margin

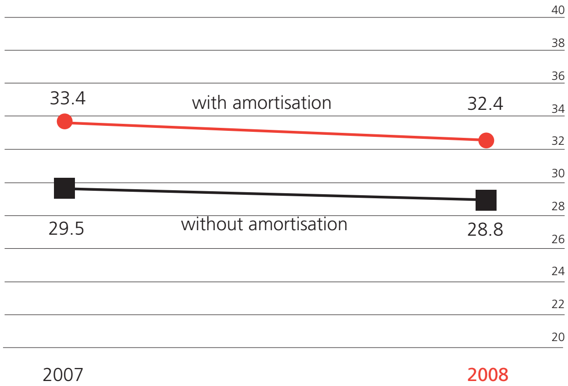


Intermediation margin



In 2008, there was a y/y 20.6% reduction in the interest margin, to be ascribed partly to the direct and indirect effects of the new securitisation operation (described in detail in the Notes) and partly to interest rate trends. Mainly due to competitive pressure, it was not possible to transfer (except in part) the higher cost of funding to final consumers and dealers or to offset this according to the increased in size of the portfolio.
On the other hand, performance in terms of commissions earned was excellent. Despite pressure from competitors which generated a further increase in average commissions paid to Dealers, there was a significant increase in the penetration rate of insurance product sales, with an upswing of 39% in net commissions. Therefore, the intermediation rate shows a decrease of 0.7%.
The 14.9% upswing in other operating income was mainly driven by the increase in preliminary investigation fees; on the other hand, the limited upturn of 4.7% in administrative costs reflects the Bank's constant attention to curbing fixed costs and to pursuing methods of operation centred on maximum efficiency.

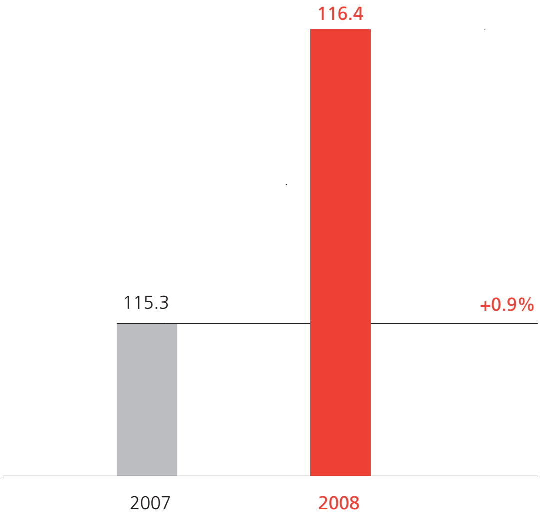
Efficiency ratio



The efficiency ratio, calculated as the relationship between the sum of administrative costs and other net operating income (with and without amortisation and depreciation) divided by the intermediation margin, shows a y/y improvement to be ascribed mainly to the increase in other operating income and the reduction in administrative costs.

