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

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

1. We have audited the consolidated financial statements of Santander Consumer Finance, S.A. ("the Bank", which is part of the Santander Group) and of the Companies composing, together with the Bank, the Santander Consumer Finance Group ("the Group"), which consist of the consolidated balance sheet at 31 December 2008 and the related consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement ("consolidated financial statements") and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the directors of the Bank (Parent). Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.

2. As required by Spanish corporate and commercial law, for comparison purposes the Bank's directors present, in addition to the figures for 2008 for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements, the figures for 2007. Our opinion refers only to the consolidated financial statements for 2008. On 17 April 2008, we issued our auditors' report on the 2007 consolidated financial statements, in which we expressed an unqualified opinion.

3. In our opinion, the accompanying consolidated financial statements for 2008 present fairly, in all material respects, the consolidated equity and consolidated financial position of the Santander Consumer Finance Group at 31 December 2008 and the consolidated results of its operations, the changes in the consolidated equity and its consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards as adopted by the European Union applied on a basis consistent with that of the preceding year.

4. The accompanying consolidated directors' report for 2008 contains the explanations which the Bank's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the consolidated financial statements for 2008. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of the consolidated entities.

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

Carlos Giménez Lambea
3 April 2009

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

Member of
Deloitte Touche Tohmatsu

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

Consolidated Financial Statements for the year ended 31 December 2008 and Directors' Report

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

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

Consolidated Financial Statements
for the year ended
31 December 2008 and
Directors' Report

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

SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007 (NOTES 1 to 4)

(Thousands of euros)

ASSETS	Note	2008	2007 (*)
CASH AND BALANCES WITH CENTRAL BANKS		727,520	604,058
FINANCIAL ASSETS HELD FOR TRADING:		464,863	49,622
Equity instruments	8	365,922	346
Trading derivatives	9	98,941	49,276
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS:		103,532	178,140
Debt instruments	7	102,702	178,140
Equity instruments	8	830	-
LOANS AND RECEIVABLES:		51,825,235	45,196,022
Loans and advances to credit institutions	6	3,312,617	2,212,092
Loans and advances to customers	10	48,425,581	42,823,179
Debt instruments	7	87,037	160,751
Memorandum item: Loaned or advanced as collateral	10	*1,350,000*	*1,350,000*
HELD-TO-MATURITY INVESTMENTS		-	-
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	31	105,189	(5,611)
HEDGING DERIVATIVES	11	342,049	89,772
NON-CURRENT ASSETS HELD FOR SALE	12	91,402	9,582
INVESTMENTS:		21,099	30,936
Associates	13	21,099	30,936
INSURANCE CONTRACTS LINKED TO PENSIONS	14	32,876	38,888
REINSURANCE ASSETS		-	-
TANGIBLE ASSETS:		618,513	625,129
Property, plant and equipment − For own use	15	163,270	161,415
Property, plant and equipment – Other assets leased out under an operating lease	15	455,243	463,714
INTANGIBLE ASSETS:		1,659,820	1,578,024
Goodwill	16	1,425,561	1,396,186
Other intangible assets	16	234,259	181,838
TAX ASSETS:		669,791	421,216
Current	24	215,312	193,340
Deferred	24	454,479	227,876
OTHER ASSETS:		284,378	254,888
Inventories	17	8,873	13,927
Other	17	275,505	240,961
TOTAL ASSETS		**56,946,267**	**49,070,666**
CONTINGENT LIABILITIES	30	1,073,827	1,175,711
CONTINGENT COMMITMENTS	30	18,097,577	10,783,951

LIABILITIES AND EQUITY	Note	2008	2007 (*)
LIABILITIES			
FINANCIAL LIABILITIES HELD FOR TRADING:		116,765	33,167
Trading derivatives	9	116,765	33,167
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
FINANCIAL LIABILITIES AT AMORTISED COST:		51,605,429	44,863,883
Deposits from credit institutions	18	17,213,946	9,703,588
Customer deposits	19	18,053,494	13,869,476
Marketable debt securities	20	14,712,803	19,449,303
Subordinated liabilities	21	841,386	892,130
Other financial liabilities	22	783,800	949,386
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
HEDGING DERIVATIVES	11	426,907	84,806
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	12	17,313	-
LIABILITIES UNDER INSURANCE CONTRACTS		-	-
PROVISIONS:		322,671	243,294
Provisions for pensions and similar obligations	23	265,795	193,042
Provisions for taxes and other legal contingencies	23	17,539	12,741
Provisions for contingent liabilities and commitments	23	1,368	1,110
Other provisions	23	37,969	36,401
TAX LIABILITIES:		428,847	445,888
Current	24	128,533	155,708
Deferred	24	300,314	290,180
OTHER LIABILITIES	17	517,573	329,186
TOTAL LIABILITIES		**53,435,505**	**46,000,224**
EQUITY			
SHAREHOLDERS' EQUITY:		3,673,114	2,899,416
Registered capital	25	1,796,142	996,213
Share premium	26	1,139,990	1,139,990
Reserves-	27	760,092	856,203
Accumulated reserves		737,440	840,124
Reserves of entities accounted for using the equity method		22,652	16,079
Less: Treasury shares		-	-
Profit for the year attributable to the Parent		378,028	508,059
Less- Dividends and remuneration		(401,138)	(601,049)
VALUATION ADJUSTMENTS:		(230,552)	90,726
Available-for-sale financial assets	28	34,319	-
Cash flow hedges	28	(176,238)	37,619
Exchange differences	28	(88,633)	53,107
MINORITY INTERESTS:		68,200	80,300
Other	29	68,200	80,300
TOTAL EQUITY		**3,510,762**	**3,070,442**
TOTAL LIABILITIES AND EQUITY		**56,946,267**	**49,070,666**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 51 and Appendixes I to IV are an integral part of the consolidated balance sheet for 2008.

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

SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007 (NOTES 1 TO 4)

(Thousands of Euros)

	Note	(Debit)	Credit
		2008	2007 (*)
INTEREST AND SIMILAR INCOME	32	3,634,373	2,867,449
INTEREST EXPENSE AND SIMILAR CHARGES	33	(2,205,355)	(1,521,534)
NET INTEREST INCOME		**1,429,018**	**1,345,915**
INCOME FROM EQUITY INSTRUMENTS		432	14
SHARE OF RESULTS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	13 and 34	(3,989)	7,504
FEE AND COMMISSION INCOME	35	903,291	680,513
FEE AND COMMISSION EXPENSE	36	(174,603)	(149,379)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (net):	37	34,315	9,500
Held for trading		(9,669)	3,953
Other financial instruments at fair value through profit or loss		89	127
Financial instruments not measured at fair value through profit or loss		32,722	5,236
Other		11,173	184
EXCHANGE DIFFERENCES (net)	38	8,397	482
OTHER OPERATING INCOME:	39	186,769	163,593
Sales and income from the provision of non-financial services		118,461	109,153
Other		68,308	54,440
OTHER OPERATING EXPENSES:	40	(28, 720)	(25,865)
Other		(28, 720)	(25,865)
GROSS INCOME		**2,354, 910**	**2,032,277**
ADMINISTRATIVE EXPENSES:		(749,053)	(651,928)
Staff costs	41	(332,741)	(290,507)
Other general administrative expenses	42	(416,312)	(361,421)
DEPRECIATION AND AMORTISATION	15 and 16	(161,159)	(132,924)
PROVISIONS (net)	23	(26,888)	3,466
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (net):		(784,447)	(430,149)
Loans and receivables	7 and 10	(786,844)	(430,149)
Other financial instruments not measured at fair value through profit or loss		2,397	-
PROFIT FROM OPERATIONS		**633,363**	**820,742**
IMPAIRMENT LOSSES ON OTHER ASSETS (net):	43	(91,798)	(17,432)
Goodwill and other intangible assets		(84,630)	(11,258)
Other assets		(7,168)	(6,174)
GAINS (LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	44	(2,705)	8,208
NEGATIVE GOODWILL ON BUSINESS COMBINATIONS		-	-
GAINS (LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	45	(1,758)	591
PROFIT BEFORE TAX		**537,102**	**812,109**
INCOME TAX	24	(139,071)	(298,635)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**398,031**	**513,474**
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (net)	46	(20,938)	(1,704)
CONSOLIDATED PROFIT FOR THE YEAR		**377,093**	**511,770**
PROFIT ATTRIBUTABLE TO THE PARENT		378,028	508,059
PROFIT/(LOSS) ATTRIBUTABLE TO MINORITY INTERESTS	29	(935)	3,711
BASIC AND DILUTED EARNINGS PER SHARE		**0.76**	**1.53**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 51 and Appendixes I to IV are an integral part of the consolidated income statement for 2008.

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

SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007 (NOTES 1 TO 4)

(Thousands of Euros)

	2008	2007 (*)
A) CONSOLIDATED PROFIT FOR THE YEAR	**377,093**	**511,770**
B) OTHER RECOGNISED INCOME AND EXPENSE	**(321,278)**	**28,769**
AVAILABLE-FOR-SALE FINANCIAL ASSETS:	49,027	(312)
Revaluation gains/(losses)	49,270	-
Amounts transferred to income statement	(243)	(312)
CASH FLOW HEDGES:	(305,510)	18,960
Revaluation gains/(losses)	(287,702)	28,646
Amounts transferred to income statement	(17,808)	(9,686)
HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS	-	-
EXCHANGE DIFFERENCES:	(141,740)	20,674
Revaluation gains/(losses)	(144,266)	20,674
Amounts transferred to income statement	2,526	-
NON-CURRENT ASSETS HELD FOR SALE	-	-
ACTUARIAL GAINS/(LOSSES) ON PENSION PLANS	-	-
ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	-	-
OTHER RECOGNISED INCOME AND EXPENSE	-	-
INCOME TAX	76,945	(10,553)
C) TOTAL RECOGNISED INCOME AND EXPENSE (A + B)	**55,815**	**540,539**
Attributable to the Parent	56,750	536,828
Attributable to minority interests	(935)	3,711

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 51 and Appendixes I to IV are an integral part of the consolidated statement of recognised income and expense for 2008.

SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007 (NOTES 1 TO 4)

(Thousands of Euros)

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

The accompanying Notes 1 to 51 and Appendixes I to IV are an integral part of the consolidated statement of changes in total equity for 2008.

SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007 (NOTES 1 TO 4) - (continued)

(Thousands of Euros)

	2007(*)												
	EQUITY ATTRIBUTABLE TO THE PARENT												
	SHAREHOLDERS' EQUITY												
			RESERVES										
	Capital	Share Premium	Accumulated Reserves (Losses)	Reserves (Losses) of Entities Accounted for Using the Equity Method	Other Equity Instruments	Less: Treasury Shares	Profit for the Year Attributable to the Parent	Less: Dividends and Remuneration	Total Shareholders' Equity	Valuation Adjustments	Total	Minority Interests	Total Equity
Ending balance at 31 December 2006	**996,213**	**1,139,990**	**525,152**	**12,018**	**-**	**-**	**733,322**	**(411,768)**	**2,994,927**	**61,957**	**3,056,884**	**96,940**	**3,153,824**
Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**996,213**	**1,139,990**	**525,152**	**12,018**	**-**	**-**	**733,322**	**(411,768)**	**2,994,927**	**61,957**	**3,056,884**	**96,940**	**3,153,824**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**-**	**508,059**	**-**	**508,059**	**28,769**	**536,828**	**3,711**	**540,539**
Other changes in equity	**-**	**-**	**314,972**	**4,061**	**-**	**-**	**(733,322)**	**(189,281)**	**(603,570)**	**-**	**(603,570)**	**(20,351)**	**(623,921)**
Distribution of dividends	-	-	-	-	-	-	-	(601,049)	(601,049)	-	(601,049)	-	(601,049)
Transfers between equity items	-	-	317,514	4,040	-	-	(733,322)	411,768	-	-	-	-	-
Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	(21,004)	(21,004)
Other increases (decreases) in equity	-	-	(2,542)	21	-	-	-	-	(2,521)	-	(2,521)	653	(1,868)
Ending balance at 31 December 2007	**996,213**	**1,139,990**	**840,124**	**16,079**	**-**	**-**	**508,059**	**(601,049)**	**2,899,416**	**90,726**	**2,990,142**	**80,300**	**3,070,442**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 51 and Appendixes I to IV are an integral part of the consolidated statement of changes in total equity for 2008.

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

SANTANDER CONSUMER FINANCE GROUP
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007 (NOTES 1 TO 4)

(Thousands of Euros)

	2008	2007 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES	**809,714**	**295,653**
Consolidated profit for the year	*377,093*	*511,770*
Adjustments made to obtain the cash flows from operating activities:	*1,206,346*	*858,896*
Depreciation and amortisation	161,159	132,933
Other adjustments	1,045,187	725,963
Net increase/decrease in operating assets:	*3,384,286*	*7,643,881*
Financial assets held for trading	416,439	(19,842)
Other financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	(111,324)	100,164
Loans and receivables	2,478,803	7,473,389
Other operating assets	600,368	90,170
Net increase/decrease in operating liabilities:	*2,874,048*	*6,867,503*
Financial liabilities held for trading	83,598	(4,655)
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	2,829,842	6,846,998
Other operating liabilities	(39,392)	25,160
Collections/Payments of income tax	*(263,487)*	*(298,635)*
B) CASH FLOWS FROM INVESTING ACTIVITIES	**(544,381)**	**(413,421)**
Payments-	*848,800*	*448,826*
Tangible assets	128,547	226,793
Intangible assets	244,507	220,504
Investments	4,744	-
Subsidiaries and other business units	471,002	1,529
Non-current assets held for sale and associated liabilities	-	-
Held-to-maturity investments	-	-
Other payments related to investing activities	-	-
Collections-	*304,419*	*35,405*
Tangible assets	30,321	-
Intangible assets	193,442	-
Investments	2,296	35,405
Subsidiaries and other business units	43,651	-
Non-current assets held for sale and associated liabilities	34,709	-
Held-to-maturity investments	-	-
Other collections related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	**(615,845)**	**(202,875)**
Payments-	*615,845*	*438,555*
Dividends	199,243	401,806
Subordinated liabilities	50,582	16,398
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments related to financing activities	366,020	20,351
Collections-	-	*235,680*
Subordinated liabilities	-	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other collections related to financing activities	-	235,680
D) EFFECT OF CHANGES IN EXCHANGE RATES	**-**	**482**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(350,512)**	**(320,161)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**332,022**	**652,183**
G) CASH AND CASH EQUIVALENTS AT END OF YEAR	**(18,490)**	**332,022**
MEMORANDUM ITEMS:		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR	(18,490)	**332,022**
Cash	139,437	38,621
Cash equivalents at central banks	588,083	565,437
Other financial assets	278,551	143,280
Less: Bank overdrafts refundable on demand	(1,024,561)	(415,316)
Total cash and cash equivalents at end of year	**(18,490)**	**332,022**
of which: held by consolidated entities but not drawable by the Group	-	-

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 51 and Appendixes I to IV are an integral part of the consolidated cash flow statement for 2008.

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

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

a) Introduction

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

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

The Bank is part of the Santander Group, the parent entity of which (Banco Santander, S.A.) had a 100% direct and indirect ownership interest in the share capital of the Bank at 31 December 2008 (see Note 25). Banco Santander, S.A. has its registered office at Paseo de Pereda 9-12, Santander. In addition, the consolidated financial statements for 2007 of the Santander Group were authorised for issue by the directors of Banco Santander, S.A. at the Board of Directors Meeting held on 24 March 2008 and were filed at the Santander Mercantile Registry. The Bank has one branch (Madrid), is not listed and, in 2008, it carried on most of its business activities in Spain.

The Group has 289 branches distributed throughout Europe (91 of which are located in Spain) and engages in finance leasing, financing of third party purchases of consumer goods of any kind, full-service leasing ("renting") and other activities. Additionally, since December 2002, the Bank has been the head of a European corporate group, consisting mainly of financial institutions, which engages in commercial banking, consumer finance, operating and finance leasing, full-service leasing and other activities in Germany, Italy, the Czech Republic, Hungary, Austria, Poland, the Netherlands, Norway, Sweden, Russia and the United Kingdom.

As required by Bank of Spain Circular 6/2002, of 20 December, the accompanying Appendix IV lists the agents of the Group at 31 December 2008.

The relationship between the Bank and the other Group companies sometimes gives rise to transactions conducted as part of a global Group strategy.

b) Basis of presentation of the consolidated financial statements

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

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

The Group's consolidated financial statements for 2008 were formally prepared by its directors (at the Board Meeting on 26 March 2009) in accordance with International Financial Reporting Standards as adopted by the European Union and with Bank of Spain Circular 4/2004 (as amended by Bank of Spain Circular 6/2008, of 26 November) and, accordingly, they present fairly the Group's equity and financial position at 31 December 2008 and the consolidated results of its operations, the changes in its consolidated equity and the consolidated cash flows in the year then ended. These consolidated financial statements were prepared from the individual accounting records of the Bank and of each of the companies composing the Group, and include certain adjustments and reclassifications required to unify the accounting policies and measurement bases applied by the Group.

The Group's consolidated financial statements for 2007 were approved by the shareholders at the Annual General Meeting of the Bank on 24 April 2008 and filed at the Madrid Mercantile Registry. The 2008 consolidated financial statements of the Group and the 2008 financial statements of the Bank and of almost all the Group entities have not yet been approved by their shareholders at the respective Annual General Meetings. However, the Bank's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

The accounting policies and methods used in the preparation of these consolidated financial statements are the same as those applied for the consolidated financial statements for 2007, taking into consideration the Standards and Interpretations that came into force in 2008. In this respect, it should be noted that the following Standards and Interpretations came into force and were adopted by the European Union in 2008:

- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions: in accordance with this interpretation, treasury share-based payment transactions must be accounted for as equity-settled, regardless of how the equity instruments needed are obtained.

- Amendments to IAS 39 and IFRS 7: the approved amendments permit the reclassification of certain financial assets -debt and equity instruments that meet certain conditions- from financial assets held for trading to available for sale financial assets and held-to-maturity investments. They do not permit the reclassification of financial liabilities, derivatives and financial assets recognised initially as at fair value through profit or loss or the reclassification of instruments from other portfolios to the held-for-trading portfolio. In 2008 the Group did not perform any reclassifications of this kind.

Bank of Spain Circular 4/2004, of 22 December, requires, in general, that consolidated financial statements present comparative information. In this regard, as required by Spanish corporate and commercial law, for comparison purposes the Bank’s directors present, in addition to the figures for 2008 for each item in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of recognised income and expense, consolidated statement of changes in total equity and notes to the consolidated financial statements, the figures for 2007, which were obtained by applying the aforementioned Circular. Consequently, the figures for 2007 included in these notes to the consolidated financial statements for 2008 are presented for comparison purposes only.

Due to the changes introduced by Bank of Spain Circular 6/2008, of 26 November, which have no effect on the consolidated equity of the Group at 31 December 2007 or on the consolidated profit for the year then ended, the consolidated balance sheet, consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in total equity and consolidated cash flow statement for 2007 presented in these consolidated financial statements for 2008 were prepared using the formats contained in the aforementioned Circular. These formats differ, only as regards the basis of presentation of certain items and margins, from those presented in the statutory consolidated financial statements of the Bank for 2007 and, accordingly, for presentation purposes, the comparative figures were reclassified in accordance with IAS 1.

The main differences between the formats of the financial statements under Bank of Spain Circular 6/2008 and those included in the Group's statutory consolidated financial statements for 2007 are as follows:

Consolidated balance sheet

- "Tangible Assets - Property, Plant and Equipment" groups together the line items "Tangible Assets - Property, Plant and Equipment for Own Use" and "Tangible Assets - Other Assets Leased out Under an Operating Lease" included in the consolidated balance sheet presented in the Group's statutory consolidated financial statements for 2007.
- "Other Assets" and "Other Liabilities" group together the balance sheet line items "Prepayments and Accrued Income" and "Other Assets", and "Accrued Expenses and Deferred Income" and "Other Liabilities", included in the Group's consolidated financial statements for 2007.
- "Loans and Receivables" includes the balances receivable of the credits and loans granted by the Group (except for those instrumented as marketable securities), finance lease receivables, other financial receivables in favour of the Group and unquoted debt instruments. These balances are classified, by nature of the counterparty, under "Loans and Advances to Credit Institutions" or "Loans and Advances to Customers", or under "Loans and Receivables - Debt Instruments" and, therefore, the line item "Other Financial Assets" included in the consolidated balance sheet presented in the statutory consolidated financial statements for 2007 is eliminated.

Consolidated income statement

- A new "Net Interest Income" margin is introduced, consisting of the difference between the balances recognised under "Interest and Similar Income" and "Interest Expense and Similar Charges". This interest in the accompanying consolidated income statements includes the finance income and expenses arising from non-financial activities, which used to be recognised separately.
- The gains or losses on financial assets and liabilities relating to financial instruments measured at cost, at amortised cost or classified as available-for-sale, are now recognised under "Financial Instruments not Measured at Fair Value through Profit or Loss" under "Gains/Losses on Financial Assets and Liabilities (net)".
- The consolidated income statement includes a new "Gross Income" margin and the former one is eliminated. The new "Gross Income" margin is similar to the former one, except, basically, for the fact that it contains other operating income and expenses, which were not previously included, and the interest and finance charges from non-financial activities according to their nature.

- “Sales and Income from the Provision of Non-Financial Services” and “Cost of Sales” are eliminated and the balances that were included under these line items are now recognised, basically, in “Other Operating Income” and “Other Operating Expenses”, respectively.
- “Staff Costs” and “Other General Administrative Expenses” are now grouped together under “Administrative Expenses”.
- The balance of “Impairment Losses (net)” is split into two line items: "Impairment Losses on Financial Assets (net)", which includes net impairment losses on financial assets other than equity instruments classified as “Investments”; and “Impairment Losses on Other Assets (net)”, which includes the net impairment losses on equity instruments classified as “Investments” and on other non-financial assets.
- “Net Operating Income” is eliminated and “Profit from Operations” is created. The difference between the two margins is basically that the latter includes the finance income and expenses from the Group’s non-financial activities, the net charge to impairment losses on financial instruments and the net charge to provisions.
- The line items “Other Gains" and "Other Losses” are not included. Instead, three new line items are created: “Gains/(Losses) on Disposal of Assets not Classified as Non-Current Assets Held for Sale”, “Negative Goodwill on Business Combinations” and “Gains/(Losses) on Non-Current Assets Held for Sale not Classified as Discontinued Operations”, which include mainly the balances of the two eliminated line items mentioned above. “Gains/(Losses) on Non-Current Assets Held for Sale not Classified as Discontinued Operations” includes, inter alia, the net impairment losses on these assets, when current regulations do not stipulate that they must be recognised in a different line item, and the gains or losses on the sale of equity instruments classified as available for sale which are strategic investments, even if they had not been classified as non-current assets held for sale in a previous balance sheet. The remaining gains or losses which were previously recognised in the two eliminated line items and are not included in any of the aforementioned three new line items are now recognised according to their nature in the consolidated income statement.

Consolidated statement of recognised income and expense and consolidated statement of changes in total equity

- The consolidated statement of changes in equity (consolidated statement of recognised income and expense) and the detail of the changes in equity disclosed in the notes to the consolidated financial statements for 2007 are replaced by the consolidated statement of recognised income and expense and the consolidated statement of changes in total equity, respectively, which are included in these consolidated financial statements for 2008.
- The main change in the consolidated statement of recognised income and expense is that the line item “Income Tax” is presented separately to reflect the tax effect of the changes in the items recognised directly in equity, except in the case of “Entities Accounted for Using the Equity Method”, whereas in the Group’s consolidated financial statements for 2007, each of the items recognised as valuation adjustments were presented net of their related tax effect.

Consolidated cash flow statement

- A detail is included at the end of this statement of the items composing cash and cash equivalents, which was not included in the consolidated cash flow statement presented in the Group’s consolidated financial statements for 2007. Also, certain disclosures relating to certain operating assets and liabilities, adjustments to profit or loss and cash flows from financing activities have been eliminated; and the wording and breakdown of certain items which compose the cash flows from investing activities have been changed.

The main accounting policies and measurement bases applied in preparing the Group's consolidated financial statements are set forth in Note 2. All mandatory accounting policies and measurement bases with a material effect on the consolidated financial statements were applied in their preparation.

Other regulatory changes

At the date of preparation of these consolidated financial statements, the following standards and interpretations had been published but had not entered into force, either because they had not yet been adopted by the European Union or because their effective date is subsequent to the date of these consolidated financial statements:

Standards and interpretations adopted by the European Union and effective subsequent to 31 December 2008-

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

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

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

- Amendment to IFRS 2 Share-based Payment: the objective of the amendment is basically to clarify the concepts of vesting conditions and cancellations in share-based payments.

- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: the amendments will permit certain financial instruments, whose features include that of being redeemable, to be classified as equity, provided that they meet certain criteria including that of being the most subordinated class, and provided that they evidence a residual interest in the net assets of the entity.

- Amendment to IFRS 1 and IAS 27 - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate: this amendment refers to separate financial statements and, therefore, is not applicable to consolidated financial statements.

- IFRIC 13 - Customer Loyalty Programmes: due to the nature of this interpretation, the application thereof will not have a material effect on the consolidated financial statements.

- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: this interpretation provides general guidance on how to ascertain the limit in IAS 19, Employee

Benefits, on the amount of the surplus that can be recognised as an asset. It also explains how pension assets or liabilities can be affected when there is a statutory or contractual minimum funding requirement and establishes that the entity needs to recognise an additional liability if it has a contractual obligation to make additional contributions to the plan and its capacity to recover them is restricted. The interpretation standardises the practice and ensures that the entities recognise an asset in relation to a surplus on a consistent basis.

Standards and interpretations not yet adopted by the European Union

- Revision of IFRS 3 - Business Combinations and Amendment to IAS 27 Consolidated and Separate Financial Statements: introduce significant changes in several matters relating to accounting for business combinations. These changes include most notably the following: acquisition costs must be expensed, rather than recognised as an increase in the cost of the business combination; in step acquisitions the acquirer must remeasure at fair value the investment held prior to the date that control is obtained; and there is an option to measure at fair value the minority interests of the acquiree, as opposed to the single current treatment of measuring them as the proportionate share of the fair value of the net assets acquired. Since the standard will be applied prospectively, in general the directors do not expect significant modifications to arise in connection with the business combinations performed.

- Amendment to IAS 39 - Eligible Hedged Items: this amendment establishes that inflation may only be designated as a hedged item if it is a contractually specified portion of the cash flows to be hedged. Only the intrinsic value and not the time value of a purchased option may be used as a hedging instrument.

- IFRIC 12 - Service Concession Arrangements: owing to the nature of this interpretation, following its adoption by the European Union its application will not affect the consolidated financial statements.

- IFRIC 15 - Agreements for the Construction of Real Estate: this interpretation clarifies the recognition of revenue and expenses associated with the construction of real estate.

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

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

The Bank’s directors do not expect the application of the above-mentioned standards and interpretations to have a material effect.

In light of the exceptional circumstances that arose in the financial markets, mainly in the second half of 2008, European governments undertook to preserve the stability of the international financial system. The main objectives of these measures were as follows: to ensure the appropriate liquidity conditions for the operation of financial institutions; to facilitate financial institutions’ access to financing; to establish the mechanisms required to permit, where appropriate, the provision of additional capital resources to the financial institutions in order to ensure the proper performance of the economy; to guarantee that accounting regulations are sufficiently flexible so as to take into account the exceptional circumstances in the market; and to strengthen and improve the mechanisms for coordination among European countries. Within this general framework, in the last quarter of 2008 the following measures were approved in Spain:

- Royal Decree-Law 6/2008, of 10 October, creating the Fund for the Acquisition of Financial Assets ("FAAF"), and Ministry of Economy and Finance Order EHA/3118/2008, of 31 October, implementing the aforementioned Royal Decree-Law. The purpose of the FAAF is to use Public Treasury money and market criteria to acquire, by means of the auction procedure, financial instruments issued by Spanish credit institutions and securitisation special-purpose vehicles, backed by loans granted to individuals, companies and non-financial entities.

- Royal Decree-Law 7/2008, of 13 October, on Urgent Economic Measures in relation to the Concerted European Action Plan of the Euro Area Countries, and Ministry of Economy and Finance Order EHA/3364/2008, of 21 November, implementing Article 1 of the aforementioned Royal Decree-Law, which includes the following measures, applicable until 31 December 2009. Firstly, the grant of State guarantees for the issues of promissory notes, bonds and debentures launched by credit institutions resident in Spain which meet certain requirements; and, secondly, the exceptional authorisation for the Ministry of Economy and Finance to acquire securities, including preferred participating securities and non-voting equity units, issued by credit institutions resident in Spain which need to strengthen their capital and request such acquisition.

As part of their risk management policies, the directors of the Bank and of most of the subsidiaries are able to use the aforementioned measures.

c) Accounting estimates

The consolidated results and the determination of consolidated equity are sensitive to the accounting policies, measurement bases and estimates used by the directors of the Bank in preparing the consolidated financial statements. In the Group's consolidated financial statements for 2008 estimates were occasionally made by the senior executives, subsequently ratified by the Bank's directors, in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates, which were made on the basis of the best information available, relate basically to the following:

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

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

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

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

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

Although these estimates were made on the basis of the best information available at 31 December 2008 on the events analysed, future events might make it necessary to significantly change these estimates (upwards or downwards) in coming years. If required, changes in accounting estimates would be applied in accordance with current legislation (prospectively, recognising the effects of any change in estimates in the related consolidated income statements).

d) *Comparative information*

As indicated in Note 1-b above, the comparative information was modified to adapt its presentation to the presentation formats of the main financial statements established in Bank of Spain Circular 6/2008.