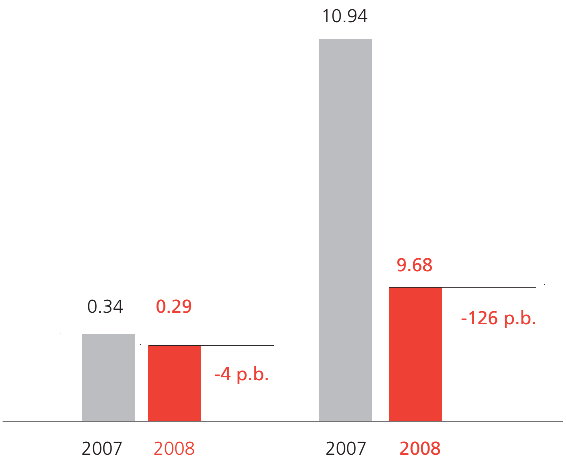
Net operating margin

in absolute values/ in percentage of Average Assets



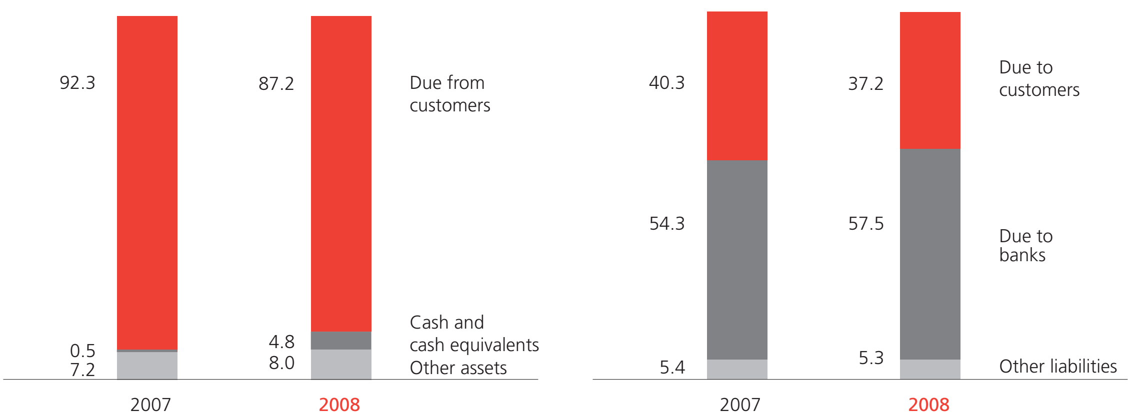
The *Net operating margin*, calculated as the sum of the intermediation margin, other operating income and expense, administrative costs and amortisation and depreciation, increased by 0.9%. The ratio to average assets dropped from 2.00% to 1.65%.

Roa/Roe
(%)



ROA (Return On Assets) decreased by 4 bps mainly due to the 21% increase in average assets.
ROE (Return On Equity) moved down 126 bps due to the effect of the share capital increase from € 122 to € 172 million.

Structure of assets and liabilities on the balance sheet

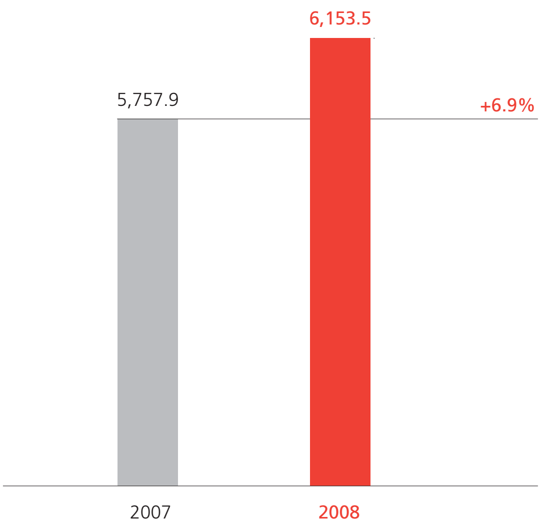


The composition of assets reveals a decrease in receivables from customers and an increase in receivables from banks. The same can be said of the structure of liabilities which reveals that part of payables to customers have been replaced with payables to banks.

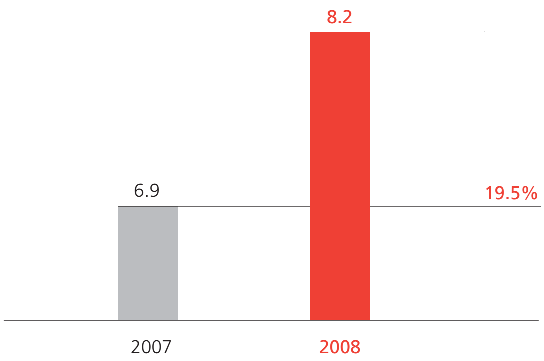
Data in €m			**Change**	
	2008	**2007**	**Absolute**	**(%)**
- Car loans	3,417	3,546	(129)	(3.6)
- Special-purpose loans	335	340	(5)	(1.5)
- Personal loans	1,259	1,070	189	17.7
- Cards	193	202	(9)	(4.5)
- Leasing	585	426	159	37.3
- Loans secured by one fifth of borrower's salary	329	169	160	94.7
- Stock financing	73	63	10	15.9
- Factoring	80	57	23	40.4
Other receivables from customers	29	4	25	625.0
Other amortised cost components	(42)	(33)	(9)	27.3
Receivables from customers, gross	**6,258**	**5,844**	**414**	**7.1**
Allowance for bad and doubtful accounts	(104)	(86)	(18)	20.9
Receivables from customers, net	**6,154**	**5,758**	**396**	**6.9**

As regards the movement on receivables from customers, the y/y 6.9% increase was mainly driven by the upswing (lower than the previous year) in lending volumes, in particular in the personal loan (+18%), leasing (+37%) and loans secured by one fifth of the borrower's salary (+95%) segments, where the latter data confirms the effective synergies established with Unifin S.p.A., a subsidiary of the Spanish Santander Consumer Finance S.A. Parent
Although this new product line has been launched only recently, Stock financing also returned good results.
As regards the acquisition of non-performing loans, concentrated at the Santander Consumer Finanzia subsidiary, reference should be made to the section below dedicated to this Company.
The "other components of amortised cost" of the above table refer to the value of collecting commissions due, the increase in which was closely related to evolution of the loans portfolio and to extension of the average duration of the loans. Lastly, there was a significant upswing in gross receivables per employee, confirming the noteworthy economies of scale achieved during the year.

Net receivables from customers



Gross receivables per employee



Santander Consumer Finanzia S.r.l. (formerly Fc Factor S.r.l.)

Major events in FY 2008 included extension of the corporate purpose which, in addition to factoring and acquisition of receivables, now includes granting of loans vis-à-vis the public, and the consequent modification of the Company name from "Fc Factor S.r.l." to "Santander Consumer Finanzia S.r.l.".

Factoring

During its ninth year of business, the Company formalised the purchase without recourse of non-performing loans for a total of 20,122 positions and a nominal value of € 120,695 million in addition to arrears interest.

During the year, assignments without recourse of receivables referring to 7,463 positions for a nominal value of € 17.808 million and a book value of € 860 thousand were made to leading factoring companies operating on the Italian market.

Proceeds from the ordinary activity of managing the loans acquired totalled € 16.294 million.

In 2008, business income was generated for € 8.258 million by capital gains on the portfolio acquired, for € 1.667 million by interest (of which € 0.771 million on loans granted), for € 8.148 million by commissions receivable on the intermediation of loans, for € 982,000 by default interest charged and paid during the year by customers assigned.

Interest expense matured during the year amounted to € 3.006 million, commissions payable to € 0.880 million, structure costs to € 5.678 million and lastly the balance of net adjustments on impairment of receivables to € 8.330 million.

The ratio between operating expenses/proceeds was equal to 35.1%, compared with 27.2% in the previous year, mainly due to the effects of an extraordinary assignment to third parties of a significant group of receivables.

In the year just ended, the most important commercial partners with which the Company operated were the Santander Consumer Bank S.p.A Parent and Golden Bar Securitisation S.r.l., a vehicle Company used by the Parent within the framework of its securitisation operations, carried out pursuant to Law 130/99.

At December 31 2008, receivables for personal loans granted totalled € 43.278 million. On the other hand, as regards the activity of acquisition without recourse of non-performing loans, the residual purchase cost at year-end amounted to € 64.207 million (€ 45.848 million at the end of the previous year), for an equivalent nominal value of € 327.858 million.
There was a y/y increase in the average ticket of the portfolio managed which moved to unitary values of € 5.800, while the concentration of risk on contracts of higher amount resulted in an inevitable extension of average recovery times, generating a 23% y/y increase in bills of exchange in the portfolio issued by debtors transferred following re-entry plan formalisation.

The portfolio purchased from the Santander Consumer Bank Parent and from Golden Bar (Securitisation) is evenly distributed between the Centre-North (54%) and South of Italy (46%).