In addition, the consolidated income statement for 2007 included in these consolidated financial statements for comparison purposes presents, in accordance with current legislation, under “Profit/(Loss) from Discontinued Operations (net)” the net amount of the income and expenses arising in that year as a result of operations classified as “discontinued operations” at 31 December 2008 (see Notes 3 and 46).

e) *Basis of consolidation*

i. Subsidiaries

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

The only entity less than 50% owned by the Group but which constituted a single decision-making unit at 31 December 2008 and which, therefore, was considered to be a subsidiary, was Asesora de Titulización, S.A., S.G.F.T. (20% owned by the Group at that date).

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

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

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

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

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

ii. Interests in joint ventures (jointly controlled entities)

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

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

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

iii. Associates

“Associates” are entities over which the Bank is in a position to exercise significant influence, but not control or joint control, usually because it holds 20% or more of the voting power of the investee.

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

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

iv. Business combinations

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

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

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

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

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

v. Acquisitions and disposals

Note 3 provides information on the most significant acquisitions and disposals in 2008 and 2007.

f) Capital

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

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

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

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

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

At 31 December 2008 and 2007, the Group's eligible capital exceeded the minimum required under the regulations in force on those dates.

The detail of the Group's eligible capital at 31 December 2008 is as follows:

	Thousands of Euros
Tier 1 capital	**1,968,703**
Share capital	1,796,142
Share premium	1,139,990
Reserves	671,459
Minority interests	48,108
Preference shares	-
Deductions (Goodwill and other)	(1,663,886)
Net attributable profit (less dividends)	(23,110)
Tier 2 capital	**1,022,791**
Other items and deductions	252,708
Additional capital	770,083
Total eligible capital	**2,991,494**
Total minimum capital	**3,419,854**

g) Deposit guarantee fund

The Bank and other domestic and foreign consolidated entities participate in the Deposit Guarantee Fund or a similar scheme in their respective countries. The contributions made to these schemes amounted to EUR 6,180 thousand in 2008 (2007: EUR 5,840 thousand) and the related expense was recognised in "Other Operating Expenses" in the consolidated income statement for 2008 (see Note 40).

h) Environmental impact

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

i) Events after the balance sheet date

On 4 March 2009, the Extraordinary General Meeting of the Bank resolved to increase capital by EUR 1,195,480 thousand by issuing at par 398,493,428 ordinary shares of EUR 3 par value each. This capital increase was subscribed and paid in full by Banco Santander, S.A. through a non-monetary contribution comprising four loans granted by Banco Santander, S.A., for the ordinary financing of their business, to the subsidiaries SC Holding GmbH (Germany), GE Money Bank GmbH (Austria), Santander Consumer Bank S.A. (Poland) and Santander Consumer Bank A.S. (Norway) (see Appendix I), together with two cross currency swaps associated with the last two loans mentioned above, which are not denominated in euros. The value of these loans, according to the independent expert's report, prepared under his own responsibility, does not differ substantially from the amount by which the Bank increased its capital. This capital increase was recorded in a public deed dated 5 March 2009, which was registered in the Mercantile Register on 18 March 2009.

Subsequent to 2008 year-end, the need arose, in view of the current economic climate, for the Group to restructure its businesses in Spain in order to adapt to the current market situation. This restructuring will affect approximately 30% of the workforce in Spain (326 employees, most of whom are employed by the subsidiary Santander Consumer, S.A., E.F.C.) and will basically consist of the implementation of a new relationship model with agents, the adaptation of the sales force and the centralisation of the after-sales and administrative activities in other units of the Santander Group.

As a result, the Group embarked upon a series of talks and consultations with the workers' representatives, in order to define how this restructuring is to be carried out and an agreement was reached with the workers' representatives on 6 March 2009. The key features of this agreement are as follows:

- Early retirement: employees of over 50 years of age, who meet the general requirements set forth in the Early Retirement General Agreement of 28 October 2003, may take early retirement. The Group will also offer early retirement on a selective basis to employees not affected by the restructuring process, who may choose to accept it voluntarily. On an exceptional basis, early retirement may be applied to employees who reach the age of 49 in 2009.

- Redeployments:

    - At Banco Santander, S.A., for a minimum of 30% of the employees affected by the restructuring, with recognition for all purposes of their proven length of service and subrogation of Banco Santander, S.A. to all the duties and obligations arising from the employment relationship.

    - At Geoban, S.A., according to the professional profile of the affected job positions. These redeployments will be carried out by first terminating the employment relationship with the original company, granting a termination benefit of 45 days' salary per year of service and signing a new employment contract with Geoban, S.A., without recognition of the employee's length-of-service.

    - At other Santander Group companies, either using the special leave formula or by prior termination of the employment relationship at the original company, at the employee's discretion, under identical terms to those for redeployments at Geoban, S.A.

- Voluntary redundancies for objective reasons: the employees who choose this measure will receive a termination benefit of 60 days' salary per year worked. Employees with a proven length of service of under five years will receive an additional bonus of EUR 2,000. In addition, employees who reach 45 years of age or more in 2009 will receive an additional bonus of EUR 6,000. Employees who leave the Group will receive help in their search for employment from a specialised outplacement company, the cost of which will be borne by the Group entities, for a maximum period of nine months, extendable by a further three months, at the employee's request.

At the date of preparation of these consolidated financial statements, the directors of the Bank had not made a final estimate of the cost of the restructuring process for the Group.

From 31 December 2008 to the date on which these consolidated financial statements were authorised for issue no additional events took place significantly affecting them.

j) *Annual report on the customer care service*

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

Santander Consumer Finance, S.A.

i. Statistical summary of the claims and complaints handled

879 claims were received by the Customer Care Service in 2008 (2007: 786), an increase of 12% compared with 2007. All the claims received were admitted for consideration.

97% of the claims (849 files) were resolved and concluded during the year (2007: 88%, relating to 688 files), and a total of 30 files were pending consideration at 2008 year-end (2007: 98 files). The detail, by type, of the claims filed is as follows:

	Percentage	
	2008	2007
Modus operandi	40%	46%
Price	7%	7%
Service/ treatment	4%	5%
Other claims	49%	42%

The Bank's directors state that the matters not yet resolved at 2008 year-end will not have a material effect on the consolidated financial statements.

ii. Summary of resolutions

The detail of the responses to customers is as follows:

	Percentage	
	2008	2007
In favour of claimant	74%	71%
In favour of the Bank	26%	29%

The average handling period for claims was 16 days in 2008 (2007: 14 days).

The Bank paid EUR 190 thousand to its customers for claims resolved in their favour in 2008 (2007: EUR 123 thousand).

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

The Customer Care Service received 53 claims through the Bank of Spain and the Directorate-General of Insurance in 2008 (2007: 22 claims), 50 of which had been resolved at 31 December 2008. The detail of the resolved claims is as follows:

	Percentage	
	2008	2007
Claims resolved:		
In favour of the customer	22%	23%
Accepted by the Bank	43%	23%
In favour of the Bank	35%	54%

The Bank paid EUR 8 thousand to its customers for claims made through the Bank of Spain and the Directorate-General of Insurance which were resolved in the customers' favour in 2008 (2007: EUR 11 thousand).

The Bank's directors state that the matters not yet resolved at 2008 year-end will not have a material effect on the consolidated financial statements.

iv. Claims received by the Customer Ombudsman

In 2008 the Customer Ombudsman received 156 claims, of which 132 were resolved in favour of the customer and 24 in favour of the Bank.

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

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

From the total claims received, it is clear that in order to reduce the number of claims, the effectiveness of the telephone channel needs to be improved by increasing its capacity to provide information and resolve queries and, where appropriate, furnishing it with the operational capacity required at the second stage of follow-up of issues that may initially remain unresolved.

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

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

Other consolidated entities

i. Claims received by the Customer Care Services

1,275 claims were received by the Customer Care Services of the other consolidated entities in 2008 (2007: 581), an increase of 119% compared with 2007. This increase is due mostly to incidents that arose in the migration of the technological platform of Open Bank Santander Consumer, S.A. when it was integrated into the Santander Group's technological environment. Once the systems had been stabilised, there was a fall in the number of claims received. Most of the claims received were admitted for consideration.

The Bank's directors state that the matters not yet resolved at 2008 year-end will not have a material effect on the consolidated financial statements.

The other consolidated entities paid EUR 83 thousand to their customers for claims resolved in their favour in 2008 (2007: EUR 44 thousand).

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

The Customer Care Services of the other consolidated entities received 174 claims through the Bank of Spain in 2008 (2007: 28).

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

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

2. Accounting policies and measurement bases

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

a) *Foreign currency transactions*

i. Functional currency

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

ii. Translation of foreign currency to the functional currency

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

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

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

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

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

Translation of functional currencies to euros

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

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

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

- Equity items, at the historical exchange rates.

iii. Recognition of exchange differences

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

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

iv. Exposure to foreign currency risk

The equivalent euro value of the total assets and liabilities in foreign currency held by the Group at 31 December 2008 amounted to EUR 6,920 million and EUR 3,558 million, respectively (EUR 7,287 million and EUR 3,428 million, respectively, at 2007 year-end) (see Note 47). Approximately 40% and 76% of these amounts relate to Norwegian krone and virtually all the remainder correspond to other currencies traded in the Spanish market. The Group hedges a portion of these permanent positions using foreign exchange derivatives (see Notes 11 and 31) and, therefore, the effect on the consolidated income statement and consolidated equity due to changes of 1% in the various foreign currencies in which the Group has significant balances would not be material.

b) *Definitions and classification of financial instruments*

i. Definitions

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

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

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

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

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

- Investments in associates (see Note 13).

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

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

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

ii. Classification of financial assets for measurement purposes

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

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

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

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

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

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

iii. Classification of financial assets for presentation purposes

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

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

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

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

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

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

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

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

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

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

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

iv. Classification of financial liabilities for measurement purposes

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

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

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

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

v. Classification of financial liabilities for presentation purposes

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

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

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

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

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

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

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

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

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

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

i. Measurement of financial assets

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

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

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

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

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

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

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

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

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

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

ii. Measurement of financial liabilities

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

iii. Valuation techniques

The following table shows a summary of the fair values, at 31 December 2008 and 2007, of the financial assets and liabilities indicated below, classified on the basis of the various measurement methods used by the Group to determine their fair value:

	Thousands of Euros		
	Public Price Quotations in Active Markets	Internal Models	Total
Financial assets held for trading	365,922	98,941	464,863
Available-for-sale financial assets	103,532	-	103,532
Hedging derivatives (assets)	-	342,049	342,049
Financial liabilities held for trading	-	116,765	116,765
Hedging derivatives (liabilities)	-	426,907	426,907

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

In cases where data based on market parameters cannot be observed, the Group makes its best estimate of the price that the market would set, using its own internal models. In order to make these estimates, various techniques are employed, including the extrapolation of observable market data.

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, unless the fair value of the instrument can be obtained from other market transactions performed with the same or similar instruments or can be measured by using a valuation technique in which the variables used include only observable market data, mainly interest rates. In accordance with the standards in force, any difference between the transaction price and the fair value based on valuation techniques is not initially recognised in the income statement.

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

iv. *Recognition of fair value changes*

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

Adjustments due to changes in fair value arising from:

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

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

v. *Hedging transactions*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d) Derecognition of financial assets and liabilities

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

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

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

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

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

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

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

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

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

e) Offsetting of financial instruments

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

f) Impairment of financial assets

i. Definition

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

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

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

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

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

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

ii. Debt instruments carried at amortised cost

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

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

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

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

- The circumstances in which collections will foreseeably be made.

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

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

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

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

Impairment losses on these assets are assessed as follows:

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

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

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

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

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

On 20 January 2009, the Bank received formal notification from the Bank of Spain on the commencement of an inspection of the risk exposure of its loan portfolio and of that of its subsidiary Santander Consumer, E.F.C., S.A. At the date on which these consolidated financial statements were authorised for issue, this inspection had not yet been completed. However, the Bank's directors consider that any requirements that may be imposed on them by the Bank of Spain would not have a material effect on these consolidated financial statements.

iii. Debt or equity instruments classified as available for sale

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

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

iv. Equity instruments measured at cost

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

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

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

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

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

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

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

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

h) Property, plant and equipment for own use

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

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

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

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

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

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

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

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

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

i) *Accounting for leases*

i. Finance leases

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

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

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

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

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

ii. Operating leases

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

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

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

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

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

j) Intangible assets

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

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

i. Goodwill

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

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

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

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

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

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

ii. Other intangible assets

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

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

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

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

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

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

k) Other assets and other liabilities

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

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

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

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

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

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

l) *Provisions and contingent assets and liabilities*

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

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

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

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

Provisions are classified according to the obligations covered as follows:

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

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

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

- Other provisions: includes the other provisions recognised by the Group. This item includes, inter alia, any provisions for restructuring costs and environmental measures (see Note 23).

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

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

m) Litigation and/or claims in process

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

n) Recognition of income and expenses

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

i. Interest income, interest expenses and similar items

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

ii. Commissions, fees and similar items

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

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

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

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

iii. Non-finance income and expenses

These are recognised for accounting purposes on an accrual basis.

iv. Deferred collections and payments

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

v. Loan arrangement fees

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

o) *Financial guarantees*

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

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

The provisions made for these transactions are recognised under "Provisions - Provisions for Contingent Liabilities and Commitments" on the liability side of the consolidated balance sheet (see Note 23).

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

p) *Post-employment benefits*

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

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

Defined contribution plans

The Group recognises the defined contributions accrued in the year under "Administrative Expenses – Staff Costs" in the consolidated income statement. If at year-end there is any amount outstanding of the contributions to be made to the external plans funding the obligations, this amount is recognised at its present value under "Provisions - Provisions for Pensions and Similar Obligations" on the liability side of the consolidated balance sheet (see Note 23).

Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

q) *Other long-term benefits and other obligations*

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

Certain Spanish Group entities' commitments for death and disability of current employees until they reach retirement age are held in an internal fund with renewable temporary annual coverage and, therefore, no contributions are made to plans, except in the case of certain employees of Openbank Santander Consumer, S.A., for whom a policy was taken out. The related premiums paid in 2008 amounted to EUR 833 thousand (no premiums were paid in 2007), and are recognised under "Administrative Expenses – Staff Costs" in the consolidated income statement (see Note 41).

r) *Termination benefits*

Termination benefits are recognised when there is a detailed formal plan identifying the basic changes to be made, provided that implementation of the plan has begun, its main features have been publicly announced or objective facts concerning its implementation have been disclosed. At 2008 year-end there were no objective reasons and the circumstances had not arisen for the recognition of a provision in this connection (see Note 1-i).

s) *Income tax*

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

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

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

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

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

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

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

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

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

t) Residual maturity periods and average interest rates

The analysis of the maturities of the balances of certain items in the consolidated balance sheets at 31 December 2008 and 2007 and of the average annual interest rates in 2008 and 2007 is provided in Note 47.

u) Consolidated statement of changes in equity

The consolidated statement of changes in equity presented in these consolidated financial statements shows the total changes in consolidated equity in 2008. This information is in turn presented in two statements: the consolidated statement of recognised income and expense and the consolidated statement of changes in total equity. The main characteristics of the information contained in the two parts of the statement are explained below:

Consolidated statement of recognised income and expense

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

Accordingly, this statement presents:

a) Consolidated profit for the year.

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

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

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

e) Total recognised income and expense, calculated as the sum of the items in a) to d) above, presenting separately the amount attributable to the Parent and the amount relating to minority interests.

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

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

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

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

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

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

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

Consolidated statement of changes in total equity

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

a) **Adjustments due to changes in accounting policy and adjustments made to correct errors**: include the changes in consolidated equity arising as a result of the retrospective restatement of the balances in the consolidated financial statements due to changes in accounting policy or to the correction of errors.

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

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

v) Consolidated cash flow statements

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

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

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

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

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

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

- Net balances with central banks, which are recognised under “Cash and Balances with Central Banks” in the consolidated balance sheet and amounted to EUR 727,520 thousand at 31 December 2008 (31 December 2007: EUR 604,058 thousand).

- Balances receivable on demand from credit institutions other than central banks, which are recognised under “Loans and Receivables - Loans and Advances to Credit Institutions” in the consolidated balance sheet and amounted to EUR 278,551 thousand at 31 December 2008 (31 December 2007: EUR 143,280 thousand).

- Balances payable on demand to credit institutions other than central banks, which are recognised under “Financial Liabilities at Amortised Cost - Deposits from Credit Institutions” on the liability side of the consolidated balance sheet and amounted to EUR 1,024,561 thousand at 31 December 2008 (31 December 2007: EUR 415,316 thousand).

3. Santander Consumer Finance Group

a) Santander Consumer Finance, S.A.

The Bank is the parent of the Group (see Note 1). Following are the condensed balance sheets, income statements, statements of changes in equity and cash flow statements of the Bank for 2008 and 2007:

SANTANDER CONSUMER FINANCE, S.A.

<u>CONDENSED BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007</u>

(Thousands of Euros)

ASSETS	2008	2007
CASH AND BALANCES WITH CENTRAL BANKS	104,389	42,778
FINANCIAL ASSETS HELD FOR TRADING	168,190	95,449
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS	-	15,218
LOANS AND RECEIVABLES	21,437,486	18,188,170
HELD-TO-MATURITY INVESTMENTS	-	-
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
HEDGING DERIVATIVES	322,119	54,431
NON-CURRENT ASSETS HELD FOR SALE	26,000	3,009
INVESTMENTS	3,567,684	3,488,289
INSURANCE CONTRACTS LINKED TO PENSIONS	26,658	28,535
TANGIBLE ASSETS	80	89
INTANGIBLE ASSETS	17,323	21,143
TAX ASSETS	156,952	119,591
OTHER ASSETS	4,554	9,422
TOTAL ASSETS	**25,831,435**	**22,066,124**
MEMORANDUM ITEMS:		
CONTINGENT LIABILITIES	1,464,540	914,538
CONTINGENT COMMITMENTS	26,988,479	21,617,903

LIABILITIES AND EQUITY	2008	2007
LIABILITIES		
FINANCIAL LIABILITIES HELD FOR TRADING	74,346	49,122
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
FINANCIAL LIABILITIES AT AMORTISED COST	20,554,489	17,676,300
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
HEDGING DERIVATIVES	119,464	78,455
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-
PROVISIONS	63,903	62,393
TAX LIABILITIES	146,162	158,310
OTHER LIABILITIES	46,423	29,055
TOTAL LIABILITIES	**21,004,787**	**18,053,635**
SHAREHOLDERS' EQUITY	4,873,196	3,993,560
VALUATION ADJUSTMENTS	(46,548)	18,929
TOTAL EQUITY	**4,826,648**	**4,012,489**
TOTAL LIABILITIES AND EQUITY	**25,831,435**	**22,066,124**

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Thousands of Euros)

	Income/(Expenses)	
	2008	2007
INTEREST AND SIMILAR INCOME	995,473	691,724
INTEREST EXPENSE AND SIMILAR CHARGES	(820,034)	(547,826)
NET INTEREST INCOME	**175,439**	**143,898**
INCOME FROM EQUITY INSTRUMENTS	501,584	674,745
FEE AND COMMISSION INCOME	52,430	56,585
FEE AND COMMISSION EXPENSE	(33,993)	(46,016)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (net)	28,240	20,051
EXCHANGE DIFFERENCES (net)	85	242
OTHER OPERATING INCOME	4,706	4,424
OTHER OPERATING EXPENSES	(2,931)	(3,137)
GROSS INCOME	**725,560**	**850,792**
ADMINISTRATIVE EXPENSES	(27,183)	(21,094)
DEPRECIATION AND AMORTISATION	(12,282)	(9,507)
PROVISIONS (net)	(8,029)	(1,431)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (net)	(93,528)	(104,729)
PROFIT FROM OPERATIONS	**584,538**	**714,031**
IMPAIRMENT LOSSES ON OTHER ASSETS (net)	(99,137)	(5)
GAINS/(LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD-FOR SALE	(2,274)	-
NEGATIVE GOODWILL ON BUSINESS COMBINATIONS	-	-
GAINS/(LOSSES) ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	(452)	518
PROFIT BEFORE TAX	**482,675**	**714,544**
INCOME TAX	16,241	(21,432)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**498,916**	**693,112**
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (net)	**(16,033)**	**-**
PROFIT FOR THE YEAR	**482,883**	**693,112**

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED STATEMENTS OF CHANGES IN EQUITY

CONDENSED STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Thousands of Euros)

	2008	2007
A) PROFIT FOR THE YEAR	**482,883**	**693,112**
B) OTHER RECOGNISED INCOME AND EXPENSE	**(65,477)**	**1,260**
AVAILABLE-FOR-SALE FINANCIAL ASSETS	-	(312)
CASH FLOW HEDGES	(93,540)	9,891
HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS	-	-
EXCHANGE DIFFERENCES	-	-
NON-CURRENT ASSETS HELD FOR SALE	-	-
ACTUARIAL GAINS/(LOSSES) ON PENSION PLANS	-	-
OTHER RECOGNISED INCOME AND EXPENSE	-	-
INCOME TAX	28,063	(8,319)
C) TOTAL RECOGNISED INCOME AND EXPENSE	**417,406**	**694,372**

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED STATEMENTS OF CHANGES IN EQUITY

CONDENSED STATEMENTS OF CHANGES IN TOTAL EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Thousands of Euros)

	SHAREHOLDERS' EQUITY									
	Capital	Share Premium	Reserves	Other Equity Instruments	Less: Treasury Shares	Profit for the Year	Less: Dividends and Remuneration	Total Shareholders' Equity	VALUATION ADJUSTMENTS	TOTAL EQUITY
Ending balance at 31 December 2007	**996,213**	**1,139,990**	**1,765,294**	**-**	**-**	**693,112**	**(601,049)**	**3,993,560**	**18,929**	**4,012,489**
Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**996,213**	**1,139,990**	**1,765,294**	**-**	**-**	**693,112**	**(601,049)**	**3,993,560**	**18,929**	**4,012,489**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**482,883**	**(401,138)**	**81,745**	**(65,477)**	**16,268**
Other changes in equity	**799,929**	**-**	**90,025**	**-**	**-**	**(693,112)**	**601,049**	**797,891**	**-**	**797,891**
Capital increases	799,929	-	(2,038)	-	-	-	-	797,891	-	797,891
Distribution of dividends	-	-	-	-	-	-	601,049	601,049	-	601,049
Transfers between equity items	-	-	92,063	-	-	(693,112)	-	(601,049)	-	(601,049)
Ending balance at 31 December 2008	**1,796,142**	**1,139,990**	**1,855,319**	**-**	**-**	**482,883**	**(401,138)**	**4,873,196**	**(46,548)**	**4,826,648**

	SHAREHOLDERS' EQUITY									
	Capital	Share Premium	Reserves	Other Equity Instruments	Less: Treasury Shares	Profit for the Year	Less: Dividends and Remuneration	Total Shareholders' Equity	VALUATION ADJUSTMENTS	TOTAL EQUITY
Ending balance at 31 December 2006	**996,213**	**1,139,990**	**1,415,499**	**-**	**-**	**761,563**	**(411,768)**	**3,901,497**	**17,669**	**3,919,166**
Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**996,213**	**1,139,990**	**1,415,499**	**-**	**-**	**761,563**	**(411,768)**	**3,901,497**	**17,669**	**3,919,166**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**693,112**	**(601,049)**	**92,063**	**1,260**	**93,323**
Other changes in equity	**-**	**-**	**349,795**	**-**	**-**	**(761,563)**	**411,768**	**-**	**-**	**-**
Distribution of dividends	-	-	-	-	-	-	411,768	411,768	-	411,768
Transfers between equity items	-	-	349,795	-	-	(761,563)	-	(411,768)	-	(411,768)
Ending balance at 31 December 2007	**996,213**	**1,139,990**	**1,765,294**	**-**	**-**	**693,112**	**(601,049)**	**3,993,560**	**18,929**	**4,012,489**

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Thousands of Euros)

	2008	2007
A) CASH FLOWS FROM OPERATING ACTIVITIES	**529,854**	**564,516**
Profit for the year	482,883	693,112
Adjustments made to obtain the cash flows from operating activities	238,904	136,259
Net increase/decrease in operating assets	2,866,238	3,030,447
Net increase/decrease in operating liabilities	2,674,873	2,791,844
Collections/Payments of income tax	(568)	(26,252)
B) CASH FLOWS FROM INVESTING ACTIVITIES	**(225,791)**	**(415,000)**
Payments	262,130	423,327
Collections	36,339	8,327
C) CASH FLOWS FROM FINANCING ACTIVITIES	**(201,281)**	**(184,732)**
Payments	(201,281)	(401,806)
Collections	-	217,074
D) EFFECT OF CHANGES IN EXCHANGE RATES	**85**	**242**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**102,867**	**(34,974)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**44,281**	**79,255**
G) CASH AND CASH EQUIVALENTS AT END OF YEAR	**147,148**	**44,281**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash equivalents at central banks	104,389	42,778
Other financial assets	43,943	1,503
Less: Bank overdrafts refundable on demand	(1,184)	-
Total cash and cash equivalents at end of year	**147,148**	**44,281**

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

b) *Acquisitions and disposals*

The most significant acquisitions and disposals of investments in Group entities and other relevant corporate transactions in 2008 and 2007 were as follows:

Isban DE, GmbH

On 17 December 2008, the subsidiary Santander Consumer Finance Germany GmbH sold its ownership interest in Isban DE GmbH, representing the entire share capital of this company, to Ingeniería de Software Bancario, S.L., a Santander Group subsidiary, for EUR 7,300 thousand. The gain obtained on this sale amounted to EUR 3,108 thousand and is recognised under "Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale" in the accompanying consolidated income statement for 2008 (see Note 44).

Santander Consumer France, S.A.

In 2007 the Bank, in cooperation with Banque Accord, incorporated a credit institution in France to engage in consumer financing, with ownership interests of 70% and 30%, respectively. The investment made by the Bank in 2007 amounted to EUR 14,000 thousand.

In 2008 the Bank participated in capital increases performed by Santander Consumer France, S.A. in the amount of EUR 16,300 thousand. In addition, on 29 December 2008 the Bank acquired from Banque Accord the remaining 30% of the share capital not held by it for EUR 6,263 thousand.

On 16 October 2008, the Bank's Executive Committee approved the discontinuation of this entity's operations. Also, on 16 February 2009 the General Assembly of this subsidiary resolved to dissolve it. The Bank's directors decided to treat this subsidiary as a "discontinued operation" (see Note 46).

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

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

GE Money

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

As a result, on 31 December 2008 the subsidiary Santander Consumer Holding GmbH (Germany) acquired the entire share capital of General Electric Capital Deutschland GmbH for EUR 161,733 thousand.

The unaudited balance sheet of the acquiree at the acquisition date, prepared in accordance with local standards, is as follows:

	Thousands of Euros		Thousands of Euros
Cash and balances with central banks	105,921	Financial liabilities at amortised cost	2,029,167
Loans and receivables	2,636,502	Other liabilities	623,140
Intangible assets	-	Provisions for pensions	52,367
Tangible assets	12,332		
Other assets	79,517	Shareholders' equity	129,598
	2,834,272		**2,834,272**

In addition, in January 2009 the subsidiaries Santander Consumer Holding GmbH (Germany) and Santander Consumer Bank AS (Norway) acquired the entire share capital of GE Money Bank GmbH (Austria) and GE Money Oy (Finland) for EUR 823,398 thousand and EUR 21,822 thousand, respectively.

The unaudited balance sheets of the acquirees at the acquisition date, prepared in accordance with local standards, are as follows:

GE Money Bank, GmbH (Austria) -

	Thousands of Euros		Thousands of Euros
Cash and balances with central banks	8,110	Financial liabilities at amortised cost	4,500
Loans and receivables	1,002,190	Other liabilities	218,800
Intangible assets	5,420	Provisions for pensions	12,590
Tangible assets	3,770		
Other assets	7,620	Shareholders' equity	791,220
	1,027,110		**1,027,110**

GE Money, Oy (Finland) -

	Thousands of Euros		Thousands of Euros
Cash and balances with central banks	28,333	Financial liabilities at amortised cost	1,150,752
Loans and receivables	1,162,453	Other liabilities	16,246
Intangible assets	196	Provisions for pensions	361
Tangible assets	222	Tax liabilities	3,603
Other assets	2,000		
		Shareholders' equity	22,242
	1,193,204		**1,193,204**

At the date of preparation of these consolidated financial statements, the definitive recognition, at fair value, of the assets and liabilities acquired in these business combinations was still pending and, therefore, the amounts indicated above are provisional (see Note 16). Consequently, the definitive amount of any goodwill that may have arisen on these transactions has not yet been determined. In accordance with current legislation, the Group has one year in which to make the final adjustment. However, it does not expect any material differences to arise.

Santander Consumer Chile, S.A.

In 2007 the Bank and the Bergé Group entered into a strategic agreement to incorporate a finance company in Chile. As a result of this agreement, Santander Consumer Chile, S.A. was incorporated on 12 September 2007. This entity engages in consumer financing and finance leasing and is 89% owned by the Bank and 11% owned by SKBergé Financimiento, S.A. The disbursement made by the Bank in the incorporation of this company amounted to EUR 13,758 thousand.

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

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

On 12 June 2007, the Bank acquired 85% of the share capital of the Mexican company Grupo Alcanza, S.A. de C.V. from non-Group entities for EUR 6,119 thousand. Additionally, a capital increase amounting to EUR 24,270 thousand carried out at this company was fully subscribed and paid for by the Bank.

On 11 December 2007, the Bank sold 15% of the share capital of Grupo Alcanza, S.A. de C.V. to non-Group entities for EUR 4,977 thousand. The loss incurred on this sale amounted to EUR 242 thousand and is recognised under "Exchange Differences (net)" in the consolidated income statement for 2007.

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

Santander Consumer Finance Correduría de Seguros, S.A.

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

RD Europe

On 30 May 2008, the subsidiaries Santander Consumer Finance Germany GmbH and Santander Consumer Holding GmbH agreed with RBS Deutschland Holdings GmbH and RBS Netherlands Holding B.V., consumer financing companies belonging to Royal Bank of Scotland (RBS) which carry on their business activities in

Germany, Belgium, the Netherlands and Austria, to purchase the entire share capital of RBS (RD Europe) GmbH and RBS (RD Europe) B.V., in order to expand the Group's business in Continental Europe. This acquisition became effective on 1 July 2008 and, once the sale price adjustments set in the purchase agreements had been agreed and the expenses associated with these transactions had been calculated, the Group disbursed approximately EUR 309 million relating to the acquisition price of these entities.