Also in 2008, attention was dedicated to re-organisation in order to improve processes and enhance their efficiency and effectiveness.
Recourse to telephone credit recovery was stepped up during the year, setting up an HQ Phone Collection Centre with the mission of managing the external companies responsible for these activities; a Back Office & Control office was set up to manage internal procedures that support management phases, concentrating certain administrative activities at this office so that the peripheral branches are able to focus more on the selection, control and coordination of domiciliary recovery companies.

A High Risks Committee has also been set up with the task of evaluating the advisability of anticipating, compared with the standard procedure, the transfer to Litigation of receivables with a nominal value acquired of more than € 30,000, according to which the investigation/assessment phase is initiated at the time of acquisition of the receivables, permitting more timely activation of legal actions for credit recovery.

Referring more specifically to Litigation, there was a y/y 3% reduction in the number of disputes in stock, accompanied however by a 10% upswing in the equivalent nominal values of the receivables.

Lending activities.

A strategic project intended to set up an environment dedicated to managing the distribution of the personal loans product through third party networks was completed with the cooperation of the main corporate Services of the Santander Consumer Bank Spa Parent, sole shareholder of Santander Consumer Finanzia S.r.l. (formerly Fc Factor srl). The project was directed towards promoting management efficiency and maximising the earnings of personal loans business, while maintaining the Parent's credit policy unchanged. To implement the project, it was necessary to modify the name of the Company from FcFactor srl to Santander Consumer Finanzia srl. Modification of the Company's name was a further aspect of a process of modification of the corporate purpose of Fc Factor according to which the Company can issue loans and manage personal loans on its own behalf. Following a test period (from July 2008) and after initial activation of complex agency networks (October 2008), around € 41 million of personal loans with an Irr (Interest Rate of Return) of 14.03% have been disbursed through Santander Consumer Finanzia. The complex process of conversion and activation of the external networks which previously placed personal loans through Santander Consumer Bank was completed on December 31 2008, thereby guaranteeing complete management of personal loan production stemming from agency or intermediation relationships at Santander Consumer Finanzia. With regard to the placement of personal loans, commercial and operating management of Santander Consumer Finanzia is afforded by Santander Consumer Bank on the basis of specific servicing contracts.

General data.

At December 31 2008, the Company workforce comprised 27 persons of which 1 director, 5 managers, 21 staff members.

FY 2008 closed with a net income of € 17 thousand.

Santander Consumer Finance Media S.r.l.

As in previous years, the Company continued to operate on the basis of two specific commercial cooperation agreements stipulated formerly with De Agostini Diffusione del Libro and Utet; these agreements envisage financing of instalment sales of De Agostini Diffusione del Libro and Utet publishing products sold through their respective sales networks. Alongside such agreements, in order also to promote complete, correct management of business, the Company continues to operate on the basis of a specific servicing agreement sealed for this purpose with the Santander Consumer Bank S.p.A. Parent.
It is worth recalling that before the Company started business (July 2006), Utet and De Agostini Diffusione del Libro operated mainly on the basis of a commercial model that, amongst others, envisaged instalment sales at the customer's home through a fully-articulated sales network of many agents, remunerated with commissions on sales concluded.
The Joint Venture between Santander Consumer Bank S.p.A. and De Agostini Editore S.p.A. has therefore resulted in the introduction of a completely new commercial and business model for the publishing Group, with significant remodelling of the method of financing, collection and management of instalment credits generated by sales of its publishing products, without however modifying the sales phase.
In particular, since the introduction of the new business model (editorial products/works sold with the support of the loan), restrictions have been applied on De Agostini Group agents' possibility of carrying out the specifically remunerated accessory activity of collecting instalments through visits to the customer's home, the main method of monthly collection used in the past.
The new business model is based on the use of a "private" credit card (i.e. that cannot be used on banking circuits) with payment function on which the credit line granted to the customer at the first purchase of the publishing product is domiciled The fact that the loan is made available when the customer purchases the first publishing product allows the beneficiary to use the funds available immediately.
The Company therefore receives the loan application directly from the De Agostini networks and is free to grant or reject this according to tests on the customer's solvency, carried out using the same methods and procedures adopted by Santander Consumer Bank which updates and "tailors" these to the typical De Agostini customer case by case.
If granted, the loan is issued at "zero" rate for the customer insofar as the related charges (the so-called "contributions") which constitute a strong marketing lever, are paid entirely by De Agostini Diffusione del Libro and Utet S.p.A.