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

In addition, on 30 December 2008, the merger by absorption of RBS (RD Europe) GmbH into the subsidiary Santander Consumer Bank A.G. took place.

The detail of the carrying amount of the assets and liabilities, taken as a whole, of RBS (RD Europe) GmbH and RBS (RD Europe) B.V. prior to the purchase and the related amounts of the acquisition cost before tax which, in accordance with the purchase method, were allocated at the time of purchase and are considered to be definitive, is as follows:

	Thousands of Euros	
	Carrying Amount	Fair Value
Cash and balances with central banks	32,532	32,532
Loans and receivables	2,295,259	2,203,359
Tangible assets	4,380	4,380
Intangible assets prior to the purchase	41,686	3,426
Intangible assets identified at the time of the purchase	-	26,720
Other assets	9,934	9,934
Financial liabilities	(1,977,974)	(1,977,974)
Other liabilities	(88,634)	(88,634)
Unrecognised contingent liabilities	-	(8,003)
Deferred tax (net)	-	18,855
Total equity	**317,183**	**224,595**
Goodwill (Note 16)		**85,094**
Of which:		
RBS (RD Europe) GmbH (Germany) (*)		53,646
Santander Consumer Finance Benelux B.V. (**)		31,448

(*) Merged with Santander Consumer Bank A.G. on 30 December 2008
(**) Formerly called RBS (RD Europe) B.V. (Netherlands)

Banco Santander Consumer Portugal, S.A. (formerly Interbanco, S.A.)

In September 2005 the Bank and the Portuguese company SAG Gest - Soluções Automóvel Globais, SGPS, S.A. reached an agreement to jointly provide consumer finance and vehicle financing services in Portugal and operate the vehicle full-service lease business in Spain and Portugal. Consequently, in 2006 the Bank acquired from this company a 50.001% interest in the share capital of the Portuguese company Interbanco, S.A. for EUR 124,552 thousand.

In January 2007 the Bank and its subsidiary Santander Consumer, E.F.C., S.A. integrated the business of their branches in Portugal into Interbanco, S.A. This Portuguese credit institution performed a capital increase at par which was subscribed by the Bank and Santander Consumer, E.F.C., S.A. through non-monetary contributions valued by an independent expert, under the expert's own responsibility, at EUR 7,944 thousand and EUR 13,261 thousand, respectively. This transaction did not give rise to any gain or loss for the Group.

Also, the Bank wrote a put option in favour of SAG Gest - Soluções Automóvel Globais, SGPS, S.A. which gave this company the right to sell, within three months from 14 September 2007, its shares of Banco Santander Consumer Portugal, S.A. for the same amount as that paid by the Bank when it acquired a controlling interest in this entity, plus a premium of EUR 10 million.

In October 2007 SAG Gest - Soluções Automóvel Globais, SGPS, S.A. exercised the put option on 28.2% of the shares of Santander Consumer Portugal, S.A. for EUR 97,113 thousand. Also in October 2007, the Bank wrote a put option in favour of SAG Gest - Soluções Automóvel Globais, SGPS, S.A. which entitled this company to sell, within ten days from 4 January 2008, the remaining 11.8% of the shares of Banco Santander Consumer Portugal, S.A. for EUR 40,854 thousand. At 31 December 2007, the Bank's directors considered that this option would be exercised and, consequently, the acquisition of this 11.8% ownership interest was recognised in advance as an addition to the value of the investment in Banco Santander Consumer Portugal, S.A. and as an account payable to SAG Gest - Soluções Automóvel Globais, SGPS, S.A., which was recognised under “Financial Liabilities at Amortised Cost - Other Financial Liabilities” in the accompanying consolidated balance sheet at 31 December 2007 (see Note 22). In January 2008 SAG Gest - Soluções Automóvel Globais, SGPS, S.A. exercised the aforementioned put option.

Consequently, at the date on which these consolidated financial statements were authorised for issue, the Bank had a 100% interest in Banco Santander Consumer Portugal, S.A. (80% was held directly and 20% indirectly).

Reintegra, S.A.

On 19 December 2007, Andaluza de Inversiones, S.A., a subsidiary of the Bank, sold its 35% ownership interest in Reintegra, S.A. (52,500 shares) to 1st Credit (Acquisition) Limited for EUR 10,500 thousand. The gain obtained on this sale amounted to EUR 9,617 thousand and is recognised under “Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale” in the accompanying consolidated income statement for 2007 (see Note 44).

Subsequently, on that same date Andaluza de Inversiones, S.A. exercised a purchase option on 35% of the share capital of Reintegra, S.A. (52,500 shares) and acquired 37,500 shares from Compañía Española de Seguros de Crédito a la Exportación, S.A. Compañía de Seguros y Reaseguros and 15,000 shares from D&B, S.A., respectively, for a total of EUR 779 thousand.

Skandia Banken, A.S.

On 24 September 2007, Santander Consumer Bank AS acquired a vehicle financing portfolio from Skandia Banken AS for EUR 232,680 thousand.

JSC Santander Consumer Bank (formerly CB Extrobank)

At its meeting on 28 September 2006, the Bank's Board of Directors resolved to acquire all the shares of the holding companies owning the Russian financial institution CB Extrobank. The successful completion of this transaction was subject to compliance with certain conditions that were met in 2007. Consequently, on 27 April 2007 the Bank indirectly acquired all the shares of this company for EUR 43,886 thousand.

In 2008 the Bank reorganised its investments in Russia by dissolving and liquidating four of the holding companies of the financial institution JSC Santander Consumer Bank (LLC Amstoun, LLC Mark Strit, LLC Firm Knommunlnzstroi and LLC Fincommerts), as a result of which it now holds a direct ownership interest of 90.5% in the share capital of this institution (100% direct and indirect ownership interest).

Layna Group

On 29 March 2007, Andaluza de Inversiones S.A., a subsidiary of the Bank, exercised a put option arranged in March 2002 and sold its 49% ownership interest in Layna de Inversiones, S.A. to Mapfre Automóviles, S.A. de Seguros y Reaseguros for EUR 25,677 thousand. The gain obtained on this sale amounted to EUR 1,346 thousand and is recognised under "Gains/Losses on Financial Assets and Liabilities (net)" in the accompanying consolidated income statement for 2007 (see Note 37). As a result of this transaction, all the companies composing the Layna Group ceased to form part of the Santander Consumer Finance Group.

Other disclosures

On 16 March 2006, the Bank wrote a put option for 30% of the share capital of UNIFIN, S.p.A. in favour of this company's minority shareholders. Also, these shareholders wrote a call option on 30% of the share capital in favour of the Bank. These put and call options can be exercised in 2009 and their price is subject to the growth in this company's assets over the coming years, but will in no case be lower than the price per share paid by the Bank to acquire its controlling interest in UNIFIN, S.p.A.

Capital increases

Furthermore, in 2008 and 2007 certain investees carried out capital increases which were fully subscribed and paid, the detail being as follows:

	Millions of Euros (*)	
	2008	2007
Santander Consumer Holding GmbH (Germany)	335	64
Santander Consumer Bank, S.p.A. (Italy)	50	22
Santander Consumer (UK) Plc.	11	11
Accordfin España, E.F.C., S.A. (Spain)	3	-
Santander Consumer Bank, S.A. (Poland)	55	-
Santander Consumer Bank, A.S. (Norway)	98	31
Santander Consumer France, S.A.	16	14
JSC Santander Consumer Bank (Russia)	62	36
Grupo Alcanza, S.A. de C.V. (Mexico)	-	24
	630	**202**

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

Notifications of acquisitions of holdings

The notifications made by the Bank in the first nine months of 2008, in compliance with Article 86 of the Spanish Companies Law and Article 53 of Securities Market Law 24/1998, of the acquisitions and disposals of holdings in investees are listed in Appendix III.

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

a) Distribution of the Bank's profit

The distribution of the Bank's net profit for 2008 that the Board of Directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
Dividends	401,138
Legal reserve	48,288
Voluntary reserves	33,457
Net profit for the year (Note 3)	**482,883**

At its meeting on 16 December 2008, the Board of Directors of the Bank resolved to distribute an interim dividend out of 2008 profit of EUR 401,138 thousand. This dividend had not yet been paid at the date of preparation of these consolidated financial statements (see Note 22).

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

	Thousands of Euros
	30/11/08
Profit before tax	562,213
Less:	
Estimated income tax	(15,258)
Approved dividends	-
Appropriation to legal reserve	(54,696)
Distributable profit	492,259
Interim dividend to be distributed	401,138
Gross dividend per share (euros)	0.67

In addition, on 31 January 2008, the Bank distributed an interim dividend out of 2007 profit amounting to EUR 199,243 thousand, which was approved by the Board of Directors at its meeting held on 20 December 2007. The provisional accounting statement prepared by the Bank's directors pursuant to legal requirements evidencing the existence of sufficient funds for the distribution of the interim dividend was included in Note 4 to the Group's consolidated financial statements for 2007.

b) Basic earnings per share

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

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

At 31 December 2008 and 2007, there were no share option plans on Bank shares or issues outstanding of instruments convertible into Bank shares conferring privileges or rights which might, due to any contingency, make them convertible into shares. Therefore, there is no dilutive effect on net profit and diluted earnings per share coincide with basic earnings per share.

Accordingly:

	Thousands of Euros	
	2008	2007
Net profit for the year (thousands of euros)	378,028	508,059
Weighted average number of shares outstanding	499,447,488	332,071,008
Basic and diluted earnings per share (euros)	**0.76**	**1.53**

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

a) Bylaw-stipulated emoluments and other fees

The remuneration earned by the Bank's Board members in 2008 and 2007 in respect of bylaw-stipulated emoluments and attendance fees was as follows:

	Thousands of Euros	
	2008	2007
Bylaw-stipulated emoluments	38	25
Attendance fees	19	12
	57	**37**

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

Directors	Thousands of Euros					
	2008			2007		
	Bylaw-Stipulated Emoluments	Attendance Fees	Total	Bylaw-Stipulated Emoluments	Attendance Fees	Total
Mr. Andreas Finkenberg	-	-	-	-	-	-
Mr. Antonio Escámez Torres	-	-	-	-	-	-
Mr. Javier San Félix García	-	-	-	-	-	-
Mr. José Antonio Álvarez Álvarez	-	-	-	-	-	-
Mr. José María Espí Martínez	-	-	-	-	-	-
Mr. José María Pacheco Guardiola (*)	-	-	-	-	-	-
Mr. Ernesto Zulueta Benito	-	-	-	-	-	-
Mr. Juan Manuel San Román López (*)	-	-	-	-	-	-
Mr. Juan Rodríguez Inciarte	-	-	-	-	-	-
Mr. Luís Valero Artola	25	9	34	25	10	35
Mr. David Turiel López	-	-	-	-	-	-
Ms. Inés Serrano González	-	-	-	-	-	-
Ms. Magdalena Salarich	-	-	-	-	-	-
Mr. Paul Adrian Verburgt	13	10	23	-	2	2
Mr. Pedro Guijarro Zubizarreta	-	-	-	-	-	-
	38	**19**	**57**	**25**	**12**	**37**

(*) Director who was a Board member for some months in 2008 but ceased to be a director prior to 31 December 2008.

In 2008 the Bank's directors received approximately EUR 12,415 thousand from Banco Santander, S.A. (2007: approximately EUR 10,870 thousand), basically in respect of fixed and variable remuneration earned for discharging executive duties at Banco Santander, S.A. and in their capacity as members of the Boards of Directors of other Santander Group entities.

The remuneration in kind paid to the Bank's directors, mainly in respect of share option plans, amounted to approximately EUR 3,421 thousand in 2008 (2007: approximately EUR 265 thousand) and was paid in full by other Santander Group companies.

b) *Post-employment and other long-term benefits*

The Santander Group’s supplementary pension obligations to its current and retired employees include the obligations to current and former directors of the Bank who discharge (or have discharged) executive functions thereat. The total accrued pension obligations to these directors, together with the sum insured under life insurance policies and other items, amounted to EUR 68,248 thousand at 31 December 2008 (31 December 2007: EUR 61,704 thousand). Of this amount, EUR 1,274 thousand are recognised under “Provisions – Provisions for Pensions and Similar Obligations” in the accompanying consolidated balance sheets (2007: EUR 1,334 thousand) (see Note 23) and the remainder are covered mainly by in-house provisions recorded at other Santander Group entities.

The payments made to former members of the Bank's Board of Directors and of its senior management team in this connection amounted to EUR 434 thousand in 2008 (2007: EUR 128 thousand).

In addition, in 2008 contributions amounting to EUR 1,467 thousand were made to defined contribution plans for the Bank’s directors. These contributions were made by Santander Group entities.

c) *Share option plans granted to directors*

The detail of Banco Santander, S.A. share options granted to directors in 2008 and 2007 is as follows:

			Options Granted		Exercised Options				Options Granted	Exercised Options						
	Options at 31 December 2006	Exercise Price (Euros)	Number	Exercise Price (Euros)	Number	Exercise Price (Euros)	Market Price Applied (Euros)	Options at 31 December 2007	Number	Number	Exercise Price (Euros)	Market Price Applied (Euros)	Options at 31 December 2008	Exercise Price (Euros)	Date of Commencement of Exercise Period	Date of Expiry of Exercise Period
Incentive Plan (I06) (Note 41):																
Mr. Andreas Finkenberg	86,900	9.09	-	-	-	-	-	86,900	-	-	-	-	86,900	9.09	15/01/08	15/01/09
Mr. Javier San Félix García	87,200	9.09	-	-	-	-	-	87,200	-	87,200	9.09	12.29	-	9.09	15/01/08	15/01/09
Mr. José A. Álvarez Álvarez	232,000	9.09	-	-	-	-	-	232,000	-	116,000	9.09	14.10	116,000	9.09	15/01/08	15/01/09
Mr. Juan Rodríguez Inciarte	419,000	9.09	-	-	-	-	-	419,000	-	419,000	9.09	11.72	-	9.09	15/01/08	15/01/09
Mr. José María Espí Martínez	252,900	9.09	-	-	-	-	-	252,900	-	-	-	-	252,900	9.09	15/01/08	15/01/09
Mr. Ernesto Zulueta Benito (*)	-	-	-	-	-	-	-	41,300	-	-	-	-	41,300	9.09	15/01/08	15/01/09
Ms. Inés Serrano González (*)	-	-	-	-	-	-	-	61,300	-	61,300	9.09	11.87	-	9.09	15/01/08	15/01/09
Mr. J. Manuel San Román López	165,300	9.09	-	-	-	-	-	165,300	-	165,300	9.09	12.55	-	9.09	15/01/08	15/01/09
Mr. David Turiel López (*)	-	-	-	-	-	-	-	58,000	-	58,000	9.09	13.04	-	9.09	15/01/08	15/01/09
Mr. Pedro Guijarro Zubizarreta	87,200	-	-	-	-	-	-	87,200	-	87,000	9.09	11.59	200	-	15/01/08	15/01/09
	1,330,500	**9.09**	**-**	**-**	**-**	**-**	**-**	**1,491,100**	**-**	**993,800**	**9.09**	**-**	**497,300**	**9.09**		
Incentive Plan (I09) (Note 41):																
Mr. Andreas Finkenberg	-	-	23,300	-	-	-	-	23,300	-	-	-	-	23,300	-	23/06/07	31/07/09
Mr. Javier San Félix García	-	-	12,000	-	-	-	-	12,000	-	-	-	-	12,000	-	23/06/07	31/07/09
Mr. José A. Álvarez Álvarez	-	-	34,300	-	-	-	-	34,300	-	-	-	-	34,300	-	23/06/07	31/07/09
Mr. Juan Rodríguez Inciarte	-	-	43,322	-	-	-	-	43,322	-	-	-	-	43,322	-	23/06/07	31/07/09
Mr. José María Espí Martínez	-	-	35,500	-	-	-	-	35,500	-	-	-	-	35,500	-	23/06/07	31/07/09
Mr. Ernesto Zulueta Benito (*)	-	-	-	-	-	-	-	7,400	-	-	-	-	7,400	-	23/06/07	31/07/09
Ms. Inés Serrano González (*)	-	-	-	-	-	-	-	8,900	-	-	-	-	8,900	-	23/06/07	31/07/09
Mr. J. Manuel San Román López	-	-	10,800	-	-	-	-	10,800	-	-	-	-	10,800	-	23/06/07	31/07/09
Mr. David Turiel López (*)	-	-	-	-	-	-	-	6,400	-	-	-	-	6,400	-	23/06/07	31/07/09
Mr. Pedro Guijarro Zubizarreta	-	-	13,300	-	-	-	-	13,300	-	-	-	-	13,300	-	23/06/07	31/07/09
	-	**-**	**172,522**	**-**	**-**	**-**	**-**	**195,222**	**-**	**-**	**-**	**-**	**195,222**	**-**		

	Options at 31 December 2006	Exercise Price (Euros)	Options Granted Number	Options Granted Exercise Price (Euros)	Exercised Options Number	Exercised Options Exercise Price (Euros)	Exercised Options Market Price Applied (Euros)	Options at 31 December 2007	Options Granted Number	Exercised Options Number	Exercised Options Exercise Price (Euros)	Exercised Options Market Price Applied (Euros)	Options at 31 December 2008	Exercise Price (Euros)	Date of Commencement of Exercise Period	Date of Expiry of Exercise Period
Incentive Plan (I10) (Note 41):																
Mr. Andreas Finkenberg	-	-	34,900	-	-	-	-	34,900	-	-	-	-	34,900	-	23/06/07	31/07/10
Mr. Javier San Félix García	-	-	18,000	-	-	-	-	18,000	-	-	-	-	18,000	-	23/06/07	31/07/10
Mr. José A. Álvarez Álvarez	-	-	51,449	-	-	-	-	51,449	-	-	-	-	51,449	-	23/06/07	31/07/10
Mr. Juan Rodríguez Inciarte	-	-	64,983	-	-	-	-	64,983	-	-	-	-	64,983	-	23/06/07	31/07/10
Mr. José María Espí Martínez	-	-	53,200	-	-	-	-	53,200	-	-	-	-	53,200	-	23/06/07	31/07/10
Mr. Ernesto Zulueta Benito (*)	-	-	-	-	-	-	-	11,200	-	-	-	-	11,200	-	23/06/07	31/07/10
Ms. Inés Serrano González (*)	-	-	-	-	-	-	-	13,350	-	-	-	-	13,350	-	23/06/07	31/07/10
Ms. Magdalena Salarich (*)	-	-	-	-	-	-	-	46,560					46,560		23/06/07	31/07/10
Mr. J. Manuel San Román López	-	-	16,200	-	-	-	-	16,200	-	-	-	-	16,200	-	23/06/07	31/07/10
Mr. David Turiel López (*)	-	-	9,600	-	-	-	-	9,600	-	-	-	-	9,600	-	23/06/07	31/07/10
Mr. Pedro Guijarro Zubizarreta	-	-	20,000	-	-	-	-	20,000	-	-	-	-	20,000	-	23/06/07	31/07/10
	-	-	**268,332**	-	-	-	-	**339,442**	-	-	-	-	**339,442**	-		
Incentive Plan (I11) (Note 41):																
Mr. Andreas Finkenberg	-	-	-	-	-	-	-	-	38,000	-	-	-	38,000	-	21/06/08	31/07/11
Mr. Javier San Félix García	-	-	-	-	-	-	-	-	36,000	-	-	-	36,000	-	21/06/08	31/07/11
Mr. José A. Álvarez Álvarez	-	-	-	-	-	-	-	-	59,361	-	-	-	59,361	-	21/06/08	31/07/11
Mr. Juan Rodríguez Inciarte	-	-	-	-	-	-	-	-	50,555	-	-	-	50,555	-	21/06/08	31/07/11
Mr. José María Espí Martínez	-	-	-	-	-	-	-	-	54,801	-	-	-	54,801	-	21/06/08	31/07/11
Mr. Ernesto Zulueta Benito (*)	-	-	-	-	-	-	-	-	11,500	-	-	-	11,500	-	21/06/08	31/07/11
Ms. Inés Serrano González (*)	-	-	-	-	-	-	-	-	17,500	-	-	-	17,500	-	21/06/08	31/07/11
Ms. Magdalena Salarich (*)	-	-	-	-	-	-	-	-	69,837				69,837		21/06/08	31/07/11
Mr. J. Manuel San Román López	-	-	-	-	-	-	-	-	16,700	-	-	-	16,700	-	21/06/08	31/07/11
Mr. David Turiel López (*)	-	-	-	-	-	-	-	-	14,000	-	-	-	14,000	-	21/06/08	31/07/11
Mr. Pedro Guijarro Zubizarreta	-	-	-	-	-	-	-	-	20,000	-	-	-	20,000	-	21/06/08	31/07/11
	-	-	-	-	-	-	-	-	**388,254**	-	-	-	**388,254**	-		

(*) Appointed as directors in 2008.

Additionally, the maximum limits on the number of shares under the Obligatory Investment Share Plan (see Note 41) are as follows:

	2008-2011 Cycle	2009-2012 Cycle
Mr. Juan Rodríguez Inciarte	14,617	14,738
Mr. José Antonio Álvarez Álvarez	12,710	24,590
Ms. Magdalena Salarich	-	13,843
	27,327	53,171

The cost of this remuneration is borne in full by other Santander Group entities.

d) Loans and deposits

At 2008 year-end, the Group's direct risk exposure to its directors amounted to EUR 7 thousand of loans and credits and guarantees provided (2007 year-end: EUR 59 thousand). Additionally, at 31 December 2008, the directors had customer deposits with the Group totalling EUR 2,511 thousand (31 December 2007: EUR 613 thousand) (see Note 49).

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

e) Senior managers

Following is a detail of the remuneration paid to the Bank's senior managers (who were not directors) in 2008 and 2007:

		Thousands of Euros				
		Salary			Other Remuneration (*)	
Year	Number of Persons	Fixed	Variable	Total		Total
2007	6	140	49	189	864	1,053
2008	8	120	72	192	2,299	2,491

(*) The figures for 2008 and 2007 include EUR 2,298 thousand and EUR 863 thousand, respectively, relating to fixed and variable remuneration and other remuneration received by senior managers from other Santander Group entities for discharging executive functions at those entities.

The remuneration in kind paid to the Bank's senior managers (excluding directors), mainly in respect of life insurance, totalled approximately EUR 953 thousand in 2008, of which EUR 910 thousand were paid by other Santander Group entities (2007: EUR 26 thousand, of which EUR 25 thousand were paid by other Santander Group entities).

The accrued pension obligations to senior managers, together with the sum insured under life insurance policies and other items, amounted to EUR 9,001 thousand at 31 December 2008 (31 December 2007: EUR 6,457 thousand). Of this amount, EUR 2,919 thousand are recognised under “Provisions – Provisions for Pensions and Similar Obligations” in the accompanying consolidated balance sheet at 31 December 2008 (31 December 2007: EUR 3,308 thousand) (see Note 23) and the remainder are covered mainly by in-house provisions recorded at other Santander Group entities. The payments made to members of the senior management team in this connection amounted to EUR 397 thousand in 2008 (2007: EUR 298 thousand).

In addition, in 2008 contributions amounting to EUR 808 thousand were made to defined contribution pension plans for the Bank’s directors. These contributions were made by other Santander Group entities.

The Bank’s senior managers (excluding directors) held 94,000 options on Banco Santander, S.A. shares under Plan I06 at 31 December 2008 (31 December 2007: 202,500 options) (see Note 41), and the cost of 20,000 options was borne by the Bank up to November 2008 (31 December 2007: 37,600 options). Additionally, in relation to the performance share plans established by the Santander Group in 2008 and 2007, the senior managers held options on a maximum of 48,080, 71,050 and 95,430 shares (based on the degree of achievement of certain business targets) under the Long-Term Incentive Plans I09, I10 and I11, respectively, at 31 December 2008 (60,560, 89,740 and no options, at 31 December 2007, respectively) (see Note 41), and the Bank bore the cost of 4,090, 5,190 and 12,000 options respectively, under the aforementioned plans up to November 2008 (31 December 2007: 4,090, 5,190 and no options, respectively). At the date on which these consolidated financial statements were authorised for issue, the entire cost of this remuneration was borne by other Santander Group entities.

The Group’s direct risk exposure to the senior managers who are not directors of the Bank amounted to EUR 224 thousand at 31 December 2008 (31 December 2007: EUR 39 thousand). In addition, at 31 December 2008, these senior managers had customer deposits with Group entities totalling EUR 1,829 thousand (31 December 2007: EUR 770 thousand) (see Note 49).

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

f) Termination benefits

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

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

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

Owner	Corporate Name	Line of Business	Ownership Interest	Functions
Mr. Antonio Escámez Torres	Banco Santander, S.A.	Financial institution	0.007%	Director
	Open Bank Santander Consumer, S.A.	Financial institution	-	Chairman
	Banco de Valencia, S.A.	Financial institution	Less than 0.001%	-
	Attijariwafa Bank	Financial institution	Less than 0.001%	Deputy Chairman
Mr. Juan Rodríguez Inciarte	Banco Santander, S.A.	Financial institution	0.013%	General Manager
	Banco Bilbao Vizcaya Argentaria, S.A.	Financial institution	Less than 0.001%	-
	Wachovia Corporation, USA	Financial institution	Less than 0.001%	-
	ABN Amro Holding, N.V.	Holding company	-	Director
	Abbey National, plc	Financial institution	-	Deputy Chairman
	Sovereign Bancorp, Inc.	Financial institution	-	Director
	Banco Banif, S.A.	Financial institution	-	Director
	Vista Capital de Expansión, S.A., S.G.E.C.R.	Venture capital	-	Director
José María Pacheco Guardiola (representative of Andaluza de Inversiones, S.A.)(*)	Santander Consumer Finance, S.A.	Financial institution	-	Director (until 17/06/08)
	Banco Santander, S.A.	Financial institution	Less than 0.001%	-
Mr. José Antonio Álvarez Álvarez	Banco Santander, S.A.	Financial institution	0.002%	General Manager
	Santander de Titulización, S.G.F.T.	Management Company	-	Chairman
Mr. José María Espí Martínez	Banco Santander, S.A.	Financial institution	0.004%	General Manager
	Santander de Leasing, E.F.C., S.A.	Financial institution	-	Chairman
	Unión de Créditos Inmobiliarios, E.F.C., S.A.	Mortgage loan company	-	Chairman
	Hipotebansa, E.F.C., S.A.	Financial institution	-	Chairman
	Unión de Créditos Inmobiliarios, S.A.	Financial institution	-	Director
	U.C.I., S.A.	Financial institution	-	Director

Owner	Corporate Name	Line of Business	Ownership Interest	Functions
Mr. Pedro Guijarro Zubizarreta	Banco Santander, S.A.	Financial institution	Less than 0.001%	Deputy General Manager
	Accordfin España, E.F.C., S.A.	Financial institution	-	Representative of the Deputy Chairman of the Board, Santander Consumer, E.F.C., S.A.
	Banco Santander Consumer Portugal, S.A.	Financial institution	-	Chairman
	HBF Aluguer e Comercio de Viaturas, S.A. (Portugal)	Automotive	-	Chairman
	Reintegra, S.A.	Debt recovery	-	Representative of the Deputy Chairman of the Board, Santander Consumer, E.F.C., S.A.
	Sánchez Ramade Santander Financiera, S.L.	Financial institution	-	Deputy Chairman
	Open Bank Santander Consumer, S.A.	Financial institution	-	Deputy Chairman
	Santander Consumer, E.F.C., S.A.	Financial institution	-	Chairman
	Santander Consumer (UK) Plc	Financial institution	-	Chairman (until June 2008)
	Santander Consumer Bank, AG (Germany)	Banking	-	Member of the Supervisory Board
	Santander Consumer Bank, S.A. (Poland)	Banking	-	Member of the Supervisory Board (until June 2008)
	Santander Consumer Bank, S.p.A. (Italy)	Financial institution	-	Deputy Chairman
	Santander Consumer Chile, S.A.	Finance leases	-	Board Member (until 25/11/08)
	Santander Consumer Finance Germany, GmbH	Holding company	-	Member of the Supervisory Board
	Santander Consumer France, S.A.	Financial institution	-	Chairman
	Transolver Finance, E.F.C., S.A.	Financial institution	-	Representative of the Chairman of the Board, Santander Consumer Finance, S.A.
	Unifin, S.p.A.	Financial institution	-	Director
Mr. Ernesto Zulueta Benito	Santander Consumer Finance, S.A.	Banking	-	Director
	Banco Santander Consumer Portugal, S.A.	Banking	-	Director (until December 2008)
	Santander Consumer Bank, S.p.A. (Italy)	Financial institution	-	Director
	JSC Santander Consumer Bank (Russia)	Banking	-	Director
	Santander Consumer Bank, S.A. (Poland)	Banking	-	Member of the Supervisory Board
	Santander Consumer Finance Zrt. (Hungary)	Financial institution	-	Member of the Supervisory Board
	Reintegra, S.A.	Debt recovery	-	Representative of the Director, Andaluza de Inversiones, S.A. (until November 2008)
	Santander Consumer U.S.A.	Financial institution	-	Director
	Santander Consumer Bank, A.S. (Norway)	Financial institution	-	Director (until December 2008)
	Santander Consumer France, S.A.	Financial institution	-	General Manager (until November 2008)

Owner	Corporate Name	Line of Business	Ownership Interest	Functions
Mr. David Turiel López	Santander Consumer, E.F.C., S.A.	Financial institution	-	Director
	Banco Santander Consumer Portugal, S.A.	Financial institution	-	Director
	Santander Consumer Bank, S.A. (Poland)	Banking	-	Member of the Supervisory Board
	Polskie Towarzystwo Finansowe, S.A.	Financial services	-	Member of the Supervisory Board
Ms. Inés Serrano González	Santander Consumer Finance, S.A.	Financial institution	-	Director, General Manager (since 19/12/08)
	Santander Consumer, E.F.C., S.A.	Financial institution	-	Director
	Open Bank Santander Consumer, S.A.	Banking	-	Director
	Santander Consumer Bank, S.p.A. (Italy)	Financial institution	-	Director
	Unifin, S.p.A. (Italy)	Financial institution	-	Director
	JSC Santander Consumer Bank (Russia)	Financial institution	-	Director
	Santander Consumer Bank, S.A. (Poland)	Financial institution	-	Member of the Supervisory Board
	Santander Consumer U.S.A.	Financial institution	-	Director
	Santander Consumer (UK) Plc	Financial institution	-	Director
Mr. Luís Valero Artola	ABS Line Multimedia, S.A.	Marketing		Director
Mr. Juan Manuel San Román López (*)	Santander Consumer Bank A.S.	Financial institution	-	Chairman
	Santander Investment Bolsa, S.V.	Securities company	-	Director
	Santander Consumer, E.F.C., S.A.	Financial institution	-	Director
Ms. Magdalena Salarich Fernández de Valderrama	Banco Santander, S.A.	Financial institution	Less than 0.001%	Manager of the Consumer Financing Division of SCH
	Banco Banif, S.A.	Financial institution	-	-
Mr. Andreas Finkenberg	Santander Consumer Bank Aktiengesellschaft	Financial institution	-	Chairman of the Board of Directors
	Santander Consumer Holding, GmbH	Holding company	-	Chairman of the Board of Directors
	Santander Consumer Finance Germany, GmbH	Holding company	-	Chairman of the Board of Directors
	Santander Consumer Finance, B.V.	Financial institution	-	Chairman of the Supervision Committee
	Santander Consumer Finance, A.S.	Finance leases	-	Chairman of the Supervision Committee
	Santander Consumer Finance Benelux, B.V.	Financial institution	-	Chairman of the Supervision Committee
	RBS (RD Europe) GmbH (**)	Financial institution	-	Chairman of the Supervision Committee (until the merger with Santander Consumer Finance, A.G. on 30/12/08)
	GE Money Bank, Deutschland	Banking	-	Chairman of the Supervision Committee
	GE Capital Deutschland GmbH	Holding company	-	Chairman of the Supervision Committee
	Santander Consumer France, S.A.	Financial institution	-	General Manager

Owner	Corporate Name	Line of Business	Ownership Interest	Functions
Mr. Paul Adrian Verburgt	Santander Consumer Finance Germany, GmbH	Holding company	-	Chairman of the Supervision Committee
	Amodo Finance, N.V.	Financial institution	-	Member of the Supervision Committee
	Santander Consumer Bank Aktiengesellschaft	Financial institution	-	Deputy Chairman of the Supervision Committee
	Banco Santander (Suisse), S.A.	Banking	-	Member of the Supervision Committee
	Santander Consumer Bank, S.p.A. (Italy)	Banking	-	Member of the Supervision Committee
	Banco Santander, S.A.	Banking	-	Member of the Global Treasury Committee
Mr. Javier San Félix García	Santander Consumer, E.F.C., S.A.	Financial institution	-	Director (until June 2008)
	Santander Consumer Bank AS	Financial institution	-	Chairman of the Board of Directors
	Santander Consumer Finance, S.A.	Financial institution	-	Director, General Manager (since 16/12/08)
	JSC Santander Consumer Bank	Financial institution	-	Chairman of the Board of Directors
	Unifin SpA	Financial institution	-	Director (until June 2008)
	Santander Consumer Finance s.r.o.	Financial institution	-	Chairman of the Supervisory Board
	Santander Consumer Finance Zrt	Financial institution	-	Member of the Supervisory Board
	Santander Consumer USA, Inc.	Financial institution	-	Director
	Santander Consumer Bank, S.p.A.	Financial institution	-	Director (until June 2008)
	Santander Consumer France	Financial institution	-	Director (until June 2008)
	Santander Consumer UK, Plc	Financial institution	-	Chairman
	Grupo Alcanza, S.A. de C.V. (Mexico)	Holding company	-	Director (until September 2008)
	Polskie Towarzystwo Finansowe, S.A.	Services	-	Member of the Supervisory Board
	Santander Consumer Bank, S.A. (Poland)	Financial institution	-	Deputy Chairman of the Supervisory Board
Andaluza de Inversiones, S.A. (*)	Guaranty Car, S.A.	Automotive	100%	Sole Director
	Reintegra, S.A.	Debt recovery	45%	Director
	Accordfin España, E.F.C., S.A.	Financial institution	-	Director
	Transolver Finance, E.F.C., S.A.	Financial institution	-	Director
	Suzuki Servicios Financieros, S.L.	Finance	51.00%	-
	Grupo KonectaNet, S.L.	Contact centre	44.25%	Director
	Hispamer Renting, S.A.	Full-service leasing	-	Director
	Santana Credit, E.F.C., S.A.	Financial institution	-	Director (until merger on 30/06/08)

(*) Ceased to discharge functions as a director and/or senior manager in 2008.
(**) Formerly called RBS (RD Europe) B.V.

6. Loans and advances to credit institutions

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

	Thousands of Euros	
	2008	2007
Type:		
Reciprocal accounts	118,679	45,987
Time deposits	3,000,078	2,021,762
Hybrid financial assets	-	3,709
Reverse repurchase agreements	-	7,215
Other accounts	159,872	113,206
	3,278,629	**2,191,879**
Currency:		
Euro	3,253,917	2,123,707
Foreign currency	24,712	68,172
	3,278,629	**2,191,879**
Add - Valuation adjustments	33,988	20,213
Of which:		
Accrued interest	*34,474*	*20,600*
Fees and commissions	*(486)*	*(387)*
	3,312,617	**2,212,092**

Note 47 contains a detail of the residual maturity periods of these assets at 2008 and 2007 year-end and of the related average interest rates in 2008 and 2007.

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

7. Debt instruments

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

	Thousands of Euros	
	2008	2007
Classification:		
Loans and receivables	89,527	163,373
Available-for-sale financial assets	102,702	178,140
	192,229	**341,513**
Type:		
Central banks	30,830	100,387
Foreign government debt securities	3,558	74,865
Issued by non-resident financial institutions	68,314	75,410
Other fixed-income securities	89,527	90,851
	192,229	**341,513**
Currency:		
Euro	188,671	221,904
Foreign currency	3,558	119,609
	192,229	**341,513**
Add - Valuation adjustments	(2,490)	(2,622)
Of which:		
Impairment losses	*(2,490)*	*(2,622)*
	189,739	**338,891**

Note 47 contains a detail of the residual maturity periods of these assets at 2008 and 2007 year-end and of the related average interest rates in 2008 and 2007.

8. Other equity instruments

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

	Thousands of Euros	
	2008	2007
Classification:		
Financial assets held for trading	365,922	346
Available-for-sale financial assets	830	-
	366,752	**346**
Type:		
Shares of Spanish companies	404	-
Shares of foreign companies	366,348 (*)	346
	366,752	**346**
Currency:		
Euro	366,727	346
Foreign currency	25	-
	366,752	**346**

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

The changes in 2008 and 2007 in the balance of "Available-for-Sale Financial Assets - Other Equity Instruments" and "Financial Assets Held for Trading - Other Equity Instruments" were as follows:

	Thousands of Euros	
	2008	2007
Balance at beginning of year	346	826
Net additions (disposals)	366,157	(34)
Valuation adjustments	249	(446)
Balance at end of year	**366,752**	**346**

9. Trading derivatives (assets and liabilities)

The detail, by type of inherent risk, of the fair value of the trading derivatives arranged by the Group at 31 December 2008 and 2007 is as follows:

	Thousands of Euros			
	2008		2007	
	Asset Balance	Liability Balance	Asset Balance	Liability Balance
Interest rate risk	98,941	116,765	32,700	33,167
Other risks (*)	-	-	16,576	-
	98,941	**116,765**	**49,276**	**33,167**

(*) As a result of the business plan implemented at Accordfin España, E.F.C., S.A., (see Appendix II), the Bank adjusted its valuation of the put option on its ownership interest in that company, recognising a loss of EUR 16,576 thousand under “Gains/Losses on Financial Assets and Liabilities (net)” in the accompanying consolidated income statement for 2008. This put option may be exercised from January 2010, and its exercise price will be determined, where applicable, by reference to the net profit, if any, obtained by the investee in the year prior to that in which the option is exercised.

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

10. Loans and advances to customers

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

	Thousands of Euros	
	2008	2007
Loan type and status:		
Commercial credit	177,784	1,305
Secured loans	4,561,291	4,407,729
Other term loans	34,446,951	30,805,155
Finance leases	3,761,497	3,727,347
Receivable on demand and other	4,520,689	3,326,719
Impaired assets	2,290,602	1,357,122
	49,758,814	**43,625,377**
Borrower sector:		
Public sector - Spain	2,903	1,364
Households	40,927,427	34,624,524
Energy	1,799	1,957
Construction	338,263	246,543
Manufacturing	1,098,584	1,181,503
Services	3,949,758	2,978,941
Other sectors	3,440,080	4,590,545
	49,758,814	**43,625,377**
Geographical area:		
Spain and Portugal	13,675,062	14,209,389
Italy	6,104,012	5,761,521
Germany	23,240,310	17,257,015
Scandinavia	3,498,442	3,504,299
Other	3,240,988	2,893,153
	49,758,814	**43,625,377**
Interest rate formula:		
Fixed rate	37,441,092	32,094,744
Floating rate	12,317,722	11,530,633
	49,758,814	**43,625,377**
Currency:		
Euro	43,115,291	37,201,137
Foreign currency	6,643,523	6,424,240
	49,758,814	**43,625,377**
Less - Valuation adjustments	**(1,333,233)**	**(802,198)**
Of which:		
Impairment losses	*(1,972,951)*	*(1,305,868)*
Accrued interest	*65,062*	*54,774*
Other	*574,656*	*448,896*
	48,425,581	**42,823,179**

Note 47 contains a detail of the residual maturity periods of loans and advances to customers at 2008 and 2007 year-end and of the related average annual interest rates in 2008 and 2007.

At 31 December 2008 and 2007, there were no loans and advances to customers for material amounts without fixed maturity dates. At 2008 and 2007 year-end, the loans and advances to customers assigned to own or third-party obligations totalled EUR 1,350,000 thousand in the two years (see Notes 19 and 20).

Impairment losses

The changes in the balance of "Impairment Losses" in the foregoing table in 2008 and 2007 were as follows:

	Thousands of Euros	
	2008	2007
Balance at beginning of year	1,305,868	1,082,990
Net impairment losses charged to consolidated income for the year	831,618	482,390
Of which:		
Individually assessed	*921,809*	*480,561*
Collectively assessed	*(90,191)*	*1,829*
Inclusion of entities in the Group in the year	221,412	5,304
Write-off of impaired balances against recorded impairment allowance	(386,876)	(265,849)
Exchange differences and other	929	1,033
Balance at end of year	**1,972,951**	**1,305,868**
Of which:		
By method of assessment-		
Individually assessed	*1,673,006*	*929,104*
Collectively assessed	*299,945*	*376,764*
By geographical location of risk-		
Spain	*508,008*	*348,351*
Other	*1,464,943*	*957,517*

Previously written-off assets recovered in 2008 and 2007 amounted to EUR 74,934 thousand and EUR 75,905 thousand, respectively, and are presented as a deduction from the balance of "Impairment Losses on Financial Assets - Loans and Receivables" in the accompanying consolidated income statements. In 2008 this amount included EUR 16,339 thousand arising from the disposal of written-off loans by certain Group entities (2007: EUR 9,373 thousand).

Impaired assets

The changes in 2008 and 2007 in the balance of the financial assets classified as loans and receivables and considered to be impaired due to credit risk at 31 December 2008 and 2007 were as follows:

	Thousands of Euros	
	2008	2007
Balance at beginning of year	1,357,122	960,393
Additions net of recoveries	1,349,850	685,787
Written-off assets (*)	(417,168)	(289,513)
Exchange differences and other	798	455
Balance at end of year	**2,290,602**	**1,357,122**

(*) Of which EUR 30,292 thousand in 2008 and EUR 23,664 thousand in 2007 related to direct write-offs of uncollectible balances, which are presented as an increase in the balance of "Impairment Losses on Financial Assets (net) - Loans and Receivables" in the accompanying consolidated income statements for 2008 and 2007.

Following is a detail of the financial assets classified as loans and receivables and considered to be impaired due to credit risk at 31 December 2008 and 2007, classified by geographical location of risk and by age of the oldest past-due amount:

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

2007						
	Thousands of Euros					
	With Balances Past Due by					
	0 to 6 Months	6 to 12 Months	12 to 18 Months	18 to 24 Months	More than 24 Months	Total
Spain and Portugal	164,598	130,467	50,522	27,528	35,607	408,722
Germany	244,836	122,285	95,754	76,534	125,654	665,063
Italy	55,119	38,284	25,790	10,764	45,681	175,638
Scandinavia	19,680	14,019	2,931	1,536	2,632	40,798
Other	25,866	18,432	9,882	4,758	7,963	66,901
	510,099	**323,487**	**184,879**	**121,120**	**217,537**	**1,357,122**

The non-performing loans ratio amounted to 4.60% at 31 December 2008 (31 December 2007: 3.11%).

The accrued interest on uncollected impaired assets stood at EUR 34,153 thousand at 31 December 2008 (31 December 2007: EUR 24,693 thousand). This income has not been recognised in the income statement as there are doubts as to its collection.

Written-off assets

The changes in 2008 and 2007 in the balance of financial assets classified as loans and receivables and considered to be written-off assets at 31 December 2008 and 2007 were as follows:

	Thousands of Euros	
	2008	2007
Balance at beginning of year	858,182	661,760
Inclusions of entities in the Group	33,750	1,436
Additions (*)	436,732	323,289
Disposals	(77,370)	(128,303)
Balance at end of year	**1,251,294**	**858,182**

(*) Of which EUR 19,564 thousand in 2008 and EUR 9,378 thousand in 2007 related to uncollected interest more than three months past due.

Securitisation

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

	Thousands of Euros	
	2008	2007
Derecognised:	**-**	**90,368**
Of which:		
Santander Consumer, E.F.C., S.A.	-	*90,368*
Retained on the balance sheet:	**11,957,415**	**11,052,353**
Of which:		
Santander Consumer, E.F.C., S.A.	*3,865,822*	*4,020,829*
Santander Consumer Bank, A.G.	*5,764,741*	*4,413,907*
Santander Consumer Bank S.p.A.	*2,326,852*	*2,617,617*
Total	**11,957,415**	**11,142,721**

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

On 23 June 2008, the subsidiary Santander Consumer, E.F.C., S.A. repurchased from Santander Consumer Finance Spain 02-1, Fondo de Titulización de Activos, the collection rights amounting to EUR 58,927 thousand held by this securitisation special-purpose vehicle at that date. This repurchase was performed after the decision was taken to liquidate this special-purpose vehicle because the balance of the outstanding collection rights amounted to less than 10% of its original assets. The securitised assets had been derecognised prior to 1 January 2004.

In addition, on 25 June 2008, the special-purpose vehicle paid the subsidiary Santander Consumer, E.F.C., S.A. (see Appendix I) EUR 19,000 thousand from its Reserve Fund, following the early redemption of its bond portfolio, which were recognised under "Gains/Losses on Financial Assets and Liabilities (net)" in the accompanying consolidated income statement for 2008 (see Note 37).

In 2008 and 2007 the subsidiaries Santander Consumer, E.F.C., S.A. (Spain), Santander Consumer Bank S.p.A. (Italy) and Santander Consumer Bank AG (Germany) securitised loan receivables amounting to EUR 4,456,500 thousand and EUR 5,756,500 thousand, respectively. Since substantially all the risks and rewards associated with these receivables had not been transferred, they were not derecognised.

The growth in securitisation was the result of its use as a tool for the management of regulatory capital and as a means of diversifying the Group's liquidity sources.

Note 20 details the liabilities associated with these securitisation transactions.

11. Hedging derivatives

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

	Thousands of Euros			
	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges:				
Micro-hedges	311,054	72,186	32,932	48,999
Portfolio hedges	21,074	127,174	7,526	9,356
Cash flow hedges (*):				
Micro-hedges	212	97,903	13,118	21,892
Portfolio hedges	9,709	129,644	36,196	4,559
	342,049	**426,907**	**89,772**	**84,806**

(*) Of which EUR 176,238 thousand, net of tax, were recognised as a reduction of consolidated equity and EUR 37,619 thousand, net of tax, were recognised as an addition thereto at 31 December 2008 and 2007, respectively.

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

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

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

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

	Thousands of Euros	
	2008	2007
Santander Consumer France -		
Loans and advances to credit institutions	15,940	-
Loans and advances to customers	35,236	-
Other assets	6,795	-
	57,971	-
Foreclosed tangible assets	19,904	8,557
Property, plant and equipment for own use	2	3
Other assets from operating leases	12,744	2,729
Other	2,708	-
	35,358	11,289
Impairment losses	(1,927)	(1,707)
	91,402	**9,582**

The changes in the balance of “Impairment Losses” in the foregoing table in 2008 and 2007 were as follows:

	Thousands of Euros	
	2008	2007
Balances at beginning of year	1,707	1,429
Net impairment losses charged to consolidated income for the year	1,153	320
Amounts used	(933)	(42)
	1,927	**1,707**

In 2008 the consolidated entities obtained a net loss of EUR 605 thousand from the sale of non-current assets held for sale (2007: a net gain of EUR 911 thousand).

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

	Thousands of Euros	
	2008	2007
Santander Consumer France -		
Other financial liabilities	162	-
Tax liabilities	137	-
Accrued expenses and deferred income	8,662	-
Other liabilities	8,352	-
	17,313	**-**

13. Investments - Associates

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

	Thousands of Euros	
	2008	2007
Accordfin, E.F.C., S.A.	9,363	13,043
Konecta B.T.O., S.L.	8,452	8,898
Reintegra, S.A.	1,960	1,763
Other	9,130	7,232
	28,905	**30,936**
Of which:		
Goodwill	*4,599*	*3,972*
Less-		
Impairment losses	(7,806)	-
	21,099	**30,936**

The changes in 2008 and 2007 in the balance of this item in the consolidated balance sheets, disregarding impairment losses, were as follows:

	Thousands of Euros	
	2008	2007
Balance at beginning of year	30,936	47,758
Purchases and capital increases	1,331	1,529
Disposals and capital reductions	-	(15,379)
Effect of equity accounting	(3,989)	7,504
Goodwill	627	(9,254)
Exchange differences and other	-	(1,222)
Balance at end of year	**28,905**	**30,936**

In 2008 impairment of EUR 7,806 thousand was identified on the investment in the associate Accordfin, E.F.C., S.A., and this amount was recognised under "Impairment Losses on Other Assets (net) – Other Assets" in the accompanying consolidated income statement for 2008 (see Note 43).

Following is a summary of the financial information on the associates (obtained from the financial statements of the entities at 31 December 2008 not yet approved by their management bodies):

	Millions of Euros
Total assets	937
Total liabilities	(830)
Minority interests	(52)
Net assets	55
Group's share of the net assets of associates	**24**
Goodwill	*5*
Total Group share	**29**
Total income	424
Total profit/(loss)	(7)
Group's share of the profit or loss of associates	**(4)**

14. Insurance contracts linked to pensions

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

	Thousands of Euros	
	2008	2007
Assets relating to insurance contracts covering post-employment benefit plan obligations:		
Santander Consumer Finance, S.A. (Note 23)	24,230	25,205
Santander Consumer E.F.C, S.A. (Note 23)	6,218	6,380
	30,448	**31,585**
Assets relating to insurance contracts covering other long-term benefits:		
Santander Consumer Finance, S.A. (Note 23)	2,428	3,330
Santander Consumer Bank Aktiengesellschaft (Note 23)	-	3,973
	2,428	**7,303**
	32,876	**38,888**

The interest earned on these assets amounted to EUR 1,326 thousand in 2008 and EUR 1,479 thousand in 2007 (see Notes 2-p, 2-q and 32).

15. Tangible assets

The changes in 2008 and 2007 in the balance of "Tangible Assets" in the consolidated balance sheets were as follows:

	Thousands of Euros		
	Property, Plant and Equipment for Own Use	Other Assets Leased out under an Operating Lease	Total
Cost:			
Balances at 1 January 2007	226,135	541,551	767,686
Additions/disposals (net)	51,831	68,402	120,233
Exchange differences	4,682	-	4,682
Transfers and other	(212)	-	(212)
Balances at 31 December 2007	282,436	609,953	892,389
Additions/disposals (net)	613	(1,120)	(507)
Additions	*50,121*	*98,426*	*128,547*
Disposals	*(49,508)*	*(99,546)*	*(129,054)*
Net additions due to change in the scope of consolidation	16,295	1,721	18,016
Exchange differences	(2,008)	(157)	(2,165)
Balances at 31 December 2008	**297,336**	**610,397**	**907,733**
Accumulated depreciation:			
Balances at 1 January 2007	(138,436)	(134,984)	(273,420)
Net additions due to change in the scope of consolidation	(1,418)	-	(1,418)
Charge for the year	(24,076)	(70,920)	(94,996)
Disposals and retirements	42,712	59,665	102,377
Exchange differences	197	-	197
Balances at 31 December 2007	(121,021)	(146,239)	(267,260)
Net additions due to change in the scope of consolidation	(4,058)	(618)	(4,676)
Charge for the year	(24,523)	(94,156)	(118,679)
Disposals and retirements	17,883	85,859	103,742
Exchange differences	(2,347)	-	(2,347)
Balances at 31 December 2008	**(134,066)**	**(155,154)**	**(289,220)**
Net tangible assets:			
Balances at 31 December 2007	**161,415**	**463,714**	**625,129**
Balances at 31 December 2008	**163,270**	**455,243**	**618,513**

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

At 31 December 2008, the fully depreciated assets amounted to EUR 33,625 thousand (31 December 2007: EUR 25,074 thousand).

The Group incurred a loss of EUR 6,717 thousand in 2008 (2007: EUR 1,339 thousand) on sales of property, plant and equipment, relating mainly to assets leased out under an operating lease (see Note 44).

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

	Thousands of Euros		
	Cost	Accumulated Depreciation	Net Balance
Buildings	88,563	(12,216)	76,347
Furniture	61,220	(32,458)	28,762
IT equipment	94,729	(67,035)	27,694
Other	37,924	(9,312)	28,612
Balances at 31 December 2007	**282,436**	**(121,021)**	**161,415**
Buildings	88,630	(14,925)	73,705
Furniture	81,228	(39,198)	42,030
IT equipment	92,766	(69,164)	23,602
Other	34,712	(10,779)	23,933
Balances at 31 December 2008	**297,336**	**(134,066)**	**163,270**

The net balance at 31 December 2008 includes approximately EUR 147,842 thousand (31 December 2007: EUR 155,237 thousand) relating to property, plant and equipment owned by Group entities and branches located abroad.

16. Intangible assets

a) Goodwill

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

	Thousands of Euros	
	2008	2007
Santander Consumer Holding GmbH (Germany)	794,291	794,291
Santander Consumer Bank, S.p.A. (Italy)	199,053	199,053
Santander Consumer Bank, A.S. (Norway)	98,427	120,591
Banco Santander Consumer Portugal, S.A. (Portugal)	121,699	161,699
Unifin, S.p.A. (Italy)	36,437	36,437
Polskie Towarzystwo Finansowe, S.A. (Poland)	20,660	23,879
Santander Consumer Bank, S.A. (Poland)	2,612	3,019
Grupo Alcanza, S.A. de C.V. (Mexico)	-	6,336
JSC Santander Consumer Bank (Russia)	-	36,766
Santander Consumer Finance Benelux B.V. (Netherlands) (*)	31,448	-
Santander Consumer Bank, A.G. (Germany) (Note 3)	53,646	-
GE Money Bank GmbH (Germany) (Note 3)	50,608	-
Other companies	16,680	14,115
Total	**1,425,561**	**1,396,186**

(*) Formerly called RBS (RD Europe) B.V. (see Note 3)

The changes in 2008 and 2007 in the balance of "Goodwill" in the consolidated balance sheets were as follows:

	Thousands of Euros	
	2008	2007
Balance at beginning of year	1,396,186	1,263,623
Additions (Note 3-b)	137,702	135,280
Of which:		
Banco Santander Consumer Portugal, S.A.	-	*71,958*
JSC Santander Consumer Bank (Russia)	-	*36,766*
Santander Consumer Finance Benelux B.V. (Netherlands) (*)	*31,448*	-
Santander Consumer Bank, AG (Germany)	*53,646*	-
GE Money Bank GmbH (Germany)	*50,608*	-
Santander Consumer Leasing S.R.O. (Czech Republic)	*2,000*	-
Transfer to other intangible assets	-	(8,485)
Of which:		
Unifin, S.p.A.	-	*(1,338)*
Banco Santander Consumer Portugal, S.A.	-	*(7,147)*
Impairment losses	(72,726)	-
Exchange differences and other	(35,601)	5,768
Balance at end of year	**1,425,561**	**1,396,186**

(*) Formerly called RBS (RD Europe) B.V.

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

At 31 December 2008, the directors assessed the variations in the recoverable value of the goodwill and concluded that there was evidence of impairment of certain items of goodwill at that date. As a result, impairment losses amounting to EUR 40,000 thousand and EUR 32,726 thousand were recognised on the goodwill that arose on the acquisitions of Banco Santander Consumer Portugal, S.A. and JSC Santander Consumer Bank (formerly, CB Extrobank), respectively, and these amounts were recognised under "Impairment Losses on Other Assets (net) – Goodwill and Other Intangible Assets" in the accompanying consolidated income statement for 2008 (see Note 43).

b) Other intangible assets

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

	Estimated	Thousands of Euros	
	Useful Life	2008	2007
With finite useful life:			
Customer base	10 years	83,131	79,771
IT Developments	3 years	151,128	102,067
		234,259	**181,838**

The changes in 2008 and 2007 in the balance of "Other Intangible Assets" in the consolidated balance sheets were as follows:

	Thousands of Euros	
	2008	2007
Balance at beginning of year	181,838	143,092
Net additions	106,805	79,447
Transfers from "Goodwill"	-	8,485
Amortisation charge	(42,480)	(37,928)
Impairment losses (Note 43)	(11,904)	(11,258)
Balance at end of year	**234,259**	**181,838**

17. Other assets and other liabilities

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

	Thousands of Euros			
	Assets		Liabilities	
	2008	2007	2008	2007
Inventories	8,873	13,927	-	-
Prepayments	64,888	124,813	-	-
Accrued expenses	-	-	286,115	180,579
Transactions in transit	-	6,885	12,167	9,804
Other	210,617	109,263	219,291	138,803
	284,378	**254,888**	**517,573**	**329,186**

18. Deposits from credit institutions

The breakdown, by type and currency, of the balance of "Deposits from Credit Institutions" in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2008	2007
Type:		
Reciprocal accounts	788,809	127,921
Time deposits	13,814,406	9,149,504
Other demand accounts	2,404,571	287,395
	17,007,786	**9,564,820**
Currency:		
Euro	13,920,982	7,066,521
Foreign currency	3,086,804	2,498,299
	17,007,786	**9,564,820**
Add - Valuation adjustments	206,160	138,768
Of which:		
Accrued interest	*206,971*	*139,432*
Other	*(811)*	*(664)*
	17,213,946	**9,703,588**

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

Note 47 contains a detail of the residual maturity periods of these financial liabilities at amortised cost at 2008 and 2007 year-end and of the related average annual interest rates in 2008 and 2007.

At 31 December 2008 and 2007, the consolidated entities had unused credit facilities amounting to EUR 1,734,726 thousand and EUR 1,173,306 thousand, respectively.

19. Customer deposits

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

	Thousands of Euros	
	2008	2007
Type:		
Public sector	22	7,156
Demand deposits-		
Current accounts	5,856,674	5,257,590
Savings accounts	1,300,063	1,599,566
Other demand deposits	226,917	20,388
Time deposits-		
Fixed-term deposits	10,356,395	6,683,829
Home-purchase savings accounts	57,921	59,745
Other time deposits	149,211	149,381
	17,947,203	**13,777,655**
Geographical area:		
Spain and Portugal	4,658,561	4,921,283
Germany	12,888,382	8,331,924
Italy	340,348	429,299
Scandinavia	52,703	76,342
Other	7,209	18,807
	17,947,203	**13,777,655**
Currency:		
Euro	17,887,291	13,693,110
Foreign currency	59,912	84,545
	17,947,203	**13,777,655**
Add - Valuation adjustments	106,291	91,821
Of which:		
Accrued interest	*106,291*	*91,821*
	18,053,494	**13,869,476**

"Other Time Deposits" in the foregoing table includes single mortgage bonds (*cédulas hipotecarias*) issued by the Bank on 17 July 2007 for a nominal amount of EUR 150,000 thousand, which mature on 20 July 2022 and are secured by mortgages registered in the Bank's favour (see Note 10). These bonds were subscribed by Santander Investment Bolsa, Sociedad de Valores, S.A., which in turn transferred them to the securitisation special-purpose vehicle Programa Independiente de Titulización de Cédulas Hipotecarias. The annual interest rate on these bonds is 5.13%. There are no early redemption options on these bonds for the Bank or for the holder, excluding the legally stipulated events of early redemption.

Note 47 contains a detail of the residual maturity periods of these financial liabilities at amortised cost at 2008 and 2007 year-end and of the related average annual interest rates in 2008 and 2007.