From a commercial viewpoint and in line with the general trend of publishing sales, the results generated in 2008 were below expectations.
Commissions generated by the business of Utet and De Agostini Diffusione del Libro were below budget forecasts due to the following main factors:
1) a general market scenario unfavourable to consumption of publishing products, characterised by a significant shrinkage on all sales channels (bookshops, newsagents, large-scale retailing, door to door), with the exception of new media;
2) a further accentuation of the declining trend of the market for major traditional major works sold in instalments, which currently account for a large swathe of the offer of Utet and De Agostini Diffusione del Libro, compared with greater stability of the so-called "high prestige works" sector to which the two companies intend to move but which will require a certain period of time before they become significant components of their product mix;
3) difficulties encountered in adapting the sales networks to the above-mentioned new financing method and new market context which, for Utet and De Agostini Diffusione del Libro, involves far-reaching internal re-organisation and improvement of the quality of their sales structures, launched in the second half of 2008. The gaps in sales structures that accompany these in-depth changes tend to curtail the scope and effectiveness of sales pressure in the short term.
Despite this unfavourable backdrop, future strategic objectives of Utet and De Agostini Diffusione del Libro confirm their orientation towards loan-based sales and envisage the introduction of various corrective measures that may contribute to improving the number of works ordered, building on experience acquired in the first years of business with the Company and taking into account the particular nature of the "door to door" publishing market.
As in the past, the performance of the two sales networks differed according to the method of selling supported by Company loans:Utet reported a lending volume equal to around 45% of the works ordered (61% on instalment works ordered only), whereas for De Agostini Diffusione del Libro S.p.A. this value was equal to around 74% (79% on instalment works ordered only). In 2007, the aforesaid percentages were equal to 40% and 65% respectively. In the year under review, some 19,000 applications were assessed of which around 16,000 were approved, with a total lending volume of around € 34.0 million.

Although not up to expectations, the aforesaid commercial transactions generated receivables from customers of approx. € 72,879 thousand at December 31 2008; during the year, contributions charged to Utet and De Agostini Diffusione del Libro were invoiced for around € 6,972 thousand while those ascribable to FY 2008 amounted to around € 6,276 thousand.
Operating expenses, including the charge for services provided by the Parent, totalled € 1,294 thousand, while value adjustments to receivables were equal to € 2,876 thousand.
FY 2008 closed with income before taxes of € 15 thousand which, after charging income taxes for the year of around € 153 thousand, generated a net loss of around € 138 thousand.

As indicated above, it should be noted that the Company outsources all corporate functions from the Santander Consumer Bank S.p.A. Parent which therefore furnishes the services required on the basis of the aforementioned servicing agreement and the specific Company functions chart, at a cost aligned with market standards. In the year under review, the Company paid the Parent Bank approximately € 1,179 thousand for services received. According to the above, the Company does not have own employees.
With regard to the general security obligations established by Legislative Decree No 196 of June 30 2003 (Code on Privacy), the "Privacy Policy Statement" (version 1.2 of 23/04/2008), set forth in Annex B of the above Decree, has been regularly updated. This document comprises a list of processing operations carried out, an analysis of risks, indication of the measures adopted to guarantee integrity and availability of the data and also protection of the areas and premises where the data are preserved and training of those responsible for processing such data.
Starting from tax year 2007, the Company has participated in the so-called National Fiscal Consolidation thus permitting consolidation of its own tax balances at the Santander Consumer Bank S.p.A. Parent.