20. Marketable debt securities

Breakdown

The breakdown, by type, of the balance of “Marketable Debt Securities” in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2008	2007
Type:		
Bonds and debentures outstanding (*)	9,653,781	11,367,333
Mortgage bonds (*cédulas hipotecarias*)	1,193,952	1,193,952
Notes and other securities	4,175,926	7,317,881
	15,023,659	**19,879,166**
Add - Valuation adjustments	(310,856)	(429,863)
Of which:		
Accrued interest	135,625	177,933
Issue premiums/discounts	(473,099)	(534,537)
Micro-hedges	28,288	(70,438)
Other	(1,670)	(2,821)
	14,712,803	**19,449,303**

(*) Of this amount, EUR 2,543,210 thousand and EUR 3,564,897 thousand related to bonds and debentures issued by Santander Consumer Bank, S.p.A. and Santander Consumer Bank AG, respectively, in 2008 (EUR 2,063,246 thousand and EUR 4,413,908 thousand, respectively, in 2007). Additionally, at 31 December 2008, EUR 1,087,732 thousand, EUR 1,761,213 thousand and EUR 819,904 thousand related to bonds and debentures issued by FTA Santander Consumer Spain Auto 06, FTA Santander Consumer Spain Auto 07-1 and FTA Santander Consumer Spain Auto 07-2, respectively (31 December 2007: EUR 1,350,000 thousand, EUR 2,000,000 thousand and EUR 1,000,000 thousand related to bonds and debentures issued by FTA Santander Consumer Spain Auto 06 and Altair Finance, plc., respectively) (see Appendix I).

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

The balance of “Notes and Other Securities” in the foregoing table relates mainly to notes issues made by the Bank. These notes, issued at a discount, bore average annual interest of 4.17% in 2008.

At its meeting held on 19 June 2008, the Bank’s Board of Directors resolved to launch a Euro Commercial Paper issue programme with a maximum nominal amount outstanding that may not exceed EUR 8,000 million. These notes have maturities of between a minimum of three days and a maximum of 364 days. The programme was listed on the Dublin Stock Exchange on 17 July 2008. The outstanding balance of these notes amounted to EUR 53,607 thousand at 31 December 2008.

At its meeting held on 16 October 2008, the Bank's Board of Directors resolved to issue a Notes Programme with a maximum nominal amount outstanding that may not exceed EUR 10,000 million. These notes, whose unit nominal value is EUR 1,000, have maturities ranging from a minimum of three business days to a maximum of 25 months. This programme was registered in the Official Registers of the Spanish National Securities Market Commission (CNMV) on 18 November 2008. The outstanding balance of these notes amounted to EUR 53,607 thousand at 31 December 2008.

The Bank's Board of Directors also resolved, on that same date, to launch a Euro Medium Term Notes issue programme with a maximum nominal amount outstanding that may not exceed EUR 5,000 million. The programme was listed on the Luxembourg Stock Exchange on 27 November 2008. The outstanding balance of these notes was zero at 31 December 2008.

In addition, at its meeting held on 18 October 2007, the Bank's Board of Directors resolved to issue a Notes Programme with a maximum nominal amount outstanding that may not exceed EUR 10,000,000 thousand. These notes, whose unit nominal value is EUR 1,000, have maturities ranging from a minimum of three business days to a maximum of 25 months.

The balance of the notes quoted by the Spanish National Securities Market Commission amounted to EUR 4,101,429 thousand at 31 December 2008 (of which EUR 119 million, EUR 1,888 million and EUR 2,099 million related to the Notes Programmes of 2006, 2007 and 2008, respectively).

At 31 December 2008 and 2007, none of these issues was convertible into Bank shares or granted privileges or rights which, in certain circumstances, make them convertible into shares.

Note 47 contains a detail of the residual maturity periods of these financial liabilities at amortised cost at 2008 and 2007 year-end and of the related average annual interest rates in 2008 and 2007.

Information on issues, repurchases or reimbursements of debt instruments:

Following is a detail, at 31 December 2008 and 2007, of the outstanding balance of the debt instruments issued by the Bank or by any other Group entity at those dates. A detail is also shown of the changes in this balance in 2008 and 2007.

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

	Thousands of Euros				
	2007				
	Outstanding Balance at 01/01/07	Issues	Repurchases or Reimbursements	Adjustments for Exchange Rates and Other	Outstanding Balance at 31/12/07
Debt instruments issued in a Member State of the European Union, which required registration of a prospectus	12,619,684	11,461,338	(4,869,070)	198,976	19,410,928
Debt instruments issued in a Member State of the European Union, which did not require registration of a prospectus	-	-	-	-	-
Other debt instruments issued outside a Member State of the European Union	-	47,057	(7,895)	(787)	38,375
	12,619,684	**11,508,395**	**(4,876,965)**	**198,189**	**19,449,303**

Other issues guaranteed by the Group

At 31 December 2008 and 2007, there were no debt instruments issued by associates or (non-Group) third parties guaranteed by the Bank or by any other Group entity.

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

The main characteristics of the most significant issues launched by the Group in 2008 and 2007, or guaranteed by the Bank or Group entities in those years, are as follows:

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

Data on the Issuing Entity				Data on the Issues Launched in 2008								
Name	Relationship with the Bank	Country	Issuer or Issue Credit Rating	ISIN Code	Type of Instrument	Transaction Date	Amount of the Issue (Thousands of Euros)	Outstanding Balance at 31/12/08 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee to be Assumed by the Group
SC Germany Auto 08-01 Limited (Class A Notes)	(*)	Ireland	Moody's Aa3 Rating, Fitch A Rating, Standard & Poors A Rating	XS0356823178	Senior Debt	27/05/08	945,000 (**)	762,460	1M Euribor + 0.65%	Irish Stock Exchange	-	-
SC Germany Auto 08-01 Limited (Class B Notes)	(*)	Ireland	Moody's Aaa Rating	XS0356823251	Senior Debt	27/05/08	55,000	55,000	1M Euribor + 1.80%	Irish Stock Exchange	-	-
SC Germany Consumer 08-01 Limited (Class A Notes)	(*)	Ireland	Moody's A2 Rating	XS0389315044	Senior Debt	22/10/08	850,000 (**)	700,461	1M Euribor + 1.10%	Irish Stock Exchange	-	-
SC Germany Consumer 08-01 Limited (Class B Notes)	(*)	Ireland	Fitch AAA Rating Standard & Poors AAA Rating	XS0389315127	Senior Debt	22/10/08	150,000	150,000	1M Euribor + 1.90%	Irish Stock Exchange	-	-
SC Germany Auto 08-02 Limited (Class A Notes)	(*)	Ireland	Fitch A Rating Standard & Poors A Rating	XS0399102762	Senior Debt	27/11/08	475,000	475,000	1M Euribor + 1.25%	Irish Stock Exchange	-	-
SC Germany Auto 08-02 Limited (Class B Notes)	(*)	Ireland		XS0399103653	Senior Debt	27/11/08	25,000	25,000	1M Euribor + 2.50%	Irish Stock Exchange	-	-
FTA, Santander Consumer Spain Auto 08-01	(*)	Spain	Fitch AAA Rating	ES0378638003	Senior Debt	30/07/08	443,000 (**)	397,715	3M Euribor + 0.30%	AIAF Fixed-Income Market	-	-
FTA, Santander Consumer Spain Auto 08-01	(*)	Spain	Fitch A Rating	ES0378638011	Senior Debt	30/07/08	35,000	35,000	3M Euribor + 0.50%	AIAF Fixed-Income Market	-	-
FTA, Santander Consumer Spain Auto 08-01	(*)	Spain	Fitch BBB Rating	ES0378638029	Senior Debt	30/07/08	10,000	10,000	3M Euribor + 1.50%	AIAF Fixed-Income Market	-	-
FTA, Santander Consumer Spain Auto 08-01	(*)	Spain	Fitch BB Rating	ES0378638037	Senior Debt	30/07/08	12,000	12,000	3M Euribor + 1.75%	AIAF Fixed-Income Market	-	-
FTA, Santander Consumer Spain Auto 08-01	(*)	Spain	Fitch CCC Rating	ES0378638045	Senior Debt	30/07/08	10,000	10,000	3M Euribor + 3.50%	AIAF Fixed-Income Market	-	-

Data on the Issuing Entity				Data on the Issues Launched in 2007								
Name	Relationship with the Bank	Country	Issuer or Issue Credit Rating	ISIN Code	Type of Instrument	Transaction Date	Amount of the Issue (Thousands of Euros)	Outstanding Balance at 31/12/07 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee to be Assumed by the Group
Golden Bar (Securitisation) S.r.l. - Series 4 2007	(*)	Luxembourg	Moody's Aaa Rating, S&P AAA Rating	IT0004174022	Senior Debt	31/01/07	658,000	658,000	3M Euribor + 0.14%	Luxembourg Stock Exchange	-	-
Golden Bar (Securitisation) S.r.l. - Series 4 2007	(*)	Luxembourg	Moody's Aa2 Rating, S&P A Rating	IT0004174048	Senior Debt	31/01/07	28,000	28,000	3M Euribor + 0.26%	Luxembourg Stock Exchange	-	-
Golden Bar (Securitisation) S.r.l. - Series 4 2007	(*)	Luxembourg	Moody's Baa2 Rating, S&P BBB Rating	IT0004174063	Senior Debt	31/01/07	10,500	10,500	3M Euribor + 0.55%	Luxembourg Stock Exchange	-	-
SC Germany Auto 07-01 Limited	(*)	Ireland	Moody's Aaa Rating, Fitch AAA Rating, S&P AAA	XS0291425642	Senior Debt	28/03/07	945,000 (**)	683,466	1M Euribor + 0.07%	Irish Stock Exchange	-	-
SC Germany Auto 07-01 Limited	(*)	Ireland	Moody's Aa3 Rating, S&P A Rating , Fitch A Rating	XS0291456100	Senior Debt	28/03/07	55,000	55,000	1M Euribor + 0.17%	Irish Stock Exchange	-	-
SC Germany Auto 07-01 Limited	(*)	Ireland	Moody's Aaa Rating, Fitch AAA Rating, S&P AAA Rating	XS0303583099	Senior Debt	25/06/07	945,000 (**)	777,383	1M Euribor + 0.08%	Irish Stock Exchange	-	-
SC Germany Auto 07-02 Limited	(*)	Ireland	Moody's Aa3 Rating, Fitch A Rating, S&P A Rating	XS0303583842	Senior Debt	25/06/07	55,000	55,000	1M Euribor + 0.17%	Irish Stock Exchange	-	-
FTA Santander Consumer Spain Auto 07-01	(*)	Spain	Fitch AAA Rating, S&P AAA Rating	ES0337709002	Senior Debt	25/05/07	1,902,000(**)	1,623,213	3M Euribor + 0.15%	AIAF Fixed-Income Market	-	-
FTA Santander Consumer Spain Auto 07-01	(*)	Spain	Fitch A Rating, S&P A Rating	ES0337709010	Senior Debt	25/05/07	78,000	78,000	3M Euribor + 0.28%	AIAF Fixed-Income Market	-	-
FTA Santander Consumer Spain Auto 07-01	(*)	Spain	Fitch BBB Rating, S&P BBB Rating	ES0337709028	Senior Debt	25/05/07	20,000	20,000	3M Euribor + 0.60%	AIAF Fixed-Income Market	-	-

Data on the Issuing Entity				Data on the Issues Launched in 2007								
Name	Relationship with the Bank	Country	Issuer or Issue Credit Rating	ISIN Code	Type of Instrument	Transaction Date	Amount of the Issue (Thousands of Euros)	Outstanding Balance at 31/12/07 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee to be Assumed by the Group
FTA, Santander Consumer Spain Auto 07-1	(*)	Spain	Fitch CC Rating, S&P CCC-Rating	ES0337709036	Senior Debt	25/05/07	40,000	40,000	3M Euribor + 0.60%	AIAF Fixed-Income Market	-	-
FTA, Santander Consumer Spain Auto 07-2	(*)	Spain	Fitch AAA Rating, Moody's Aaa Rating, S&P AAA Rating	ES0337943007	Senior Debt	21/09/07	929,000 (**)	666,578	3M Euribor + 0.25%	AIAF Fixed-Income Market	-	-
FTA, Santander Consumer Spain Auto 07-2	(*)	Spain	Fitch AA+ Rating, Moody's Aa3 Rating, S&P AAA Rating	ES0337943015	Senior Debt	21/09/07	27,000	27,000	3M Euribor + 0.28%	AIAF Fixed-Income Market	-	-
FTA, Santander Consumer Spain Auto 07-2	(*)	Spain	Fitch A+ Rating, Moody's A1 Rating , S&P A Rating	ES0337943023	Senior Debt	21/09/07	17,500	17,500	3M Euribor + 1.00%	AIAF Fixed-Income Market	-	-
FTA, Santander Consumer Spain Auto 07-2	(*)	Spain	Fitch BBB+ Rating, Moody's Baa3 Rating, S&P BBB Rating	ES0337943031	Senior Debt	21/09/07	26,500	26,500	3M Euribor + 1.75%	AIAF Fixed-Income Market	-	-
FTA, Santander Consumer Spain Auto 07-2	(*)	Spain	Fitch CCC Rating, Moody's Caa2 Rating, S&P CCC-Rating	ES0337943049	Senior Debt	21/09/07	20,000	20,000	3M Euribor + 3.50%	AIAF Fixed-Income Market	-	-

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

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

21. Subordinated liabilities

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

	Thousands of Euros		31 December 2008		31 December 2007	
Currency of Issue	2008	2007	Outstanding Issue Amount in Foreign Currency (Millions)	Annual Interest Rate at 31/12/08 (%)	Outstanding Issue Amount in Foreign Currency (Millions)	Annual Interest Rate at 31/12/07 (%)
Euro (*)	777,581	816,551	-	4.63%	-	5.13%
Norwegian krone (**)	39,647	47,751	380	6.26%	383	5.76%
Polish zloty (***)	24,158	27,828	100	7.31%	100	6.63%
Balance at end of year	**841,386**	**892,130**				

(*) Including a subordinated loan and subordinated debentures granted to the Bank by Banco Santander, S.A. for EUR 153,600 thousand and EUR 500,000 thousand, respectively, which, subject to authorisation from the Bank of Spain, may be repaid/redeemed early on or after 27 February 2008 and 28 November 2011, respectively.

(**) Including a subordinated loan granted to the subsidiary Santander Consumer Bank AS by a Santander Group entity for NOK 200 million, which matures on 28 August 2010 and may be repaid early on or after 28 August 2005. This balance also includes a subordinated loan granted to the same entity for NOK 180 million, which may be repaid early on or after 28 September 2011.

(***) Including a subordinated loan granted to Santander Consumer Bank Spolka Akcyjna by a Santander Group entity for PLN 100 million, which may be repaid early on or after 14 December 2011.

The changes in the balance of this item in 2008 and 2007 were as follows:

	Thousands of Euros	
	2008	2007
Balance at beginning of year	892,130	908,528
Additions	5,153(*)	5,446 (*)
Of which:		
Spain	3,855	4,006
Poland	147	174
Italy	626	629
Germany	236	337
Norway	289	300
Redemptions	(48,318)	(25,193)
Of which:		
Germany	*(42,147)*	*(25,193)*
Exchange differences	(7,579)	3,349
Balance at end of year	**841,386**	**892,130**

(*) Accrued interest.

Note 47 contains a detail of the residual maturity periods of these subordinated liabilities at 2008 and 2007 year-end and of the related average annual interest rates in 2008 and 2007.

22. Other financial liabilities

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

	Thousands of Euros	
	2008	2007
Declared dividends payable (Note 4-a)	401,138	199,243
Trade payables	171,852	177,877
Clearing houses	-	8,168
Public agency revenue collection accounts	16,590	15,778
Unsettled financial transactions	21,175	41,304 (**)
Collateral received	24,124	21,538
Other financial liabilities (*)	148,921	485,478
	783,800	**949,386**

(*) The balance at 31 December 2008 includes EUR 104,759 thousand relating to balances payable arising from tax consolidation with Banco Santander, S.A. (at 31 December 2007 the amount payable in this connection was EUR 119,817 thousand, and the account also included EUR 199,950 thousand relating to the amount paid by the shareholders in the capital increase carried out after 2007 year-end) (see Note 25).

(**) Relates mainly to the amount payable to SAG Gest - Soluções Automóvel Globais, SGPS for the acquisition of 11.8% of Banco Santander Consumer Portugal, S.A. (see Note 3).

Note 47 contains a detail of the residual maturity periods of these financial assets and liabilities at 2008 and 2007 year-end.

23. Provisions

The breakdown of the balance of “Provisions” in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2008	2007
Provisions for pensions and similar obligations	265,795	193,042
Provisions for taxes and other legal contingencies	17,539	12,741
Provisions for contingent liabilities and commitments	1,368	1,110
Other provisions	37,969	36,401
	322,671	**243,294**

The changes in 2008 and 2007 in the balance of “Provisions” in the consolidated balance sheets were as follows:

	2008					2007				
	Pensions and Similar Obligations	Taxes and Other Contingencies	Contingent Liabilities and Commitments	Other Provisions	Total	Pensions and Similar Obligations	Taxes and Other Contingencies	Contingent Liabilities and Commitments	Other Provisions	Total
Balances at beginning of year	193,042	12,741	1,110	36,401	243,294	191,697	11,511	1,011	56,088	260,307
Net inclusion (exclusion) of entities in the Group	60,653	-	-	5,719	66,372	-	-	-	-	-
Additions charged to income:										
Interest expense and similar charges (Note 33)	9,308	-	-	-	9,308	8,356	-	-	-	8,356
Staff costs (Note 41)	4,445	-	-	-	4,445	5,667	-	-	-	5,667
Net additions to provisions (amounts used) (*)	21,595	4,798	(270)	765	26,888	3,242	1,256	68	(8,032)	(3,466)
	35,348	4,798	(270)	765	40,641	17,265	1,256	68	(8,032)	10,557
Payments to retired employees and early retirees with a charge to internal provisions (**)	(16,879)	-	-	-	(16,879)	(9,748)	-	-	-	(9,748)
Insurance premiums paid	(1,369)	-	-	-	(1,369)	(76)	-	-	-	(76)
Payments to retired employees by insurance companies	(1,140)	-	-	-	(1,140)	(3,745)	-	-	-	(3,745)
Amounts used	-	-	-	(4,916)	(4,916)	-	(26)	-	(11,655)	(11,681)
Other	(3,860)	-	528	-	(3,332)	(2,351)	-	31	-	(2,320)
	(23,248)	-	528	(4,916)	(27,636)	(15,920)	(26)	31	(11,655)	(27,570)
Balances at end of year	**265,795**	**17,539**	**1,368**	**37,969**	**322,671**	**193,042**	**12,741**	**1,110**	**36,401**	**243,294**

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

	Thousands of Euros
Post-employment benefits - Spanish entities:	
Recognised actuarial gains/losses	117
Past service cost	447
Early retirements	96
Curtailments/settlements	2
	662
Other long-term benefits - Spanish entities:	
Recognised actuarial gains/losses (obligations and assets)	-
Early retirements	22,160
Curtailments/settlements	(27)
	22,133
Foreign entities:	
Recognised actuarial gains/losses (obligations and assets)	(215)
Early retirements	-
Curtailments/settlements	(985)
	(1,200)
	21,595

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

	Thousands of Euros
Payments with a charge to the internal provision:	
Post-employment benefits - Spanish entities	2,238
Other long-term benefits - Spanish entities	10,076
Foreign entities	4,565
	16,879

Provisions for pensions and similar obligations

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

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

Santander Consumer Finance, S.A.-

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

  No premiums were paid to the insurance company in 2008 and 2007 (see Note 2-p).

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

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

  No premiums were paid to the insurance company in 2008 and 2007 (see Note 2-p).

Openbank Santander Consumer, S.A.-

- Obligations guaranteed in or after 2008 by the Employee Welfare System for executives, which were externalised through an insurance policy taken out with a related entity (Santander Seguros y Reaseguros, Compañía Aseguradora, S.A.).

  The premiums paid to the insurance company in 2008 amounted to EUR 863 thousand and were recognised under "Administrative Expenses - Staff Costs" in the consolidated income statement (see Note 2-p).

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

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

Santander Consumer Finance, S.A.-

- Pension obligations under the Private Banking Collective Labour Agreement to current employees, employees who took early retirement prior to May 1996 (including future insurance premiums for disability and surviving spouse/child benefits) and retired employees, which are funded by an internal provision partly covered by insurance policies (that do not meet the requirements for externalisation) taken out with a non-related entity (Banco Vitalicio de España, Compañía Anónima de Seguros y Reaseguros). The premiums paid to the insurance company amounted to EUR 403 thousand in 2008 (2007: EUR 76 thousand).

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

  No premiums were paid to the insurance company in 2008 and 2007 (see Note 2-p).

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

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

- Pension obligations under the Private Banking Collective Labour Agreement to current employees, early retirees (including future insurance premiums for disability and surviving spouse/child benefits for employees who took early retirement prior to May 1996) and employees who retired prior to May 1996, which are funded by an internal provision partly covered by insurance policies (that do not meet the requirements for externalisation) taken out with a non-related entity (Banco Vitalicio de España, Compañía Anónima de Seguros y Reaseguros). The premiums paid to the insurance company amounted to EUR 103 thousand in 2008 (no premiums were paid in 2007).

Openbank Santander Consumer, S.A.-

- Pension obligations under the Private Banking Collective Labour Agreement to current and retired employees, which are funded by an internal provision.

The present value of the post-employment benefit obligations of the Spanish consolidated entities and the value of the reimbursement rights under the insurance policies linked to these obligations at 31 December 2008 and 2007 were as follows:

	Thousands of Euros	
	2008	2007
Present value of the obligations-		
To current employees	1,480	1,280
Vested obligations to retired employees and early retirees	31,927	33,191
Other obligations to retired employees (*)	960	990
	34,367	**35,461**
Less - Unrecognised actuarial gains/losses	(2,010)	(2,153)
Provisions - Provisions for pensions and similar obligations (Note 2-p)	**32,357**	**33,308**
Insurance contracts linked to pensions, taken out with non-related entities (Note 14)	**30,448**	**31,585**

(*) Including the life insurance obligations to retired employees who joined Santander Consumer Finance, S.A. from Banco de Fomento, S.A., plus other welfare benefits to retired employees.

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

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

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

	2008	2007
Annual discount rate	4.0%	4.0%
Mortality tables	GRM/F-95	GRM/F-95
Cumulative annual CPI growth	1.5%	1.5%
Annual salary increase rate	2.5%	2.5%
Annual social security pension increase rate	1.5%	1.5%

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

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

	2008	2007
Expected rate of return on reimbursement rights	4.0%	4.0%

The changes in 2008 and 2007 in the cumulative net unrecognised actuarial gains and/or losses were as follows:

	Thousands of Euros	
	2008	2007
Balance at beginning of year	2,153	2,419
Net actuarial gains arising in the year	(117) (*)	(266)
Amount recognised in the year (Note 2-p)	(26)	
Balance at end of year	**2,010**	**2,153**

(*) Relates to obligations amounting to EUR 428 thousand and assets amounting to EUR 307 thousand.

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

	Thousands of Euros
Present value of the obligations at beginning of year	**35,461**
Net inclusion of entities in the Group	
Current service cost (Notes 2-p and 41)	112
Interest cost (Notes 2-p and 33)	1,369
Early retirements	96
Effect of curtailments/settlements	2
Benefits paid	(2,238)
Past service cost	447
Actuarial (gains)/losses arising in the year (Note 2-p)	(1,140)
Present value of the obligations at end of year	**34,367**

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

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

iii. Post-employment benefits - Other foreign subsidiaries

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

	Thousands of Euros	
	2008	2007
Present value of the obligations-	173,406	140,334
Of which:		
Germany	*141,696*	*98,568*
Less -		
Unrecognised actuarial gains/losses	8,971	(14,531)
Plan assets	(15,107)	(18,070)
Provisions - Provisions for pensions and similar obligations (Note 2-p)	**167,270**	**107,733**
Of which:		
Germany	*155,380*	*95,396*
Insurance contracts linked to pensions, taken out with non-related entities (Note 14)	**-**	**3,973**

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

	2008	2007
Annual discount rate	6.5%	5.0%
Mortality tables	R2005G of Heubeck-Richttafeln-GmbH	R2005G of Heubeck-Richttafeln-GmbH
Cumulative annual CPI growth	1.5%	1.5%
Annual salary increase rate	3.0%	3.0%
Annual social security pension increase rate	2.0%	2.0%
Estimated retirement age	65 (M/F)	65 (M/F)

Also, certain foreign entities have defined contribution plans (mainly Santander Consumer Bank, S.p.A., Santander Consumer Bank, AS and Santander Consumer Bank, AG). The contributions made to these plans amounted to EUR 4,854 thousand in 2008 (2007: EUR 2,867 thousand) (see Note 41).

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

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

	Thousands of Euros
Fair value of plan assets at beginning of year	**18,070**
Expected return on plan assets (Notes 2-p and 32)	227
Actuarial gains/(losses) arising in the year (Note 2-p)	(1,114)
Contributions	2,057
Benefits paid	(652)
Exchange differences and other items	2,445
Fair value of plan assets at end of year	**15,107**

iv. Other long-term benefits - Spanish entities

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

Santander Consumer Finance, S.A.-

- Obligations to early retirees until the date of effective retirement, which are funded by an internal provision partly covered by insurance policies (that do not meet the requirements for externalisation) taken out with a non-related entity (Banco Vitalicio de España, Compañía Anónima de Seguros y Reaseguros. No premiums were paid in 2008 and 2007.

- Life insurance guaranteed to early retirees, which is funded through an internal provision partly covered by insurance policies (that do not meet the requirements for externalisation) taken out with non-related entities (Axa España S.A. in the case of employees from Banco de Fomento, S.A., and Banco Vitalicio de España, Compañía Anónima de Seguros y Reaseguros for other employees). No premiums were paid in 2008 and 2007.

- Health insurance guaranteed to early retirees, which is funded by an internal provision.

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

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

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

- Life insurance guaranteed to early retirees, which is funded by an internal provision partly covered by an insurance policy (that does not meet the requirements for externalisation) taken out with a non-related entity (Banco Vitalicio de España, Compañía Anónima de Seguros y Reaseguros). No premiums were paid in 2008 and 2007.

- Health insurance guaranteed to early retirees, which is funded by an internal provision.

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

Santander Consumer Iber-Rent, S.L.-

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

The present value of the aforementioned obligations and the fair value of the assets arising from insurance contracts linked to these obligations at 31 December 2008 and 2007 were as follows:

	Thousands of Euros	
	2008	2007
Present value of the obligations-		
To early retirees	65,936	51,759
Long-service bonuses	232	242
Provisions - Provisions for pensions and similar obligations (Note 2-p)	**65,168**	**52,001**
Insurance contracts linked to pensions, taken out with non-related entities (Note 14)	**2,428**	**3,330**

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

1. Valuation method: projected unit credit method.

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

	2008	2007
Annual discount rate	4.0%	4.0%
Mortality tables	GRM/F-95	GRM/F-95
Cumulative annual CPI growth	1.5%	1.5%
Annual increase in early retirements	0% - 1.5%	0% to 1.5%
Annual increase in bonuses	2%	2%

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

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

	2008	2007
Expected rate of return on reimbursement rights	4.0%	4.0%

The changes in 2008 in the present value of the accrued other long-term benefit obligations were as follows:

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

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

	Thousands of Euros
Fair value of insurance contracts at beginning of year	**3,330**
Expected return on insurance contracts linked to pensions (Notes 2-q and 30)	113
Actuarial gains/(losses) recognised in the year (Note 2-q)	(5)
Benefits paid	(1,010)
Fair value of insurance contracts at end of year	**2,428**

24. Tax matters

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

The reconciliation of the accounting profit to the estimated taxable profit for 2008 and 2007 is as follows:

	Thousands of Euros	
	2008	2007
Consolidated profit before tax	516,164	810,405
Of which:		
From continuing operations	*537,102*	*812,109*
From discontinued operations	*(20,938)*	*(1,704)*
Income tax	154,849	263,382
Permanent differences (*)	7,183	34,041
Income tax of Group companies, per local books	162,032	297,423
Net increases (decreases) due to other permanent differences (**)	(22,961)	1,212
Current income tax	**139,071**	**298,635**
Of which:		
From continuing operations	*139,071*	*(1,704)*

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

(**) These include the effect of matching the tax result obtained in the measurement of derivatives that are considered to be speculative by certain subsidiaries in their individual books and are eliminated on consolidation or are treated as hedging instruments with the gains or losses arising on these derivatives and recognised in the consolidated income statement.

The effective tax rates for 2008 and 2007 are as follows:

	Thousands of Euros	
	2008	2007
Profit before tax	516,164	810,405
Income tax	139,071	298,635
Effective tax rate	**26.94%**	**36.85%**

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

The detail of the two balances is as follows:

	Thousands of Euros	
	2008	2007
Tax assets:		
Credit loss allowance	113,955	74,348
Tax credit for reinvestment and double taxation of gains on the sale of U.C.I., S.A.	42,121	42,121
Pensions	45,080	20,625
Fees and commissions	7,012	6,028
Derivatives	19,948	2,356
Germany	83,208	25,463
Italy	88,424	34,413
Investments	36,593	-
Other	18,138	22,522
	454,479	**227,876**
Tax liabilities:		
Fees and commissions	3,398	8,242
Derivatives	-	18,651
Goodwill	41,853	29,983
Gain on the sale of U.C.I., S.A.	102,199	102,199
Germany	105,752	91,821
Italy	452	7,779
Other	46,660	31,505
	300,314	**290,180**

The increase in 2008 in the balance of deferred tax assets relates mainly to the temporary differences arising as a result of the increase in the allowances for impairment on loans and advances to customers and on the cost of the investments in subsidiaries, and to the changes in the Group's scope of consolidation.

In 2006 the Bank obtained a gain of EUR 340,665 thousand on the sale of its holding in U.C.I., S.A. to Banco Santander, S.A. The Bank recognised a deferred tax liability of EUR 102,199 thousand arising from the gain on this intra-group transfer and a deferred tax asset amounting to EUR 2,071 thousand in respect of the tax credit for double taxation of Spanish-source gains in accordance with Article 30 of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Law. Also, the Bank plans to avail itself of the tax credit for reinvestment of extraordinary income provided for in Article 42 of the aforementioned Royal Decree. Effective entitlement to this tax credit is conditional on the reinvestment of the proceeds from this transfer within the legally stipulated periods, and will arise once this investment has been sold by Banco Santander, S.A. to non-Santander Group entities. The amount arising from the tax credit for reinvestment of this gain, totalling EUR 40,050 thousand, was recognised as a deferred tax asset in the accompanying consolidated balance sheets at 31 December 2008 and 2007.

The Bank and certain of the other consolidated companies availed themselves in prior years of the tax benefits relating to the tax credits provided for in income tax legislation. The tax credits for 2008 and 2007 generated by the consolidated tax group are taken by Banco Santander, S.A. The Group collected EUR 536 thousand in this connection in 2008 (2007: EUR 1,168 thousand).

In addition to the income tax recognised in the consolidated income statements, in 2008 and 2007 the Group recognised the following amounts in consolidated equity:

	Thousands of Euros	
	2008	2007
Tax charged to equity:		
Measurement of available-for-sale equity securities	10,296	-
Measurement of cash flow hedges	-	11,897
Tax credited to equity:		
Measurement of cash flow hedges	(87,241)	(1,344)
Total	**(76,945)**	**10,553**

The Spanish consolidated entities generally have the last four years open for review by the tax authorities for the main taxes applicable to them, except for those entities in which the running of the statute of limitations was interrupted as a result of tax audits. Specifically, in 2007 the tax audit of the transactions performed by the Bank and its subsidiary Santander Consumer, Establecimiento Financiero de Crédito, S.A. was initiated in relation to all the taxes applicable to them in 2003 and 2004. At the date of preparation of these consolidated financial statements, the income tax assessments for 2003 and 2004 had not been issued, and the subsidiaries had recognised a provision of EUR 7,670 thousand to cover the possible contingent liabilities that might arise as a result of these tax assessments (see Note 23).

In 1995 the Madrid Special Tax Office of the Spanish Tax Agency reviewed the income tax returns for 1990 and 1991 of the subsidiary HBF Auto-Renting, S.A.U., which was absorbed by Santander Consumer, E.F.C., S.A. in 2008 (see Note 3). Also, in recent years this entity had its VAT reviewed by the tax authorities for 1990 to 2002. The amount of the assessments outstanding at 31 December 2008 and 2007 relating to these tax reviews and the related late-payment interest totalled EUR 8,444 thousand and EUR 8,579 thousand, respectively. In the opinion of the Bank's directors, the provision recognised by the Group is sufficient to cover the amount of the liabilities, if any, that might arise from these assessments (see Note 23).

In 2004, a provisional assessment was made of the VAT for the last month of 2002 relating to Bansander de Financiaciones, E.F.C., S.A. (Bansafina), a company that was merged with Santander Consumer, E.F.C., S.A. At 31 December 2007, the Group had recognised a provision for the full amount, EUR 1,182 thousand, claimed as a result of the assessment, including late-payment interest. This balance payable was settled in 2008.

The other consolidated entities have the appropriate years, based on their local tax legislation, open for review by the tax authorities. Specifically, tax audits are being performed at the German subsidiaries for income tax for 2001 to 2004 in the case of GE Money (see Note 3) and for 2002 to 2005 for the remaining entities. The tax audits in relation to these entities had been partially completed at the date of preparation of these consolidated financial statements. Additionally, a tax audit is being performed at the subsidiary Santander Consumer Finance Benelux B.V. (see Note 3) for income tax for 2007. In the opinion of the Bank's directors, the provisions recognised by the Group at 2008 year-end are sufficient to cover the amount of the liabilities, if any, that might arise as a result of the aforementioned tax audits in progress.

In view of the varying interpretations that can be made of the tax legislation applicable to the Group's operations, the outcome of the tax audits in progress and of those of the open years that could be conducted by the tax authorities in the future could give rise to contingent tax liabilities which cannot be objectively quantified. However, the Bank's directors and its tax advisers consider that the possibility of these contingent liabilities becoming actual liabilities is remote and that, in any case, the tax charge which might arise therefrom would be adequately provided for at 2008 year-end and, therefore, would not materially affect the consolidated financial statements.

25. Registered capital

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

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

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

Consequently, at 31 December 2008, the Bank's share capital, the only share capital included in the accompanying consolidated balance sheet at that date as a result of the consolidation process, consisted of 598,713,860 fully subscribed and paid registered shares of EUR 3 par value each, all with the same voting and dividend rights. At 31 December 2008, the Bank's shareholders were as follows:

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

(*) Santander Group companies.

The shareholders at the Extraordinary General Meeting of the Bank on 16 October 2008 delegated powers to the Board of Directors for the issuance of convertible fixed-income securities up to an amount of EUR 30,000 million. These powers can be exercised for a period of five years and the Board may, in each case, resolve to redeem these fixed-income securities or to modify the related terms and conditions and interest rates.

At 31 December 2008, the capital increases in progress at Group companies and the additional capital authorised by their shareholders at the respective Annual General Meetings were not material at Group level.

26. Share premium

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

27. Reserves

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

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

The breakdown of the balances of these reserve accounts at 31 December 2008 and 2007 is as follows:

	Thousands of Euros	
	2008	2007
Accumulated reserves:		
Legal reserve	199,242	145,866
Unrestricted, voluntary and other reserves	1,656,078	1,619,428
Consolidation reserves attributed to the Bank	496,638	487,231
Reserves at subsidiaries	(1,614,518)	(1,412,401)
	737,440	**840,124**
Reserves of entities accounted for using the equity method:		
Associates	**22,652**	**16,079**

Legal reserve

Under the Consolidated Companies Law, Spanish entities must transfer 10% of net profit for each year to the legal reserve. These transfers must be made until the balance of this reserve reaches 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Reserves at subsidiaries

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

	Thousands of Euros	
	2008	2007
Santander Consumer, E.F.C., S.A.	59,594	76,401
Open Bank Santander Consumer, S.A.	38,756	12,729
H.B.F. Auto-Renting, S.A.U.	-	6,517
Santander Consumer Holding GmbH	(1,776,996)	(1,576,310)
Santander Consumer Bank, S.p.A.	6,241	5,401
Santander Consumer Bank A.S.	28,402	30,794
Polskie Towarzystwo Finansowe, S.A.	(8,014)	(6,671)
Santander Consumer Bank, S.A. (Poland)	12,635	18,606
Other companies	24,864	20,132
	(1,614,518)	**(1,412,401)**

28. Valuation adjustments

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

"Valuation Adjustments" include the following items:

a) Available-for-sale financial assets

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

The changes in 2008 and 2007 were as follows:

	Thousands of Euros	
	2008	2007
Balance at beginning of year	-	312
Amounts transferred to income statement	(243)	(312)
Revaluation gains	49,270	-
Income tax	(14,708)	-
Balance at end of year	**34,319**	**-**
Of which:		
Equities	-	*312*
Fixed-income securities	*34,319*	*312*

b) Cash flow hedges

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

The changes in 2008 and 2007 were as follows:

	Thousands of Euros	
	31/12/08	31/12/07
Balance at beginning of year	37,619	29,212
Revaluation gains/(losses)	(287,702)	28,646
Amounts transferred to income	(17,808)	(9,686)
Income tax	91,653	(10,553)
Balance at end of year	**(176,238)**	**37,619**

(*) Of which EUR 84,370 thousand and EUR 91,868 thousand relate to cash flow hedges recognised in Italy and Spain, respectively.

c) *Exchange differences*

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

The exchange differences relating to goodwill and intangible assets and those arising on consolidation were negative by EUR 13,087 thousand and EUR 75,546 thousand, respectively, at 31 December 2008 (31 December 2007: exchange gains of EUR 22,514 thousand and EUR 30,593 thousand, respectively).

29. Minority interests

“Minority Interests” in the consolidated balance sheets includes the net amount of the equity of subsidiaries attributable to equity instruments that do not belong, directly or indirectly, to the Group, including the portion attributed to them of profit for the year.

The detail, by Group company, of the balance of “Minority Interests” in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2008	2007
Asesora de Titulización, S.A., S.G.F.T.	1,234	1,501
Santander Consumer (UK) plc	35,391	37,780
Banco Santander Consumer Finance Portugal, S.A. (formerly Interbanco, S.A.)	-	(4,991)
Unifin S.p.A.	5,558	4,255
Santander Consumer Iber-Rent, S.L.	18,402	16,575
Santander Consumer Finance Media, S.R.L.	2,276	2,447
Suzuki Servicios Financieros, S.L.	156	108
Sánchez Ramade Santander Financiera S.A.	65	118
Santander Insurance Operador de Banca - Seguros Vinculado, S.A.	-	960
Santander Consumer Multirent Spolka Z Ograniczona Odpowiedzialnoscia	2,870	3,336
Santander Consumer France	1,961	6,000
Grupo Alcanza, S.A. de C.V.	1,175	6,800
Santander Consumer Chile, S.A.	47	1,700
	69,135	**76,589**
Profit/(loss) for the year attributed to minority interests		
Of which:		
Asesora de Titulización, S.A., S.G F.T.	*(76)*	*(266)*
Santander Consumer Finance, (UK) plc	*(669)*	*(3,524)*
Banco Santander Consumer Finance Portugal, S.A. (formerly Interbanco, S.A.)	-	*4,991*
Unifin, S.p.A.	*1,707*	*1,302*
Santander Consumer Iber-Rent, S.L.	*1,690*	*1,977*
Santander Consumer Finance Media, S.R.L.	*(91)*	*(40)*
Suzuki Servicios Financieros, S.L.	*57*	*48*
Sánchez Ramade Santander Financiera S.A.	*(68)*	*(52)*
Santander Mediación Operador de Banca - Seguros Vinculado, S.A.	-	*(142)*
Santander Consumer Multirent Spolka Z Ograniczona Odpowiedzialnoscia	*(302)*	*(72)*
Santander Consumer France	*(1,961)*	*(511)*
Grupo Alcanza, S.A., de C.V.	*(1,175)*	-
Santander Consumer Chile, S.A.	*(47)*	-
	(935)	**3,711**
	68,200	**80,300**

The changes in 2008 and 2007 in “Minority Interests” were as follows:

	Thousands of Euros	
	2008	2007
Balance at beginning of year	80,300	96,940
Net inclusion of companies	-	18,796
Change in percentages of ownership	(10,997)	(39,800)
Changes in capital	226	-
Exchange differences and other	(394)	653
Profit/(loss) for the year attributed to minority interests	(935)	3,711
Balance at end of year	**68,200**	**80,300**

30. Off-balance-sheet items

The detail of off-balance-sheet items is as follows:

	Thousands of Euros	
	2008	2007
Contingent liabilities:		
Bank guarantees and other indemnities provided	1,073,827	1,175,711
Of which:		
Credit institutions	*961,546*	*848,670*
Other sectors	*112,281*	*327,041*
	1,073,827	**1,175,711**
Contingent commitments:		
Drawable by third parties		
Of which:		
Credit cards	5,739,422	*5,336,614*
Drawable by credit institutions	7,394,385	*2,138,376*
Other commitments	4,963,770	*3,308,961*
	18,097,577	**10,783,951**

a) Contingent liabilities

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

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

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

b) Contingent commitments

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

31. Notional amounts of trading and hedging derivatives

The breakdown of the notional and/or contractual amounts and the market values of the trading and hedging derivatives held by the Group at 31 December 2008 is as follows:

	Thousands of Euros	
	Notional Amount	Market Value
Trading derivatives:		
Interest rate risk-		
Forward rate agreements	-	-
Interest rate swaps	14,743,357	(17,824)
Options and futures	146,176	
Currency risk-		
Foreign currency purchases and sales	-	-
Foreign currency options	-	-
Currency swaps	-	-
Securities and commodities derivatives	56,678	-
	14,946,211	(17,824)
Hedging derivatives:		
Interest rate risk-		
Forward rate agreements	-	-
Interest rate swaps	-	-
Options and futures	11,147,982	(396,124)
Currency risk-		
Foreign currency purchases and sales	-	-
Foreign currency options	-	-
Currency swaps	2,637,940	311,266
Securities and commodities derivatives	-	-
	13,785,922	(84,858)
	28,732,133	**(102,682)**

The breakdown, by residual maturity period, of the notional and/or contractual amounts of the trading and hedging derivatives held by the Group at 31 December 2008 is as follows:

	Thousands of Euros				
	Less than 1 Year	1 to 5 Years	5 to 10 Years	More than 10 Years	Total
Securities options:					
Bought	156,369	8,558	-	-	164,927
Written	37,927	-	-	-	37,927
Other interest rate transactions:					
Interest rate swaps (IRSs)	3,098,301	12,070,432	4,173,000	6,549,606	25,891,339
Other	2,131,524	506,416	-	-	2,637,940
Total	**5,424,121**	**12,585,406**	**4,173,000**	**6,549,606**	**28,732,133**

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

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

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

i. Fair value hedges

Fair value hedges are used to reduce the changes in the fair value (attributable to interest rate risk) of the hedged items (fixed rate mortgage bonds - *cédulas hipotecarias*). These hedges use interest rate derivatives to convert the fixed interest rate to a floating interest rate.

At 2008 year-end, the Group held IRS contracts with a nominal value of EUR 1,200 million (2007 year-end: EUR 1,200 million), the fair value of which represented a gain of EUR 28,288 thousand at that date (2007 year-end: a loss of EUR 70,438 thousand), which was offset by the loss of the same amount on the hedged items, and this amount is recognised under "Marketable Debt Securities" in the consolidated balance sheets (see Note 20).

Also, the Group hedges the foreign currency risk arising from a series of loans granted in different currencies through cross-currency swaps arranged with Banco Santander, S.A. With respect to these swaps, the Bank pays amounts in foreign currency (which exactly match the interest received on the associated assets) and receives amounts in euros. At 2008 year-end, the Group held IRS contracts with a nominal value of EUR 2,638 million. The fair value of these transactions at that date represented a gain of EUR 231 million, which was recognised under "Exchange Differences (net)" in the 2008 consolidated income statement and was offset by the loss of the same amount generated by the recognition of the hedged items.

At consolidated level the Group has arranged a fair value hedge of the interest rate risk of a portfolio of financial instruments. The purpose of this macro-hedge is to maintain the economic value of the hedged assets, which are fixed-interest vehicle loans with maturities at long term. The adjustment to the fair value of the hedged financial assets (31 December 2008: a reduction of EUR 105,189 thousand; 31 December 2007:

a reduction of EUR 5,611 thousand) is recognised under “Changes in the Fair Value of Hedged Items in Portfolio Hedges of Interest Rate Risk” on the asset side of the accompanying consolidated balance sheets at 31 December 2008 and 2007 with a charge to “Gains/Losses on Financial Assets and Liabilities (net)” in the accompanying consolidated income statements. This adjustment is offset by the gain of the same amount arising from the measurement of the hedging derivatives (IRSs) associated with the aforementioned hedged financial assets, the notional amount of which was EUR 3,103 million at 31 December 2008 (31 December 2007: EUR 3,050 million), and the amount of this gain was recognised with a credit to “Gains/Losses on Financial Assets and Liabilities (net)” in the consolidated income statement.

Cash flow hedges

Cash flow hedges are used to reduce the variability of the cash flows (attributable to interest rate risk) generated by the hedged items (promissory notes issued and other financial instruments tied to a floating interest rate). These hedges use interest rate derivatives to convert the floating interest rate to a fixed interest rate.

Specifically, the Bank has arranged a hedge in which the nominal amount of the associated IRSs is EUR 2,740 million. Also, the subsidiary Santander Consumer Bank, S.p.A. has arranged a hedge on a portfolio of financial instruments. The fair value of the IRSs associated with the hedged instruments, discounting the portion already accrued and recognised in the consolidated income statement, was recognised in the Group’s consolidated equity at 31 December 2008.

32. Interest and similar income

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

The breakdown of the main interest and similar income items earned by the Group in 2008 and 2007 is as follows:

	Thousands of Euros	
	2008	2007
Balances with the Bank of Spain and other central banks	20,985	17,080
Loans and advances to credit institutions	147,498	65,337
Debt instruments	50,973	11,025
Loans and advances to customers	3,328,770	2,759,032
Insurance contracts linked to pensions (Note 14)	1,326 (*)	1,479
Doubtful assets	15,952	13,726
Rectification of income as a result of hedge accounting	68,682	(2,491)
Other interest	187	2,261
	3,634,373	**2,867,449**

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

33. Interest expense and similar charges

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

The breakdown of the main items of interest expense and similar charges incurred by the Group in 2008 and 2007 is as follows:

	Thousands of Euros	
	2008	2007
Deposits from the Bank of Spain and other central banks	13,523	36
Deposits from credit institutions	630,788	423,204
Customer deposits	544,950	423,144
Marketable debt securities	916,294	645,087
Subordinated liabilities	47,127	42,608
Provisions for pensions (Notes 2-p, 2-q and 23)	9,308 (*)	8,356
Rectification of expenses as a result of hedge accounting	39,896	(24,285)
Other interest	3,469	3,384
	2,205,355	**1,521,534**

(*) Includes the interest on post-employment and other long-term benefits of Spanish entities, amounting to EUR 1,369 thousand and EUR 1,904 thousand, respectively, and of foreign entities, amounting to EUR 4,959 thousand (see Note 23).

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

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

The breakdown of the balance of this item is as follows:

	Thousands of Euros	
	2008	2007
Accordfin, E.F.C., S.A.	(6,582)	2,639
Konecta Canarias, S.A.	1,980	1,467
Other companies	613	3,398
	(3,989)	**7,504**

35. Fee and commission income

The balance of “Fee and Commission Income” in the consolidated income statements includes the amount of all fees and commissions accruing in favour of the Group accruing in the year, except those that form an integral part of the effective interest rate on financial instruments, which are recognised under “Interest and Similar Income” in the consolidated income statements.

The breakdown of the balance of this item is as follows:

	Thousands of Euros	
	2008	2007
Collection and payment services:		
Bills	148	701
Demand accounts	3,444	3,397
Cards	61,820	45,297
Cheques and orders	22,229	19,443
	87,641	68,838
Marketing of non-banking financial products:		
Investment and pension funds	6,831	8,939
Insurance	566,456	416,206
Other	3,252	3,242
	576,539	428,387
Securities services:		
Securities underwriting and placement	116	58
Securities trading	4,679	8,522
Administration and custody	1,142	1,360
	5,937	9,940
Other:		
Financial guarantees	6,832	6,591
Other fees and commissions	226,342	166,757
	233,174	173,348
	903,291	**680,513**

36. Fee and commission expense

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

The breakdown of the balance of this item is as follows:

	Thousands of Euros	
	2008	2007
Fees and commissions assigned to other entities	47,099	34,800
Brokerage fees on lending and deposit transactions	13,355	11,234
Fees on securities	1,726	3,763
Transaction intermediation fees	12,495	10,396
Insurance	57,766	35,192
Other fees and commissions	42,162	53,994
	174,603	**149,379**

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

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

The breakdown of the balance of this item, by type of instrument, is as follows:

	Thousands of Euros	
	2008	2007
Financial derivatives	(4,704)(*)	(2,675) (***)
Fixed-income securities	13,479	620
Equities (**)	6,208	6,628
Other	19,332	4,927
	34,315	**9,500**

(*) Includes a loss of EUR 16,576 thousand relating to the valuation adjustment on the Bank's sale option on Accordfin España, E.F.C., S.A. (see Note 9 and Appendix II).

(**) Of which EUR 13,722 thousand related to available-for-sale financial assets in 2008 (2007: 846 thousand).

(***) Includes a gain of EUR 1,346 thousand arising on the exercise of the option arranged in March 2002 to sell the 49% ownership interest held by the Group in the share capital of Layna de Inversiones, S.A. to Mapfre Automóviles, S.A. de Seguros y Reaseguros for EUR 25,677 thousand (see Note 3).

"Other" includes EUR 19,000 thousand arising from the reserve fund of a securitisation special-purpose vehicle whose collection rights were purchased by the subsidiary Santander Consumer, E.F.C., S.A. (see Note 10 and Appendix I).

38. Exchange differences (net)

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

39. Other operating income

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

	Thousands of Euros	
	2008	2007
Sales and income from the provision of non-financial services	118,461	109,153
Other	68,308	54,440
	186,769	**163,593**

40. Other operating expenses

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

	Thousands of Euros	
	2008	2007
Contributions to the Deposit Guarantee Fund (Note 1-g)	6,180	5,840
Other	22,540	20,025
	28,720	**25,865**

41. Staff costs

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

The breakdown of “Staff Costs” is as follows:

	Thousands of Euros	
	2008	2007
Wages and salaries	247,122	218,803
Social security costs	47,459	41,556
Additions to provisions for pension plans (Note 23) (*)	4,445	5,667
Contributions to defined contribution pension funds (Note 23)	4,854	2,867
Contributions to plans - foreign entities (Note 23)	*4,854*	*2,867*
Share-based payment costs	2,751	5,086
Of which:		
Payments granted to the Bank's directors	-	-
Payments granted to the Bank's senior managers	*22*	*11*
Other staff costs	13,811	16,088
Termination benefits (**)	12,299	440
	332,741	**290,507**

(*) Of which:

- EUR 113 thousand relate to “current service cost of defined benefit post-employment benefit obligations – Spanish entities” (see Notes 2-p and 23).
- EUR 4,317 thousand relate to “current service cost of defined benefit post-employment benefit obligations - foreign entities” (see Notes 2-p and 23).
- EUR 15 thousand relate to “current service cost of other long-term defined benefit obligations - Spanish entities” (see Notes 2-p and 23).

(**) Relate basically to terminations arising from the inclusion of RD Europe (see Note 3) in the Group’s organisational structure.

The average number of employees at the Group in 2008 and 2007, by professional category and gender, was as follows:

	2008			2007		
	Total	Men	Women	Total	Men	Women
Senior executives (*)	210	168	42	204	170	34
Other line personnel	1,744	763	981	1,558	725	833
Clerical staff and other	4,020	1,763	2,257	3,640	1,588	2,052
	5,974	**2,694**	**3,280**	**5,402**	**2,483**	**2,919**

(*) One of whom was considered to be a member of the Bank’s senior management in 2008 and 2007, and joined Banco Santander, S.A. in November 2008.

Also, at 31 December 2008 and 2007, the number of employees at the Group, by professional category and gender, was as follows:

	Number of Employees at 31 December 2008			Number of Employees at 31 December 2007		
	Total	Men	Women	Total	Men	Women
Senior executives	227	182	45	224	187	37
Other line personnel	1,887	826	1,061	1,712	797	915
Clerical staff and other	4,351	1,908	2,443	3,999	1,745	2,254
	6,465	**2,916**	**3,549**	**5,935**	**2,729**	**3,206**

At 31 December 2008, the Board of Directors of the Bank had 13 members, of whom 11 were men and 2 were women (31 December 2007: 11 members, all of them men).

The labour relations between employees and the various Group companies are governed by the related collective labour agreements or similar regulations.

Share-based payments

In recent years the Santander Consumer Finance Group has set up remuneration systems tied to the performance of the stock market price of the shares of Banco Santander, S.A., based on the achievement of certain targets. The features of the plans are as follows:

		Euros					
	Number of Options	Exercise Price	Year Granted	Employee Group	Number of Persons	Date of Commencement of Exercise Period	Date of Expiry of Exercise Period
Plans outstanding at 1 January 2007	**5,229,700**	9.09 (*)					
Options granted (Plan I09)	**425,610**	-	2007	Managers	226	23/06/07	31/07/09
Options granted (Plan I10)	**638,080**	-	2007	Managers	232	23/06/07	31/07/10
Options exercised, net (Plan I06)	**(181,500)**	9.09		Managers	(9)	15/01/08	15/01/09
Plans outstanding at 31 December 2007	**6,111,890**	-					
Options granted (Plan I09)	**-**	-	2007	Managers	-	23/06/07	31/07/09
Options granted (Plan I10)	**-**	-	2007	Managers	-	23/06/07	31/07/10
Options granted (Plan I11)	**71,219**	-	2008	Managers	32	21/06/08	31/07/10
Options exercised, net (Plan I06)	**(833,300)**	9.09	2005	Managers	(40)	15/01/08	15/01/09
Plans outstanding at 31 December 2008	**5,349,809**						
Of which:							
Plan I06	*4,214,900*	*9.09*	*2005*	Managers		15/01/08	15/01/09
Plan I09	*425,610*	-	*2007*	Managers		23/06/07	31/07/09
Plan I10	*638,080*	-	*2007*	Managers		23/06/07	31/07/10
Plan I11	*71,219*	-	*2008*	Managers		21/06/08	31/07/11

(*) The exercise price of the options under Plan I06 is EUR 9.09 per share, which is the weighted average of the daily average market price of the Banco Santander, S.A. share on the Spanish Stock Market Interconnection System in the first 15 trading days of January 2005. This was the criterion established in the resolution approving Plan 106 adopted at the Annual General Meeting of Banco de Santander, S.A. held on 18 June 2005. The documentation on the aforementioned resolution stated correctly the method to be used to set the exercise price but, by mistake, an amount of EUR 9.07 per share was mentioned rather than the correct amount of EUR 9.09 per share.

Plan I06

In 2004 the Santander Group designed a new long-term incentive plan (I06) which, consisting of options on shares of Banco Santander, S.A., is tied to the achievement of two targets: appreciation of the Banco Santander, S.A. share price (based on the average market price in the first 15 trading days of 2007 compared with the average market price for the same period of 2005) and growth in earnings per share (considering 2004, 2005 and 2006), in both cases above a sample of comparable banks. This plan was approved by the shareholders of Banco Santander, S.A. at the Annual General Meeting on 18 June 2005.

The fair value of the equity instruments granted to Group employees is charged to income, as it is charged by Banco Santander, S.A. to the Group, over the period in which the beneficiaries provide their services to the Santander Group.

The beneficiaries of this plan include the Bank's directors, as indicated in Note 5-c.

Long-term incentive policy-

At its meeting on 26 March 2007, following the report of the Nomination and Remuneration Committee, the Board of Directors of Banco Santander, S.A. approved a long-term incentive policy aimed at the executive directors of Banco Santander, S.A. and certain executive personnel of Banco Santander, S.A. and of other Santander Group companies (excluding Banesto). Implementation of this policy required, in conformity with the Law and the Bank's bylaws, specific resolutions to be adopted by the Annual General Meeting.

Were it necessary or advisable for legal, regulatory or other similar reasons, the delivery mechanisms described below may be adapted in specific cases without altering the maximum number of shares linked to the plan or the essential conditions to which the delivery thereof is subject. These adaptations may involve replacing the delivery of shares with the delivery of cash amounts of an equal value.

The plans shaping the aforementioned incentive policy are as follows: (i) Performance Share Plan; (ii) Obligatory Investment Share Plan; (iii) Selective Delivery Share Plan; and (iv) Minimum Investment Programme. The characteristics of the plans are set forth below:

(i) Performance share plan

This policy is divided into several plans and certain Group employees are included in the Performance Share Plan, the characteristics of which are set forth below:

This multiannual incentive plan is payable in shares of Banco Santander, S.A. The beneficiaries of the plan are the executive directors of Banco Santander, S.A. and other members of senior management, together with any other Group executives determined by the Board of Directors of Banco Santander, S.A. or, when delegated by it, the Executive Committee.

This plan will involve successive three-year cycles of share deliveries to the beneficiaries, so that each year one cycle will begin and, from 2009 onwards, another cycle will also end. The aim is to establish an adequate sequence between the end of the incentive programme linked to the previous Plan I06 and the successive cycles of this plan. Thus, the first two cycles commenced in July 2007, the first cycle having a duration of two years (PI09) and the second cycle having a standard three-year term (PI010). Also, the third cycle (PI11) was approved by the shareholders of Banco Santander, S.A. at its Annual General Meeting held on 21 June 2008.

For each cycle a maximum number of shares is established for each beneficiary who remains in the Group's employ for the duration of the plan. The targets, which, if met, will determine the number of shares to be delivered, are defined by comparing the Santander Group's performance with that of a benchmark group of financial institutions and are linked to two parameters, namely Total Shareholder Return (TSR) and growth in Earnings per Share (EPS). These parameters each have a 50% weighting in determining the percentage of shares to be delivered.

The ultimate number of shares to be delivered will be determined in each of the cycles by the degree of achievement of the targets on the third anniversary of commencement of each cycle (with the exception of the first cycle, for which the second anniversary will be considered), and the shares will be delivered within a maximum period of seven months from the end of the cycle. This number will range from the maximum percentage of shares, if the Santander Group, for each of the measures considered (TSR and EPS growth), ranks within the third quartile of the Benchmark Group, including the 75th percentile, to 30% of the maximum number of shares if it is placed at the median (50th percentile). If the Santander Group ranks below the median, all assignments of shares will be rendered null and void.

At 31 December 2008, the maximum number of shares to be delivered was 425,610 (for 226 participants who are Santander Consumer Finance Group employees) for the first cycle (PI09) and 638,080 (232 participants who are Santander Consumer Finance Group employees) for the second cycle (PI010). As regards PI11, at 31 December 2008 the maximum number of shares to be delivered was 71,219 (for a total of 32 participants who are Santander Consumer Finance Group employees). The fair value of the equity instruments granted is charged to income, as it is charged by Banco Santander, S.A. to the Bank, over the period in which the beneficiaries provide their services to the Santander Group.

The beneficiaries of this plan include the Bank's directors, as indicated in Note 5-c.

(ii) Obligatory investment share plan

This multiannual incentive plan is payable in shares of Banco Santander, S.A. and is conditional upon compliance with certain investment and continued service requirements.

The beneficiaries of the plan are the executive directors and other members of the senior management of Banco Santander, S.A., as well as other key executives of the Group, giving a current total of 32 beneficiaries at the Santander Group, of whom two are directors of the Bank (see Note 5-c).

This plan is structured in three-year cycles which start each year. The beneficiaries of the plan must use 10% of their gross annual variable remuneration (or bonus) to acquire shares of the Bank in the market (the "Obligatory Investment"). As resolved by the shareholders at the relevant General Meeting, the Obligatory Investments were made before 29 February 2008.