Santander
CONSUMER BANK

Consolidated accounting schedules

Consolidated Balance Sheet

				Change	
ASSETS		31/12/08	31/12/07	absolute	%
10	Cash and cash equivalents	10,301	9,000	1,301	14.5
20	Financial assets held for trading	368,561,898	256,233,487	112,328,411	43.8
40	Available for-sale financial assets	692,495,842		692,495,842	100.0
60	Due from banks	373,507,430	29,225,141	344,282,289	1,178.0
70	Due from customers	6,153,528,282	5,757,894,360	395,633,922	6.9
80	Derivatives used for hedging	873,314	32,835,829	(31,962,515)	-97.3
120	Tangible assets	6,165,748	6,936,309	(770,561)	-11.1
130	Intangible assets	7,022,223	5,442,877	1,579,346	29.0
140	Tax assets	138,265,088	71,229,876	67,035,212	94.1
	a) current	43,195,365	30,448,390	12,746,975	41.9
	b) prepaid	95,069,723	40,781,486	54,288,237	133.1
160	Other assets	108,472,285	79,327,548	29,144,737	36.7
TOTAL ASSETS		7,848,902,411	6,239,134,427	1,609,767,984	25.8

LIABILITIES AND SHAREHOLDERS' EQUITY		31/12/08	31/12/07	Change absolute	Change %
10	Due to banks	4,511,651,301	3,386,410,784	1,125,240,517	33.2
20	Due to customers	357,892,226	439,809,751	(81,917,525)	-18,6
30	Securities issued	2,560,730,697	2,074,402,441	486,328,256	23.4
60	Derivatives used for hedging	120,775,244	768,014	120,007,230	15,625.7
80	Tax liabilities	41,816,691	50,712,486	(8,895,795)	-17.5
	a) current	41,786,980	41,064,156	722,824	1.8
	b) deferred	29,711	9,648,330	(9,618,619)	-99.7
100	Other liabilities	74,903,381	53,889,626	21,013,755	39.0
110	Provision for termination benefits	5,015,452	5,333,857	(318,405)	-6.0
140	Valuation reserves	(84,085,738)	18,715,533	(102,801,271)	-549.3
170	Reserves	65,169,224	65,187,424	(18,200)	0.0
190	Shareholders' equity	172,000,000	122,000,000	50,000,000	41.0
210	Minority interest in Shareholders' equity (+/-)	2,226,291	2,400,854	(174,563)	-7.3
220	Net income (loss) for the year (+/-)	20,807,642	19,503,657	1,303,985	6.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,848,902,411	6,239,134,427	1,609,767,984	25.8

Consolidated Income Statement

ITEMS		31/12/08	31/12/07	Change absolute	Change %
10	Interest earned and similar income	409,074,053	334,335,934	74,738,119	22.4
20	Interest expense and similar charges	(325,405,120)	(228,908,097)	96,497,023	42.2
30	**Interest margin**	**83,668,933**	**105,427,837**	**(21,758,904)**	**-20.6**
40	Commissions receivable	133,922,963	100,364,296	33,558,667	33.4
50	Commissions payable	(17,847,361)	(16,829,791)	1,017,570	6.0
60	**Net commissions**	**116,075,602**	**83,534,505**	**32,541,097**	**39.0**
70	Dividends and similar income	123	272	(149)	-54.8
80	Net result of trading activity	15,068,068	10,150,033	4,918,035	48.5
90	Net result of hedging activity	(12,437)		12.437	
100	Income (loss) on transfer or repurchase of:	(42,617,214)	(25,787,849)	16,829,365	65.3
	a) credits	(42,617,214)	(25,885,405)	16,731,809	64.6
	b) financial assets available for sale		97,556	(97,556)	
120	**Contribution margin**	**172,183,075**	**173,324,798**	**(1,141,723)**	**-0.7**
130	Net adjustments/re-adjustments of value for impairment of:	(71,763,443)	(63,056,453)	8,706,990	13.8
	a) credits	(71,763,443)	(63,056,453)	8,706,990	13.8
140	**Net result of financial management**	**100,419,632**	**110,268,345**	**(9,848,713)**	**-8.9**
170	**Net result of financial and insurance operations**	**100,419,632**	**110,268,345**	**(9,848,713)**	**-8.9**
180	Administrative expenses:	(93,876,344)	(89,700,695)	4,175,649	4.7
	a) personnel costs	(36,587,166)	(36,387,692)	199,474	0.5
	b) other administrative expenses	(57,289,178)	(53,313,003)	3,976,175	7.5
200	Net adjustments/re-adjustments to tangible assets	(2,747,870)	(3,390,088)	(642,218)	-18.9
210	Net adjustments/re-adjustments to intangible assets	(3,474,434)	(3,449,733)	24,701	0.7
220	Other operating income/expenses	44,323,230	38,564,766	5,758,464	14.9
230	**Operating expenses**	**(55,775,418)**	**(57,975,750)**	**(2,200,332)**	**-3.8**
280	**Income (loss) on current operations before taxes**	**44,644,214**	**52,292,595**	**(7,648,381)**	**-14.6**
290	Income taxes for the year on current operations	(23,884,833)	(32,817,747)	(8,932,914)	-27.2
300	**Income (loss) on current operations net of taxes**	**20,759,381**	**19,474,848**	**1,284,533**	**6.6**
320	**Net income (loss) for the year**	**20,759,381**	**19,474,848**	**1,284,533**	**6.6**
330	Minority interest in net income (loss) for the year	(48,261)	(28,809)	19,452	67.5
340	**Parent company interest in net income (loss) for the year**	**20,807,642**	**19,503,657**	**1,303,985**	**6.7**

Schedule of Changes in Consolidated Shareholders' Equity

	Shareholders' equity		Additional paid-in capital	Reserves		Valuation reserves			Capital instrument	Own shares	Net income (loss) for the year	Shareholders' equity
	ordinary shares	other shares		profit	other	Available for sale	Cash flow hedges	other				
Balance at 31.12.2007 Group interest	122,000			64,345	842		18,716				19,504	**225,407**
Balance at 31.12.2007 Minority interest	2,450			4			(24)				(29)	**2,401**
Modification of opening balances												
Balance at 1.1.2008 Group interest	**122,000**			**64,345**	**842**		**18,716**				**19,504**	225,407
Balance at 1.1.2008 Minority interest	2,450			4			(24)				(29)	**2,401**
Allocation of the net income (loss) of the previous year												
- Group interest in reserves				1,044							336	**1,380**
- Minority interest in reserves				(29)							29	
- Dividends and other allocations											(19,840)	**(19,840)**
Changes during the year												
Changes in Group interest in reserves					(1,062)		(102,802)					**(103,864)**
Changes in Minority interest in reserves							(127)					**(127)**
Operations on Shareholders' equity												
- Issue of new shares of the Group	50,000											**50,000**
- Issue of new shares of Minority interests												
- Purchase of own shares of the Group												
- Purchase of own shares of Minority interests												
- Distribution of extraordinary dividends												
- Change in capital instruments												
- Derivatives on own shares												
- Stock options												
Net income (loss) for the year 31.12.2008 Group interest											20,808	**20,808**
Net income (loss) for the year 31.12.2008 Minority interest											(48)	**(48)**
Shareholders' equity at 31.12.2008 Group interest	**172,000**			**65,389**	**(220)**		**(84,086)**				**20,808**	173,891
Shareholders' equity at 31.12.2008 Minority interest	**2,450**			**(25)**			**(151)**				**(48)**	2,226