Participants who hold the shares acquired through the Obligatory Investment and remain in the Santander Group's employ for three years from the date on which the Obligatory Investment is made will be entitled to receive the same number of Bank shares as that composing their initial Obligatory Investment.

The shares will be delivered within a maximum period of one month from the third anniversary of the date on which the Obligatory Investment was made.

The beneficiaries of this plan include certain of the Bank's directors, as indicated in Note 5-c.

(iii) Selective delivery share plan

This plan envisages the selective delivery of shares in special circumstances relating to the hiring or retention of employees. All employees and executives, except for the executive directors of Banco Santander, S.A., are eligible for this plan, provided that they have completed a minimum of three to four years of service at the Santander Group. Participants will be entitled to receive the shares upon completion of the minimum period of service established in each case.

(iv) Minimum investment programme

This programme consists of the obligation of the Santander Group's top 32 executives (including executive directors) to hold Banco Santander, S.A. shares equal to one year's fixed remuneration. This amount must be reached within a maximum period of five years from the date when the programme was approved.

42. Other general administrative expenses

The breakdown of the balance of “Other General Administrative Expenses” in the consolidated income statements is as follows:

	Thousands of Euros	
	2008	2007
Property, fixtures and supplies	53,410	45,145
Other administrative expenses	27,576	31,679
Communications	37,984	32,848
Taxes other than income tax	27,303	23,789
Technology and systems	64,961	45,775
Public relations, advertising and publicity	66,261	61,517
Per diems and travel expenses	10,753	12,457
Outside services	104,084	89,347
Technical reports	19,920	15,102
Insurance premiums	3,396	3,171
Guard and cash courier services	664	591
	416,312	**361,421**

The balance of “Technical Reports” in the foregoing table includes the fees paid by the various Group companies to their respective auditors, the detail being as follows:

	Thousands of Euros	
	2008	2007
Recurrent annual audits of the financial statements of the Companies audited by member firms of the Deloitte worldwide organisation	1,756	1,637
Of which:		
Audit of the Bank's separate and consolidated financial statements	*268*	*253*
Annual audits as a result of new inclusions in the Group	523	119
Other services	671	618
	2,950	**2,627**

In addition to the audits of financial statements, the internal control audit required by the US Sarbanes-Oxley Act was performed (for EUR 436 thousand in 2008 and EUR 503 thousand in 2007) and other reports were prepared in accordance with the requirements of the legal and tax regulations issued by the national supervisory authorities of the countries in which the Group operates (for a total of EUR 224 thousand in 2008 and EUR 291 thousand in 2007).

Also, due diligence review and other corporate transaction services were provided to the Group companies in 2008 for a total amount of EUR 2,268 thousand (2007: EUR 1,026 thousand).

The services commissioned from the Group's auditors meet the independence requirements stipulated by Law 44/2002, of 22 November, on Financial System Reform Measures and by the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC). Accordingly, they did not involve the performance of any work that is incompatible with the audit function.

The services provided by other audit firms amounted to EUR 1,682 thousand in 2008 (2007: EUR 1,274 thousand).

43. Impairment losses on other assets

The breakdown of the balance of "Impairment Losses on Other Assets (net)" in the consolidated income statements is as follows:

	Thousands of Euros	
	2008	2007
Goodwill and other intangible assets:		
Goodwill (Note 16)	(72,726)	-
Other intangible assets (Note 16)	(11,904)	(11,258)
	(84,630)	(11,258)
Other assets:		
Investments (Note 13)	(7,806)	-
Other assets	638	(6,174)
	(7,168)	(6,174)
	(91,798)	**(17,432)**

44. Gains/(losses) on disposal of assets not classified as non-current assets held for sale

The breakdown of the net balance of this item in the consolidated income statements is as follows:

	Thousands of Euros	
	2008	2007
Gains:		
Tangible assets (Note 15)	4,105	8,670
Investments (Note 3)	5,422	9,617
of which:		
Reintegra, S.A.	-	9,617
Isban DE GmbH	3,108	-
Grupo Alcanza, S.A. de C.V.	2,314	-
	9,527	**18,287**
Losses:		
Tangible assets (Note 15)	(10,822)	(10,009)
Investments (Note 3)	(1,410)	(70)
of which:		
Santander Consumer Finance Correduría de Seguros, S.A.	(467)	-
Santander Consumer Chile, S.A.	(725)	-
Other	(218)	-
	(12,232)	**(10,079)**
	(2,705)	**8,208**

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

The breakdown of the balance of this item in the consolidated income statements is as follows:

	Thousands of Euros	
	2008	2007
Net gains (losses) on disposals:	(605)	911
Of which:		
Tangible assets	(605)	-
	(605)	911
Impairment losses (net)	(1,153)	(320)
	(1,758)	**591**

46. Discontinued operations

As indicated in Note 3-b, the directors of the Bank classified the investment in the subsidiary Santander Consumer France, S.A. as a "discontinued operation".

The results generated by discontinued operations in 2008 and 2007 are indicated below:

	Thousands of Euros	
	2008	2007
Interest and similar income	7,616	76
Interest expense and similar charges	(3,214)	-
Net interest income	**4,402**	**76**
Fee and commission expense	(1,403)	-
Fee and commission income	1,091	-
Other operating income	35	-
Other operating expenses	(1)	-
Gross income	**4,124**	**76**
Administrative expenses	(17,073)	(1,772)
Depreciation and amortisation	(3,651)	(8)
Provisions (net)	(614)	-
Impairment losses on financial assets (net)	(3,724)	-
Loss from operations	**(20,938)**	**(1,704)**
Impairment losses on other assets (net)	-	-
Loss before tax	**(20,938)**	**(1,704)**
Income tax	-	-
Loss from discontinued operations	**(20,938)**	**(1,704)**

Additionally, following is a detail of the net cash flows attributable to the operating, investing and financing activities of discontinued operations in 2008 and 2007:

	2008	2007
Cash and cash equivalents at beginning of year	7	-
Cash flows from operating activities	(13,250)	(19,283)
Cash flows from investing activities	(2,950)	(710)
Cash flows from financing activities	16,300	20,000
Cash and cash equivalents at end of year	**107**	**7**

Loss per share relating to discontinued operations

The loss per share relating to discontinued operations, which coincides with the diluted loss per share, was EUR 1.04 in 2008 (2007: EUR 0.19).

47. Other disclosures

a) Residual maturity periods and average interest rates

The breakdown, by maturity, of the balances of certain items in the consolidated balance sheets at 31 December 2008 and 2007 is as follows:

	2008								
	Thousands of Euros								
	Demand	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Undetermined or Undefined Maturity	Total	Average Interest Rate in 2008
Assets:									
Cash and balances with central banks	727,520	-	-	-	-	-	-	727,520	1.56%
Available-for-sale financial assets									
Debt instruments (Note 7)	-	30,568	73,889	735	-	-	-	105,192	3.86%
Loans and receivables-									
Loans and advances to credit institutions (Note 6)	278,551	740,558	148,623	-	2,110,897	-	-	3,278,629	4.12%
Loans and advances to customers (Note 10)	45,815	3,308,096	4,052,118	10,870,682	22,453,115	7,181,656	1,847,332(*)	49,758,814	7.13%
Debt instruments (Note 7)	-	15,236	62,763	9,038	-	-	-	87,037	3.89%
	1,051,886	**4,094,458**	**4,337,393**	**10,880,455**	**24,564,012**	**7,181,656**	**1,847,332**	**53,957,192**	
Liabilities:									
Financial liabilities at amortised cost-									
Deposits from credit institutions (Note 18)	1,024,561	5,150,616	2,204,245	3,045,991	4,390,096	1,188,086	4,190	17,007,785	3.04%
Customer deposits (Note 19)	-	1,487,158	2,328,318	10,920,873	2,543,897	666,957	-	17,947,023	4.09%
Marketable debt securities (Note 20)	-	2,115,683	1,487,335	2,668,045	6,721,571	2,031,025	-	15,023,659	3.17%
Subordinated liabilities (Note 21)	-	-	-	-	727,820	106,263	-	834,083	3.73%
Other financial liabilities (Note 22)	-	783,800	-	-	-	-	-	783,800	2.03%
	1,024,561	**9,537,257**	**6,019,898**	**16,634,909**	**14,383,384**	**3,992,331**	**4,190**	**51,596,530**	
Difference (assets less liabilities)	**27,325**	**(5,442,799)**	**(1,682,505)**	**(5,754,454)**	**10,180,628**	**3,189,325**	**1,843,142**	**2,360,660**	

(*) Relates mainly to loans and advances to customers held by recently acquired subsidiaries for which this information was not available at the date of preparation of these consolidated financial statements.

	2007								
	Thousands of Euros								
	Demand	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Undetermined or Undefined Maturity	Total	Average Interest Rate in 2007
Assets:									
Cash and balances with central banks	604,058	-	-	-	-	-	-	604,058	3.93%
Available-for-sale financial assets									
Debt instruments (Note 7)	-	-	-	49,817	35,563	95,382	-	180,762	4.07%
Loans and receivables-									
Loans and advances to credit institutions (Note 6)	143,280	558,913	774,118	362,122	329,414	8,119	15,913	2,191,879	5.21%
Loans and advances to customers (Note 10)	-	2,476,579	5,567,818	11,489,926	22,372,733	1,714,329	3,992	43,625,377	7.49%
Debt instruments (Note 7)	-	1,652	3,473	15,347	120,407	19,872	-	160,751	4.78%
	747,338	**3,037,144**	**6,345,409**	**11,917,212**	**22,858,117**	**1,837,702**	**19,905**	**46,762,827**	
Liabilities:									
Financial liabilities at amortised cost-									
Deposits from credit institutions (Note 18)	415,316	2,893,998	506,768	1,714,928	4,033,810	-	-	9,564,820	5.57%
Customer deposits (Note 19)	6,976,521	994,987	1,103,580	3,058,112	1,568,742	75,713	-	13,777,655	3.62%
Marketable debt securities (Note 20)	-	2,213,701	1,803,413	4,704,620	8,496,603	2,660,829	-	19,879,166	4.68%
Subordinated liabilities (Note 21)	-	381,664	5,598	12,414	467,045	19,963	-	886,684	5.21%
Other financial liabilities (Note 22)	-	-	-	-	-	-	949,386	949,386	-
	7,391,837	**6,484,350**	**3,419,359**	**9,490,074**	**14,566,200**	**2,756,505**	**949,386**	**45,057,711**	
Difference (assets less liabilities)	**(6,644,499)**	**(3,447,206)**	**2,926,050**	**2,427,138**	**8,291,917**	**(918,803)**	**(929,481)**	**1,705,116**	

b) *Equivalent euro value of assets and liabilities*

The detail of the main foreign currency balances in the consolidated balance sheets at 31 December 2008 and 2007, based on the nature of the related items, is as follows:

	Equivalent Value in Millions of Euros			
	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Cash and balances with central banks	36	-	51	-
Financial assets held for trading	-	-	5	-
Available-for-sale financial assets	4	-	19	-
Loans and receivables (Notes 6 and 10)	6,668	-	6,593	-
Non-current assets held for sale	5	-	-	-
Tangible assets	21	-	18	-
Intangible assets	38	-	283	-
Financial liabilities at amortised cost	-	3,411	-	2,818
Other assets and liabilities	148	147	318	610
	6,920	**3,558**	**7,287**	**3,428**

c) *Fair value of financial assets and liabilities not measured at fair value*

The financial assets owned by the Group are measured at fair value in the consolidated balance sheets, except for loans and receivables. Similarly, the Group's financial liabilities -except for financial liabilities held for trading and derivatives- are measured at amortised cost in the consolidated balance sheets.

i. Financial assets measured at other than fair value

Following is a comparison of the carrying amounts of the Group's financial assets measured at other than fair value and their respective fair values at year-end:

	Millions of Euros			
	2008		2007	
Assets	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans and receivables:				
Loans and advances to credit institutions	3,313	3,313	2,212	2,212
Loans and advances to customers	48,425	48,813	42,823	41,787
Debt instruments	87	87	161	161
	51,825	**52,213**	**45,196**	**44,160**

ii. Financial liabilities measured at other than fair value

Following is a comparison of the carrying amounts of the Group's financial liabilities measured at other than fair value and their respective fair values at year-end:

	Millions of Euros			
	2008		2007	
Liabilities	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities at amortised cost:				
Deposits from credit institutions	17,214	17,239	9,704	9,755
Customer deposits (*)	18,053	18,048	13,870	13,855
Marketable debt securities	14,713	14,713	19,449	19,389
Subordinated liabilities	841	841	892	892
Other financial liabilities	784	784	949	949
	51,605	**51,625**	**44,864**	**44,840**

(*) For these purposes, the fair value of customer demand deposits is taken to be the same as their carrying amount.

48. Geographical and business segment reporting

a) Geographical segments

This primary level of segmentation, which is based on the Group's management structure, comprises five segments relating to five operating areas. The operating areas, which include all the business activities carried on therein by the Group, are Spain and Portugal, Italy, Germany, Scandinavia and Other Areas.

The financial statements of each operating segment are prepared by aggregating the figures for the Group's various business units. The basic information used for segment reporting comprises the accounting data of the legal units composing each segment and the data available from the management information systems. All segment financial statements have been prepared on a basis consistent with the accounting policies used by the Group. Consequently, the sum of the figures in the income statements of the various segments is equal to those in the consolidated income statements. With regard to the balance sheet, due to the required segregation of the various business units (included in a single consolidated balance sheet), the effect of the intra-group financing has to be considered, eliminated from the balance sheets of each area and assigned to the financing area, in such a way that the sum of each line item matches the amount recognised in the consolidated balance sheet.

Additionally, for segment presentation purposes, the equity of each geographical unit is that reflected in the related separate financial statements and is offset by a capital endowment made by the Spain and Portugal area, which acts as the holding unit for the other businesses and, therefore, reflects the Group's total equity.

The condensed balance sheets and income statements of the various geographical segments are as follows:

(Condensed) Consolidated Balance Sheet	Thousands of Euros											
	2008						2007					
	Spain and Portugal	Italy	Germany	Scandinavia	Other	Total	Spain and Portugal	Italy	Germany	Scandinavia	Other	Total
Loans and advances to customers	13,240,016	6,157,069	22,359,791	3,480,181	3,188,524	48,425,581	13,412,449	5,759,334	17,242,946	3,504,299	2,904,151	42,823,179
Financial assets held for trading (excluding derivatives)	-	365,552	370	-	-	365,922	-	-	346	-	-	346
Debt instruments	89,470	70	96,641	-	3,558	189,739	143,872	-	160,717	-	34,302	338,891
Loans and advances to credit institutions	2,663,451	396,723	204,307	27,041	21,095	3,312,617	1,753,301	282,117	80,577	30,123	65,974	2,212,092
Tangible and intangible assets	1,813,929	13,933	390,095	35,076	25,300	2,278,333	1,940,149	12,182	207,527	22,692	20,603	2,203,153
Other asset accounts	1,043,083	248,075	943,699	60,621	78,597	2,374,075	615,830	192,651	535,518	21,271	127,735	1,493,005
Total assets	**18,849,949**	**7,181,422**	**23,994,903**	**3,602,919**	**3,317,074**	**56,946,267**	**17,865,601**	**6,246,284**	**18,227,631**	**3,578,385**	**3,152,765**	**49,070,666**
Customer deposits	4,718,690	346,067	12,928,825	52,703	7,209	18,053,494	4,715,572	429,299	8,641,379	76,342	6,884	13,869,476
Marketable debt securities	8,563,033	2,560,731	3,564,897	-	24,142	14,712,803	12,945,237	2,074,403	4,413,908	-	15,755	19,449,303
Subordinated liabilities	640,017	100,011	21,143	56,057	24,158	841,386	658,645	100,000	57,229	48,336	27,920	892,130
Deposits from credit institutions	6,805,340	976,080	6,193,002	421,826	2,817,698	17,213,946	2,865,018	672,423	3,699,611	646,465	1,820,071	9,703,588
Other liability accounts	1,224,456	186,399	886,298	89,181	65,190	2,451,524	1,494,443	151,516	419,357	112,769	78,668	2,256,753
Equity	5,397,979	10,482	(1,756,631)	25,689	(4,405)	3,673,114	4,486,797	8,327	(1,582,543)	9,413	(22,578)	2,899,416
Total funds under management	**27,349,515**	**4,179,770**	**21,837,534**	**645,456**	**2,933,992**	**56,946,267**	**27,165,712**	**3,435,968**	**15,648,941**	**893,325**	**1,926,720**	**49,070,666**

(Condensed) Consolidated Income Statement	Thousands of Euros											
	2008						2007					
	Spain and Portugal	Italy	Germany	Scandinavia	Other	Total	Spain and Portugal	Italy	Germany	Scandinavia	Other	Total
NET INTEREST INCOME	**479,756**	**91,795**	**608,618**	**141,690**	**107,159**	**1,429,018**	**446,445**	**115,109**	**580,345**	**122,081**	**81,935**	**1,345,915**
Share of results of entities accounted for using the equity method	(3,989)	-	-	-	-	(3,989)	7,504	-	-	-	-	7,504
Net fee and commission income/(expense)	139,509	110,827	449,197	3,451	25,704	728,688	136,579	90,682	281,874	(570)	22,569	531,134
Gains/losses on financial assets and liabilities (net)	39,921	14,856	(23,806)	5,296	(1,952)	34,315	2,947	68	12,322	(555)	(5,282)	9,500
Other operating income/(expenses)	116,064	28,562	3,905	4,130	14,217	166,878	107,014	19,535	1166	3,959	6,550	138,224
GROSS INCOME	**771,261**	**246,040**	**1,037,914**	**154,567**	**145,128**	**2,354,910**	**700,489**	**225,394**	**875,707**	**124,915**	**105,772**	**2,032,277**
Administrative expenses	(199,123)	(82,160)	(332,610)	(61,045)	(74,115)	(749,053)	(202,310)	(82,567)	(253,690)	(58,142)	(55,219)	(651,928)
Staff costs	(69,279)	(37,648)	(152,243)	(33,313)	(40,258)	(332,741)	(71,006)	(38,704)	(123,376)	(30,190)	(27,231)	(290,507)
Other general administrative expenses	(129,844)	(44,512)	(180,367)	(27,732)	(33,857)	(416,312)	(131,304)	(43,863)	(130,314)	(27,952)	(27,988)	(361,421)
Depreciation and amortisation	(107,147)	(6,549)	(35,944)	(5,391)	(6,128)	(161,159)	(86,323)	(7,299)	(30,702)	(5,463)	(3,137)	(132,924)
Provisions (net)	(23,752)	-	(3,042)	(94)	-	(26,888)	(3,607)	863	6,227	(3)	(14)	3,466
Impairment losses on financial assets (net)	(331,961)	(97,193)	(288,479)	(17,683)	(49,131)	(784,447)	(122,409)	(72,807)	(190,924)	(9,482)	(34,527)	(430,149)
PROFIT FROM OPERATIONS	**109,278**	**60,138**	**377,839**	**70,354**	**15,754**	**633,363**	**285,840**	**63,584**	**406,618**	**51,825**	**12,875**	**820,742**
Other gains/(losses)	(92,721)	(6,405	2,856	(24)	33	(96,261)	(2,243)	(2,957)	1,833	15	(5,281)	(8,633)
PROFIT BEFORE TAX	**16,557**	**53,733**	**380,695**	**70,330**	**15,787**	**537,102**	**283,597**	**60,627**	**408,451**	**51,840**	**7,594**	**812,109**
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**70,075**	**25,342**	**248,877**	**50,219**	**3,518**	**398,031**	**187,867**	**23,399**	**255,335**	**35,738**	**11,135**	**513,474**
Loss from discontinued operations (net)	-	-	-	-	(20,938)	(20,938)	-	-	-	-	(1,704)	(1,704)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**70,075**	**25,342**	**248,877**	**50,219**	**(17,420)**	**377,093**	**187,867**	**23,399**	**255,335**	**35,738**	**9,431**	**511,770**
Profit/(loss) attributable to the Parent	**70,433**	**23,726**	**248,877**	**50,219**	**(15,227)**	**378,028**	**187,867**	**24,701**	**255,335**	**35,738**	**4,418**	**508,059**

Also, pursuant to CNMV Circular 1/2008, following is a breakdown:

1. By the geographical areas indicated in the aforementioned Circular, of the balance of "Interest and Similar Income" recognised in the consolidated income statements for 2008 and 2007:

	Thousands of Euros	
	31/12/08	31/12/07
Spain	932,958	783,847
Abroad-		
European Union	2,081,515	1,774,445
OECD countries	595,118	301,748
Other countries	24,782	7,409
	2,701,415	2,083,602
Total	**3,634,373**	**2,867,449**

2. Of revenue, by the geographical segments used by the Group. For the purposes of the table below, revenue is deemed to be that recognised under “Interest and Similar Income”, Income from Equity Instruments”, “Fee and Commission Income”, “Gains/Losses on Financial Assets and Liabilities (net)” and “Other Operating Income” in the consolidated income statements for 2008 and 2007:

	Revenue (Thousands of Euros)					
	Revenue from External Customers		Inter-Segment Revenue		Total Revenue	
	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07
Spain and Portugal	1,380,316	912,134	1,448,215	1,458,724	2,828,531	2,370,858
Italy	563,983	436,043	6,909	(6,303)	570,892	429,740
Germany	2,129,099	1,538,111	134,031	192,926	2,263,130	1,731,037
Scandinavia	391,213	258,957	(18,606)	(80)	372,607	258,877
Other	294,569	575,824	1,363	4,455	295,932	580,279
Inter-segment revenue adjustments and eliminations	-	-	(1,571,912)	(1,649,722)	(1,571,912)	(1,649,722)
Total	**4,759,180**	**3,721,069**	-	-	**4,759,180**	**3,721,069**

b) Business segments

At the secondary level of segment reporting, the Group is structured into seven businesses, one for each of the main products marketed.

The Automotive Business comprises all the businesses related to the financing of new and used vehicles, including operating and finance leases.

The Stock Credit Business includes the contribution to the Group of all the transactions related to the "Crédito Stock" product marketed by the Group.

The Consumer Finance Business reflects the income from the consumer finance business relating to consumer products not included in the Direct Finance Business.

The Credit Card Business includes the results from the credit card financing, issue and management business.

The Direct Finance Business includes the results from the consumer finance business conducted through own channels, with no dealer intermediation.

The Mortgage Business contributes to consolidated results all the activities performed by the Group related to mortgage lending.

Other Businesses comprises operations not included in any of the above-mentioned categories.

The condensed consolidated income statements for 2008 and 2007 are as follows:

	Thousands of Euros							
	2008							
(Condensed) Consolidated Income Statement	Automotive	Stock Credit	Consumer Finance	Credit Cards	Direct Finance	Mortgage	Other (*)	Total
NET INTEREST INCOME	**702,640**	**55,750**	**35,810**	**86,990**	**371,380**	**42,100**	**134,348**	**1,429,018**
Share of results of entities accounted for using the equity method	-	-	-	-	-	-	(3,989)	(3,989)
Net fee and commission income	324,490	9,230	34,840	25,770	228,330	16,630	89,398	728,688
Gains/losses on financial assets and liabilities (net)	-	-	-	(10)	-	-	34,325	34,315
Other operating income/(expenses)	24,100	420	420	(730)	4,590	-	138,078	166,878
GROSS INCOME	**1,051,230**	**65,400**	**71,070**	**112,020**	**604,300**	**58,730**	**392,160**	**2,354,910**
Administrative expenses	(276,420)	(19,630)	(41,410)	(43,150)	(122,140)	(16,610)	(229,693)	(749,053)
Staff costs	(142,730)	(10,260)	(17,480)	(13,790)	(45,200)	(8,420)	(94,861)	(332,741)
Other general administrative expenses	(133,690)	(9,370)	(23,930)	(29,360)	(76,940)	(8,190)	(134,832)	(416,312)
Depreciation and amortisation	(27,980)	(1,180)	(4,140)	(1,670)	(7,250)	(1,660)	(117,279)	(161,159)
Provisions	(16,132)	(2,581)	-	-	(6,453)	(1,722)	-	(26,888)
Impairment losses on financial assets (net)	(305,628)	(28,969)	(55,270)	(52,340)	(218,827)	(38,788)	(84,625)	(784,447)
PROFIT/(LOSS) FROM OPERATIONS	**425,070**	**13,040**	**(29,750)**	**14,860**	**249,630**	**(50)**	**(39,437)**	**633,363**
Other gains/(losses)	13,150	(210)	7,640	-	(2,400)	-	(114,441)	(96,261)
PROFIT/(LOSS) BEFORE TAX	**438,220**	**12,830**	**(22,110)**	**14,860**	**247,230**	**(50)**	**(153,878)**	**537,102**
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**302,285**	**7,921**	**(15,167)**	**11,999**	**165,866**	**(448)**	**(74,425)**	**398,031**
Loss from discontinued operations (net)	(20,938)	-	-	-	-	-	-	(20,938)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**281,347**	**7,921**	**(15,167)**	**11,999**	**165,866**	**(448)**	**(74,425)**	**377,093**

(Condensed) Consolidated Income Statement	Thousands of Euros 2007 Automotive	Stock Credit	Consumer Finance	Credit Cards	Direct Finance	Mortgage	Other (*)	Total
NET INTEREST INCOME	**697,579**	**36,408**	**44,429**	**74,866**	**326,340**	**31,935**	**134,358**	**1,345,915**
Share of results of entities accounted for using the equity method	-	-	-	-	-	-	7,504	7,504
Net fee and commission income	219,008	11,685	32,697	16,168	191,751	22,911	36,914	531,134
Gains/losses on financial assets and liabilities (net)	-	-	-	-	-	-	9,500	9,500
Other operating income/(expenses)	21,900	290	550	(850)	3,100	-	113,234	138,224
GROSS INCOME	**938,487**	**48,383**	**77,676**	**90,184**	**521,191**	**54,846**	**301,510**	**2,032,277**
Administrative expenses	(241,276)	(18,765)	(41,394)	**(43,093)**	(118,991)	(21,647)	(166,762)	(651,928)
Staff costs	(135,015)	(8,853)	(18,644)	(10,745)	(43,434)	(10,622)	(63,194)	(290,507)
Other general administrative expenses	(106,261)	(9,912)	(22,750)	(32,348)	(75,557)	(11,025)	(103,568)	(361,421)
Depreciation and amortisation	(24,208)	(1,070)	(3,945)	(2,304)	(7,056)	(1,556)	(92,785)	(132,924)
Provisions (net)	-	-	-	-	-	-	3,466	3,466
Impairment losses on financial assets (net)	(183,623)	(17,475)	(40,618)	(31,843)	(143,329)	(15,788)	2,527	(430,149)
PROFIT/(LOSS) FROM OPERATIONS	**489,380**	**11,073**	**(8,281)**	**12,944**	**251,815**	**15,855**	**47,956**	**820,742**
Other gains/(losses)	-	-	-	-	-	-	(8,633)	(8,633)
PROFIT/(LOSS) BEFORE TAX	**489,380**	**11,073**	**(8,281)**	**12,944**	**251,815**	**15,855**	**39,323**	**812,109**
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**376,599**	**7,124**	**6,019**	**10,279**	**172,332**	**11,904**	**(70,783)**	**513,474**
Loss from discontinued operations (net)	(1,704)	-	-	-	-	-	-	(1,704)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**374,895**	**7,124**	**6,019**	**10,279**	**172,332**	**11,904**	**(70,783)**	**511,770**

(*) "Other" includes mainly the results from the deposit and managed asset businesses, which are not individually material for the Group as a whole, and those arising from the Group's financial management activity.

49. Related party transactions

The parties related to the Group are deemed to include, in addition to its subsidiaries, associates and jointly controlled entities, the Bank's key management personnel (the members of its Board of Directors and the General Managers, together with their close family members) and the entities over which the key management personnel may exercise significant influence or control.

Following is a detail of the transactions performed by the Group with its related parties at 31 December 2008 and 2007, distinguishing between associates, Santander Group entities, members of the Bank's Board of Directors and the Bank's senior managers, and of the income and expenses arising from the transactions with these related parties in 2008 and 2007. Related-party transactions were made on terms equivalent to those prevailing in arm's-length transactions.

	Thousands of Euros							
	2008				2007			
	Associates	Santander Group Entities	Members of the Board of Directors	Senior Managers	Associates	Santander Group Entities	Members of the Board of Directors	Senior Managers
Assets:								
Available-for-sale financial assets (Note 7)	-	2,490	-	-	-	-	-	-
Loans and advances to credit institutions (Note 6)	86,249	2,958,487	-	-	154,500	1,946,674	-	-
Loans and receivables								
Loans and advances to customers (Note 10)	-	14,218	7	224	-	10,715	59	39
Debt instruments	-	87,037	-	-	-	-	-	-
Trading derivatives (Note 9)	-	66,379	-	-	-	28,609	-	-
Hedging derivatives (Note 11)	-	278,616	-	-	-	86,380	-	-
Other assets (Note 17)	-	16,038	-	-	25	2,224	-	-
Liabilities:								
Deposits from credit institutions (Note 18)	-	9,467,604	-	-	-	3,621,848	-	-
Customer deposits (Note 19)	463	12,214	2,511	1,829	-	11,532	613	770
Marketable debt securities (Note 20)	-	3,209,212	-	-	-	3,345,351	-	-
Subordinated liabilities (Note 21)	-	390,738	-	-	-	834,757	-	-
Other financial liabilities (Note 22)	46	503,626	-	-	2	202,018	-	-
Trading derivatives (Note 9)	-	66,083	-	-	66	27,347	-	-
Hedging derivatives (Note 11)	-	426,721	-	-	-	59,668	-	-
Other liabilities (Note 17)	5,539	4,455	-	-	-	12,662	-	-
Income statement:								
Interest and similar income (Note 32)	4,659	205,893	-	13	4,849	53,337	-	1
Interest expense and similar charges (Note 33)	9	526,211	16	-	-	279,757	(14)	-
Fee and commission income (Note 35)	1,411	97,497	-	-	2,102	113,492	-	-
Fee and commission expense (Note 36)	1,260	4,065	-	-	7,923	8,691	-	-
Gains/losses on financial assets and liabilities (net) (Note 37)	-	91,333	-	-	21	7,582	-	-
Exchange differences (Note 38)	4,089	167	-	-	-	335	-	-
Other operating income (Note 39)	146	146	-	-	-	41,242	-	-
Other operating expenses	-	1,964	-	-	-	-	-	-
Other general administrative expenses (Note 42)	-	64,001	-	-	-	3,629	-	-
Gains/(losses) on disposal of assets not classified as non-current assets held for sale	-	4,230	-	-	-	8,762	-	-
Memorandum items:								
Contingent liabilities (Note 30)	45	697,669	-	-	179	637,167	-	-
Contingent commitments (Note 30)	39,795	2,559,640	-	-	47,005	2,094,421	-	-

50. Risk management

Since the Group forms part of the Santander Group, its risk management is based on the following principles:

- Independence of the risk function with regard to business activity. The Risk Area Manager at Santander Consumer Finance, as Deputy General Manager of the Santander Group, reports directly to the General Manager of the Group's Risks Division, who in turn reports to Mr Matías Rodríguez Inciarte who, as 3rd Vice Chairman, and Chairman of the Risk Standing Committee, reports directly to the Executive Committee and the Board of Directors.