Schedule of Changes in Consolidated Shareholders' Equity

	Shareholders' equity		Additional paid-in capital	Reserves		Valuation reserves			Capital instrument	Own shares	Net income (loss) for the year	Shareholders' equity
	ordinary shares	other shares		profit	other	Available for sale	Cash flow hedges	other				
Balance at 31.12.2006 Group interest	100,000			63,280	830	7	17,825				20,528	**202,470**
Balance at 31.12.2006 Minority interest	2,450										4	2,454
Modification of opening balances												
Balance at 1.1.2007 Group interest	**100,000**			**63,280**	**830**	**7**	**17,825**				**20,528**	**202,470**
Balance at 1.1.2007 Minority interest	2,450										4	2,454
Allocation of the net income (loss) of the previous year												
- Group interest in reserves				1,065							(296)	769
- Minority interest in reserves				4							(4)	
- Dividends and other allocations											(20,232)	**(20,232)**
Changes during the year												
Changes in Group interest in reserves					12	(7)	891					**896**
Changes in Minority interest in reserves							(24)					(24)
Operations on Shareholders' equity												
- Issue of new shares of the Group	22,000											**22,000**
- Issue of new shares of Minority interests												
- Purchase of own shares of the Group												
- Purchase of own shares of Minority interest												
- Distribution of extraordinary dividends												
- Change in capital instruments												
- Derivatives on own shares												
- Stock options												
Net income (loss) for the year 31.12.2007 Group interest											19,504	**19,504**
Net income (loss) for the year 31.12.2007 Minority interest											(29)	**(29)**
Shareholders' equity at 31.12.2007 Group interest	**122,000**			**64,345**	**842**		**18,716**				**19,504**	**225,407**
Shareholders' equity at 31.12.2007 Minority interest	**2,450**			**4**			**(24)**				**(29)**	**2,401**

Consolidated Cash Flow Statement (indirect method)

A. OPERATIONS	31/12/08	31/12/07
1. Operating activity	**115,213**	**106,269**
- net income for the year (+/-)	20,760	19,475
- capital gains/losses on financial assets held for trading and on assets/liabilities carried at *fair value* (+/-)		
- capital gains/losses on hedges (+/-)	12	
- net adjustments/re-adjustments of value for impairment (+/-)	122,834	88,942
- net adjustments/re-adjustments of value on tangible and intangible assets (+/-)	6,222	6,840
- net provisions to reserves for risks and charges and other costs/revenues (+/-)	292	
- net premiums not collected (-)		
- other unrealised insurance income/charges (+/-)		
- taxes not paid (+)	23,706	32,811
- net adjustments/re-adjustments on disposal groups net of tax effect (-/+)		
- other adjustments (+/-)	(58,613)	(41,799)
2. Net cash flow generated (absorbed) by financial assets	**(1,668,582)**	**(1,036,761)**
- financial assets held for trading	(112,328)	2,618
- financial assets measured at *fair value*		
- financial assets available for sale	(692,496)	14
- due from banks: repayable on demand	9,559	(137,554)
- due from banks: other loans	(355,511)	(6,206)
- loans to customers	(517,806)	(894,633)
3. Net cash flow generated (absorbed) by financial liabilities	**1,530,241**	**934,034**
- due to banks: repayable on demand	(8,979)	(11,149)
- due to banks: other deposits	1,135,421	327,458
- due to customers	(81,919)	(51,989)
- securities issued	486,328	675,421
- trading financial liabilities		(5,743)
- financial liabilities carried at *fair value*		
- other liabilities	(610)	36
Net cash flow generated (absorbed) by operations	**(23,128)**	**4,542**
B. INVESTING ACTIVITY		
1. Cash flow generated by	**36**	**58**
- sale of equity investments		
- dividends on equity investments		
- sale of financial assets held to maturity		
- sale of tangible assets	36	58
- sale of intangible assets		
- sale of subsidiaries and of business units		
2. Cash flow absorbed by	**(7,067)**	**(6,369)**
- purchase of equity investments		
- purchase of financial assets held to maturity		
- purchase of tangible assets	(2,014)	(2,774)
- purchase of intangible assets	(5,053)	(3,595)
- purchase of subsidiaries and of business units		
Net cash flow generated (absorbed) by investing activity	**(7,031)**	**(6,311)**
C. FUNDING ACTIVITY		
- issue/purchase of own shares	50,000	22,000
- issue/purchase of capital instruments		
- distribution of dividends and other uses	(19,840)	(20,232)
Net cash flow generated (absorbed) by funding	**30,160**	**1,768**
NET CASH FLOW GENERATED (ABSORBED) DURING THE YEAR	**1**	**(1)**

Reconciliation

CAPTIONS	31/12/08	31/12/07
Cash and cash equivalents at start of year	9	10
Total net cash flow generated (absorbed) during the year	1	(1)
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at end of year	10	9

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