- Business support, working towards commercial goals by maintaining risk quality levels, without prejudice to the abovementioned principle. Thus the Group's organisational structure that implements risk policy operates as a complement to commercial policy to ensure cooperation between business managers and risk managers.

- Senior management decisions that cater for contrasting opinions in a bid to prevent the allocation of decision-making capacities on an exclusively individual basis.

- A deep-rooted tradition of tools for internal rating and scoring, economic capital etc.

- A blanket approach through comprehensive processing of all risk factors across the board in terms of business units and locations, and use of the concept of economic capital as a uniform measure of risks assumed and a basis to gauge management performance.

- The will to maintain a medium-low risk profile, enhancing its low volatility and predictability using the following procedures:

  - Seeking a high level of risk diversification, with restrictions placed on customers, groups, sectors, products or geographical areas;
  - Maintaining a low level of complexity in market activities;
  - Ongoing risk monitoring to predict portfolio impairments in good time.

As part of the Santander Group, risk management and control at Santander Consumer Finance is structured into the following stages:

- Set-up of risk management policies and frameworks reflecting the Santander risk management doctrine.

  The Santander Group has a series of risk policies and procedures which make up the regulatory framework, implemented by means of circulars, frameworks (previously known as Risk Management Policy Manuals), and operating standards, which regulate risk activities and processes.

  Within this regulatory framework, and with the approval of Senior Risk Management, the Corporate Risk Management Framework regulates the principles and standards for general operation of risk activities by the Santander Group, based on an organisational model and a management model.

The organisational model includes the management scope, risk function and governance, as well as the regulatory framework, while the management model contains the essential mainstays in relation to risk management, the channels for planning and setting goals, the process of drawing up risk thresholds and budgets, control of banking activities, the risk information framework for Senior Management, and the technology model for risk management.

One of the key features of the Corporate Risk Management Framework is that it ushers in regulation of the functions carried out by General Risk Management, through a number of more specific corporate frameworks.

- Identification of risks by ongoing monitoring and review of exposures, appraisal of new products and business lines, and specific analysis of individual transactions;

- Measurement of risks, using widely contrasted methodologies and models;

- Drawing up the Group's risk appetite by setting global and specific thresholds for the various types of risks, products, customers, groups, sectors and geographical areas;

- Drawing up and distributing a complex set of reports reviewed on a daily basis by Santander management at all levels;

- Implementation of a risk control system for day to day verification that the Santander Group's risk profile matches the risk polices approved and the risk thresholds put in place.

- Internal rating and scoring models that appraise qualitative and quantitative aspects by customers and by transactions to firstly provide an estimate of default likelihood, and subsequently the expected loss, in accordance with estimates of LGD (loss-given default).

- Economic capital as a uniform measure of the risk assumed and a basis to gauge management performance.

- Analysis of scenarios and stress testing to back up market and credit risk analyses in order to appraise the impacts of alternative scenarios, including provision and capital.

The Group's risk policy is geared at maintaining a profile of medium-to-low predictable credit and market risk. The main types of Group risk are shown below: Credit Risk, Market Risk and Operational Risk.

Credit risk-

Introduction to the treatment of credit risk

Credit risk stems from the possibility of loss from total or partial failure of our customers or counterparties to meet their financial obligations with the Group.

Organisation of the Group's risk function focuses on customer type, to distinguish individualised customers from standardised customers throughout the risk management process:

- Individualised customers are customers that have been allocated a Risk Analyst, in view of the risk assumed. This category includes Wholesale Banking and a certain amount of Retail Banking. Risk is managed by expert analysis together with tools to assist the decision-making process that are based on internal risk appraisal models.

- Standardised risks consist of customers that have not been expressly allocated a Risk Analyst, and here risk generally concerns private individuals, individual entrepreneurs and non-individualised Retail Banking companies. Risk management is based on internal models for appraisal and automatic decision, and also, in a subsidiary manner, when the model proves inadequate or is not sufficiently accurate, on teams of analysts specialising in this kind of risk type.

Main figures and trend

The Group's credit risk profile covers a large geographic spread, where the main feature is Retail Banking.

a) Global Credit Risk Map 2008

The table below shows a map of the global credit risk, in nominal amounts, to which the Group was exposed at 31 December 2008:

SCF GROUP – GROSS CREDIT RISK EXPOSURE			
	2008 (Millions of Euros)	Variation as compared with December 2007	% Portfolio
Spain and Portugal	13,675	(3.76%)	27.48%
Italy	6,104	5.94%	12.27%
Germany	23,240	34.67%	46.71%
Scandinavia	3,499	(0.17%)	7.03%
Rest	3,241	12.02%	6.51%
SCF Group	**49,759**	**14.06%**	**100.00%**

The year was marked by a slump in investment growth due to less demand for credit. Nominal credit risk exposure showed annual growth of 14.06%, including purchase of the RBS portfolios in Germany and the Netherlands for EUR 2,332 million (EUR 1,655 million in Germany and EUR 677 million in the Netherlands), and GE Money in Germany for EUR 2,128 million.

Business in Germany and Spain accounted for 72% of nominal credit risk exposure, similar to the previous year. The other major European units were Italy and Scandinavia, which accounted for 19% of risk exposure.

b) Trend of figures in 2008

The trend of asset non-payments and credit costs reflect firstly a general worsening in the economic scenario that has affected the financial system as a whole, but also prudent risk management that has enabled the Group to maintain its figures at acceptable levels and hedge against its risk exposures.

The Group's non-performing loans ratio stood at 4.60% in December 2008, up 149 basis points (BPS) on the year. Hedging against defaults on payment with provisions was 86.13%, as compared with 96.22% at 2007 year-end.

c) Distribution of loans and receivables

The Group is geographically diversified, operating in 21 countries and focusing on our core markets. Santander Consumer Finance's profile is primarily retail (94.8% in consumer loans, and 5.2% in stock financing for concessionaries).

Measures and measurement tools

The Group uses internal scoring and rating systems to measure the credit rating of a customer or a transaction. Each of the ratings assigned by models matches a probability of default, which is determined by the Group's previous experience.

Since Group business focuses mainly on retail, assessments are primarily based on scoring models or tables which, in conjunction with other credit policy regulations, issue an automatic decision on the applications received. These tools have the dual advantage of allocating an objective appraisal of the level of risk, and speeding up the response time that would be required by a purely manual analysis.

In addition to scoring models for approval of risk, tools are also available to evaluate existing accounts or customers, and these are used during the stage of recovery or collection of non-payments. This method is used as a bid to cover the entire "credit cycle" (approval, monitoring and recovery) by means of statistical decision-making models based on the Group's internal information.

For the Group's Individualised Institutions and Corporate segments, mainly the indirect segment, evaluation of credit risk is based on expert rating models that combine the most relevant aspects to be taken into account for the purposes of assessment as variables, in such a way that the assignation process generates appraisals that are consistent, comparable among customers, and provide a summary of all major data.

The ratings assigned to customers are reviewed periodically, adding in any new financial information available together with past experience of the banking relationship. The reviews are carried out more frequently for customers reaching certain levels in the automatic warning systems, and for customers deemed to require special monitoring. The rating tools are themselves reviewed to adjust the accuracy of the ratings they generate.

In a more residual fashion, certain exposures are subject to inspection by global rating tools for the Global Retail Banking segment, and here the rating is determined and monitored by centralised management at the Santander Group's Risks Division. These tools assign a rating to each customer as the result of a quantitative or qualitative model, based on balance sheet ratios or macroeconomic variables, coupled with the analyst's expert opinion.

The Group's portfolio of individualised companies is hardly representative of the total risks managed, which are mostly vehicle concessionary stock financing (5% of the total portfolio).

Observed loss: measurements of the cost of credit risk

As part of the Santander Group, the Group uses a number of approaches to measure the cost of credit risk: change in net entries (final doubtful loans – initial doubtful loans + write-offs – recovered write-offs), net loan-loss provisions (gross specific provisions – recovered write-offs); and net write-offs (write-offs – recovered write-offs).

We can see that the general trend in recent years has been for the Group to keep its credit costs down. The cost of credit rose in 2008 due to serious deterioration of the economic fabric and to growth in a number of retail portfolios which, with greater than expected loss, show both higher direct returns (net interest margin less the cost of provisions) and indirect returns (induced business), and also prove much more attractive in view of the greater predictability of this type of risk.

Risk credit cycle

The risk cycle comprises three stages: pre-sale, sale and post-sale:

- Pre-sale: this includes processes in connection with planning, target setting, determining the Santander Group's risk appetite, approval of new products, study of risk and the credit rating process and the establishment of limits.
- Sale: this includes the decision-making stage for transactions subject to pre-classification, and also occasional operations.
- Post-sale: this contains processes relating to monitoring, measurement and control and recovery management.

a) Planning and establishing limits

Establishing risk limits is regarded as a dynamic process that identifies the Group's risk appetite by discussion of business proposals and risk opinion.

Limits are based on two primary structures: customers/segments and products.

For individualised portfolios the basic level is the customer, and when certain characteristics have been fulfilled such as the relative importance of the customer, for example, an individual limit is established (pre-classification).

For large corporate groups, this method uses a pre-classification model based on a system for measuring and monitoring economic capital. For the company segment, a simplified pre-classification model is used for customers that satisfy a number of requirements (well-known customer, rating etc.).

b) Risk study and the credit rating process

The risk study is one of the basic tools used to assess credit risk, and hence the Group's authorisation for operations with customers. The study consists in analysing the counterparty's ability to meet his contractual obligations with the Group. This entails analysis of the customer's credit quality, his risk operations, his solvency, and the economic return to be secured in accordance with the risk assumed.

The risk study is performed for each new customer/operation, or with a pre-set frequency, depending on the segment involved. The study is also carried out and the rating reviewed on the emergence of a warning or an event affecting the counterparty or the operation.

c) Decision-making for operations

The aims of the decision-making process for operations are analysis and resolution of these operations, considering risk appetite and any other aspects of the operation that may be relevant in a bid to secure a balance between risk and economic return.

d) Monitoring and control

For proper control of credit rating, and the work carried out by the Internal Audit Division, General Risk Management and local and global teams, a specific function with its own resources and specific supervisors has been created to monitor risk.

The monitoring function is based on a continuous process of ongoing observation for early detection of any incidents that may emerge within the trends of risk, operations, customers and related aspects, to enable action to be taken to mitigate this risk. The monitoring function is specialised in accordance with customer segmentation.

To this end a system known as Companies under Special Watch (FEVE) has been devised, with four levels on the basis of the degree of concern stemming from the circumstances observed (Extinguish, Secure, Reduce and Monitor). The fact that a company is included in the FEVE system does not mean any defaults have been recorded, but merely that a specific policy should be adopted, indicating the person responsible and the period of time for the process to be carried out. FEVE-graded customers are subject to review at least every six months, and every three months for companies in the most serious brackets. The decision as to whether a company is to be placed on special watch emerges from the monitoring process itself, a review performed by the internal audit unit, a decision by the commercial manager supervising the company, or the triggering of the automatic warning system.

Reviews of the ratings assigned take place at least every year, but are carried out more regularly if any weaknesses are detected, or in accordance with the rating itself.

In the case of risks relating to standardised customers, the main indicators are monitored in a bid to detect any behavioural deviations in the loan portfolio.

Scenario analysis

Regular stress testing is carried out for the purposes of portfolio monitoring and control. Scenario analysis is a major tool the purpose of which is to measure the sensitivity of a portfolio's value to changes in circumstances. By taking into account factors such as trends in interest rates, unemployment or property prices, a check is run to ensure that general provisions are sufficient with respect to the estimated impacts as calculated by stress tests.

Control function

As back-up to the management process, the control function that operates throughout the various stages of the risk cycle produces an overview of the Group's loan portfolio in sufficient detail to enable it to assess the current position of risk and its trend.

To this end the function ensures ongoing systematic control of the risk trend with respect to budgets, limits and benchmark standards, and evaluates the impacts of future exogenous situations and situations arising from strategic decisions, to enable measures to be introduced that place the profile and volume of the risk portfolio within the criteria set by Santander Consumer Finance and the Santander Group.

The function assesses risks from different intercomplementary perspectives, and the main items operated are control by geographic locations, business lines, models of management, products and processes, thereby enabling the detection of specific areas of action for the decision-making process.

In 2006, as part of the corporate framework established at the Santander Group to meet the requirements of the Sarbanes-Oxley Act, a corporate tool was set up on the Group's intranet for documentation and certification of all subprocesses, operational risks and controls to mitigate risks. The Group performs an annual assessment of the efficiency of internal control of its activities.

e) Recovery activity

As part of the Santander Group, Santander Consumer Finance considers recovery management a strategic, integral, business-related activity.

The Santander Group has a global model for local application and implementation in due consideration of the peculiarities of business activity in each sector.

The specific objectives of the recovery process are as follows:

- To seek collection or settlement of outstanding balances in such a way as to return an account to normal status; if this is not possible, the objective is total or partial recovery of debts, regardless of their accounting or management status.
- To maintain and enhance our relations with customers by supervising their payment behaviour pattern.

Recovery activity divides or splits customers into general or standardised, and individualised, using specific integral management models in each case, in accordance with certain basic specialisation criteria.

This segmented recovery activity also identifies a number of different management stages: preventive management, management of irregular situations, management of defaults and impairments, which in turn have their own specific models, structures, strategies and circuits. Recovery activity is shared with other business areas.

In the general customer segment management is carried out using multi-channel systems, subsequently giving way to personalised or individualised management, if need be, in accordance with specific rules that consider, among other concerns, the market situation, defaulted products etc.

The individualised customer segment is run by specialist managers.

The management models are pro-active and in general can be automated, thereby enabling standardised workflows and “industrial” management methods with a view to personalised or exceptional processing.

The Group has internal and external structures to cater to management requirements with our customers, implementing monthly capacity plans and regular training, using tools to manage and provide solutions for customers.

Other credit risk focuses

Credit risk contains certain specific contexts and/or visions which require specialised attention as back-up to global management.

Concentration risk

Concentration risk represents an essential component of management within the context of credit risk. The Group carries out continuous monitoring of the level of concentration of credit risk portfolios from various relevant viewpoints: geographic areas and countries, economic sectors, products and customer groups. The types of operations carried out by the Group allow its concentration risk to be kept fairly low.

Market risk-

Activities subject to market risk

The measurement, control and monitoring of market risk covers all operations where net worth risk is assumed. This risk arises from changes in risk factors – interest rate, exchange rate, equities and their volatility – and also solvency risk and liquidity risk of the various products and markets in which the Santander Consumer Group operates.

Activities are divided as follows, depending on the risk objective:

- Trading: This includes financial services to customers, purchases and sales and positions on fixed-income products, equities and foreign currencies. The Group does not carry out trading activities at local level, and focuses basically on hedging against the risk inherent to its balance sheet management and on managing the liquidity required to finance its business activity.

- Balance sheet management: Interest rate risk and liquidity risk arise from the repricing and maturity gaps of all assets and liabilities. This function also includes active management of credit risk inherent to the Group's balance sheet.

- Structural risks:

    - Structural exchange rate risk/hedging on earnings: Exchange rate risk due to the currency in which the investment is made, both for companies included in the consolidation and those which are not (structural exchange rate). This also includes positions taken to hedge against future earnings generated in currencies other than the euro (hedging on earnings).

      The Santander Consumer balance sheet contains no structural currency risks since the balance sheets for each business line are covered in their local currency through natural on-balance sheet hedges.

    - Structural equity: This includes investments through shareholdings in financial and non-financial entities that do not form part of the consolidable group, generating equity risk. This type of risk does not apply to the Group.

The Financial Management area is responsible for managing balance sheet risk and structural risks in a centralised fashion through the application of uniform methodologies adapted to the situation of each market in which it operates. With regard to convertible currencies, Financial Management handles the parent company's risk and coordinates the management of other units that operate in these currencies. Management decisions in connection with these risks are taken through the Asset-Liability Committees in each country, and ultimately by the parent company's Asset-Liability Committee.

Financial Management aims to give a certain amount of stability and recurrence to the net interest margin on commercial activity and to the Group's economic value, with appropriate levels of liquidity and solvency.

Each of these activities is measured and analysed with different tools in order to provide the most accurate picture of their risk profile.

Methodologies

<u>Balance sheet management</u>

Interest rate risk

The Santander Consumer Group analyses the sensitivity of the net interest margin and the market value of equity to changes in interest rates. This sensitivity is affected by maturity and repricing gaps in the various balance sheet items.

On the basis of the balance sheet interest rate position, and considering the current and forecast market situation, the necessary financial measures are adopted to bring this position into line with the Bank's objective. The measures may include taking up positions on markets or definition of the interest rate features of commercial products.

The measures employed by the Group to control interest rate risk in these activities are the interest rate gap, the sensitivity of the net interest margin and the market value of equity to changes in interest rates.

a) Interest rate gap of assets and liabilities

   The interest rate gap analysis focuses on mismatches between the interest reset periods of on-balance sheet assets and liabilities and of off-balance sheet items. This analysis facilitates a basic snapshot of the balance sheet structure and enables concentrations of interest rate risk to be detected in the different maturity periods. Additionally, it is a useful tool for estimating the possible impact of potential changes in interest rates on the entity's net interest margin and market value of equity.

   All the on- and off-balance sheet aggregates must be broken down and placed at the point of repricing or maturity. In the case of aggregates without a contractual maturity date, the Santander Group's internal model is used to analyse and estimate their duration and sensitivity.

b) Sensitivity of the net interest margin (NIM)

   Sensitivity of the net interest margin measures the change in the expected accruals for a specific period (12 months) given a shift in the interest rate curve.

   The sensitivity of the net interest margin is calculated by simulating the margin both for a scenario of changes in the interest rate curve and for the current scenario, where sensitivity is the difference between the two margins thus calculated.

c) Sensitivity of the market value of equity (MVE)

   Sensitivity of the market value of equity is a measure that complements sensitivity of the net interest margin.

This measures the interest rate risk implicit in the market value of equity (capital) based on the impact that changes in interest rates have on the current values of financial assets and liabilities.

Liquidity risk

Liquidity risk management aims to ensure the Group has access to the funds required to meet its payment commitments at fair market prices, and carry out its business plans with stable sources of funding. The Group supervises the maximum gap profiles on a permanent basis.

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

a) Liquidity gap

The liquidity gap provides information on contractual and expected cash inflows and outflows for a given period for each currency in which the Santander Consumer Group operates. The gap measures cash requirements or net surpluses at a given date and reflects the liquidity level maintained under normal market conditions.

A contractual liquidity gap analysis focuses on all the items that generate cash flows, placed at the point of contractual maturity. For assets and liabilities without contractual maturities the Santander Group's internal analysis model is used, based on a statistical study of the time series of the products.

b) Liquidity ratios

The liquidity ratio compares liquid assets available for sale or transfer (after the relevant discounts and adjustments have been applied) with the total amount of liabilities (including contingencies). This ratio shows the bank’s immediate response capability to firm commitments.

<u>Structural exchange rate risk/hedging on earnings</u>

Structural exchange rate risk arises from Group operations in currencies, mainly concerning permanent financial investments, earnings, and hedging for this investment.

Exchange rate risk management is dynamic, and seeks to limit the impact of currency devaluations on equity and optimise the financial cost of hedging.

With regard to exchange rate risk management for permanent investments, the general policy is to finance these in the currency of the investment, provided the depth of the market allows this, and the cost is justified by the expected depreciation. One-off hedging is also carried out when it is considered likely that a local currency will weaken against the euro far more swiftly than discounts on the market. This function is carried out by the Santander Group’s Financial Management section.

Regarding exchange rate risk arising from balance sheets denominated in currencies other than the euro, the general policy, wherever possible, is natural on-balance sheet hedging of those structural positions in currencies.

Operational risk-

Definition and objectives

The Group defines operational risk (RO) as "the risk of loss resulting from deficiencies or failures of internal processes, human resources or systems or that arising due to external causes". This risk, in general, relates to events of a purely operational nature, thus differentiating it from market risk or credit risk, although external risks such as natural disasters are also included.

The Group's aim in terms of operational risk control and management is to identify, measure / assess, control / mitigate and monitor this risk.

The overriding requirement for the Group, therefore, is to identify and eliminate any clusters of operational risk, irrespective of whether losses have been incurred. Measurement of this risk also facilitates the establishment of priorities in the management of operational risk.

Operational risk management structure is based on the knowledge and experience of managers and professionals operating the various areas, with particular emphasis placed on the role of Local Heads of Operational Risk.

BASEL II-

As part of the Santander Group, Santander Consumer Finance has been firmly committed from the very outset to the principles behind the "Revised framework of international convergence of capital measures and rules" (Basel II). The framework enables entities to conduct internal estimates of the funds they need to ensure capital adequacy in the event of circumstances caused by different types of risk. As a result of this commitment, the Santander Group has assigned all the human and material resources required to ensure Basel II is successfully implemented. Thus several years ago a Basel II team was created, comprising qualified employees from various areas in the Group: mainly Risk, Technology and Operations, General Intervention, Financial Management, Internal Audit – to verify the entire process as the ultimate layer of control within the entity – and Business, particularly in all issues relating to the integration of internal models in the management process. Moreover, specific teams have also been put together to ensure that the most complex aspects of the project are properly handled.

In addition to this Basel II operational team, the Santander Group's Senior Management has been noticeably involved from the very start. The Management Committee and the Board of Directors have been informed of the progress made in the project and of the implications of implementation of the New Capital Accord for the Santander Group.

In the specific case of credit risk, implementation of Basel II means recognising, for the purposes of regulatory capital, the internal models that have been used as management devices for some time now.

Santander Consumer Finance's major units (Germany, Spain and the Nordic countries) will begin using the advanced AIRB models to a schedule agreed with the Bank of Spain and notified to the various local regulators.

In addition to the process of validation and supervisory approval, in 2008 the Santander Group also continued the process of gradual implementation of the technology platforms and methodological developments required for steady application of the advanced internal models to calculate regulatory capital in the other Santander Group units.

With respect to operational risk, the Group has decided to adopt the standard approach to calculation of regulatory capital, since it feels it is still somewhat early to consider using the advanced models (AMA) for this task.

Internal validation of the risk models

As part of the Santander Group, Santander Consumer Finance has implemented the Internal Validation function at corporate level in the Area of Integral Control and Internal Validation of Risk (CIVIR), which reports directly to the Group's 3rd Vice Chairman and Chairman of the Risk Standing Committee. This function is global and corporate, in a bid to secure uniform application.

The Santander Group's corporate internal validation framework is fully aligned with the criteria for internal validation of advanced models issued recently by the Bank of Spain. This maintains the criterion of separation of functions between Internal Validation and Internal Audit which, as the ultimate layer of control within the Group, is responsible for reviewing the methodology, tools and work carried out by the Internal Validation unit and for providing an opinion on its degree of effective independence.

51. Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

Appendix I

Subsidiaries

Company	Location	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Rights (c)	Line of Business	Millions of Euros		
		Direct	Indirect			Capital and Reserves (a)	Net Profit/(Loss) (a)	Investment Amount (b)
AKB Marketing Services Sp. Z.o.o.	Poland	-	100.00%	100.00%	MARKETING	5	-	-
Andaluza de Inversiones, S.A.	Spain	99.99%	0.01%	100.00%	HOLDING COMPANY	41	1	27
Asesora de Titulización, S.A., S.G.F.T.	Spain	20.00%	-	20.00%	ADVISORY SERVICES	2	-	-
Banco Santander Consumer Portugal, S.A.	Portugal	80.09%	19.91%	100.00%	BANKING	108	11	240
FTA Santander Consumer Spain Auto 06	Spain	-	(d)	-	SECURITISATION	-	-	-
FTA Santander Consumer Spain Auto 08-01	Spain	-	(d)	.	SECURITISATION	-	-	-
GE Money Bank, GmbH	Germany	-	100.00%	100.00%	BANKING	188	(32)	272
GE Money Services, GmbH	Germany	-	100.00%	100.00%	SERVICES	2	1	-
General Electric Capital Deutschland, GmbH	Germany	-	100.00%	100.00%	HOLDING COMPANY	285	(6)	165
Golden Bar (Securitisation), S.r.l.	Luxembourg	-	(d)	.	SECURITISATION	-	-	-
Golden Bar Securitization Programme I	Luxembourg	-	(d)	.	SECURITISATION	-	-	-
Golden Bar Securitization Programme II	Luxembourg	-	(d)	.	SECURITISATION	-	-	-
Golden Bar Securitization Programme III	Luxembourg	-	(d)	.	SECURITISATION	-	-	-
Guaranty Car, S.A.U.	Spain	-	100.00%	100.00%	AUTOMOTIVE	3	-	1
H.B.F. Aluguer e Comercio de Viaturas, S.A.	Portugal	0.02%	99.98%	100.00%	FULL-SERVICE LEASE	-	-	-
Hispamer Renting, S.A.U.	Spain	-	100.00%	100.00%	FULL-SERVICE LEASE	13	-	1
JSC Santander Consumer Bank	Russia	100.00%	-	100.00%	BANKING	35	7	42
LLC Finance Analize	Russia	-	100.00%	100.00%	INACTIVE	4	-	-
Multi-Rent, Aluguer e Comércio de Automóveis, S.A.	Portugal	-	60.00%	60.00%	FULL-SERVICE LEASE	(5)	(3)	27
Open Bank Santander Consumer, S.A.	Spain	99.99%	-	99.99%	BANKING	68	17	29
Polskie Towarzystwo Finansowe S.A.	Poland	100.00%	-	100.00%	SERVICES	3	-	35
SAG International Finance Company Limited	Ireland	-	60.00%	60.00%	FINANCE	1	-	2
Sánchez Ramade Santander Financiera, S.L.	Spain	50.00%	-	50.00%	FINANCIAL SERVICES	-	-	-
Santander Consumer (UK), Plc	United Kingdom	50.10%	-	50.10%	ADVISORY SERVICES	71	(1)	57
Santander Consumer autoboerse.de AG	Germany	-	100.00%	100.00%	INTERNET	1	-	2
Santander Consumer Bank AG	Germany	-	100.00%	100.00%	BANKING	1,187	424	2,865
Santander Consumer Bank A.S.	Norway	100.00%	-	100.00%	FINANCE	307	44	468
Santander Consumer Bank S.p.A.	Italy	100.00%	-	100.00%	FINANCE	191	23	312
Santander Consumer Bank, Spòlka Akcyjna	Poland	100.00%	-	100.00%	BANKING	165	24	173
Santander Consumer Debit, GmbH	Germany	-	100.00%	100.00%	SERVICES	-	11	27
Santander Consumer Finance, A.S.	Czech Republic	-	100.00%	100.00%	LEASE	43	4	36
Santander Consumer Finance, B.V.	The Netherlands	-	100.00%	100.00%	FINANCE	37	(1)	32
Santander Consumer Finance Benelux, B.V. (formerly RBS (RD Europe), B.V.)	The Netherlands	-	100.00%	100.00%	FINANCE	6	(7)	-
Santander Consumer Finance Media S.r.l.	Italy	-	65.00%	65.00%	FINANCE	7	-	5
Santander Consumer Finance, Oy.	Finland	-	100.00%	100.00%	FINANCE	37	(2)	37
Santander Consumer Finance Zrt.	Hungary	-	100.00%	100.00%	FINANCE	6	(7)	4
Santander Consumer Finance, Germany GmbH	Germany	-	100.00%	100.00%	HOLDING COMPANY	3,061	(11)	3,061
Santander Consumer Finanzia, S.r.l.	Italy	-	100.00%	100.00%	FACTORING	2	-	1

Company	Location	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Rights (c)	Line of Business	Millions of Euros		
		Direct	Indirect			Capital and Reserves (a)	Net Profit/(Loss) (a)	Investment Amount (b)
Santander Consumer Holding, GmbH	Germany	100.00%	-	100.00%	HOLDING COMPANY	928	204	1,891
Santander Consumer Iber-Rent, S.L.	Spain	-	60.00%	60.00%	FULL-SERVICE LEASE	62	2	18
Santander Consumer Leasing Austria GmbH	Austria	-	100.00%	100.00%	LEASE	-	-	-
Santander Consumer Leasing, GmbH	Germany	-	100.00%	100.00%	LEASE	6	7	6
Santander Consumer Leasing, S.r.o.	Czech Republic	-	100.00%	100.00%	FINANCE	1	-	2
Santander Consumer Multirent Spolka Z Ograniczona Odpowiedzialnoscia	Czech Republic	-	60.00%	60.00%	LEASE	7	(1)	4
Santander Consumer Spain Auto 07-01	Spain	-	(d)	-	SECURITISATION	-	-	-
Santander Consumer Spain Auto 07-02	Spain	-	(d)	-	SECURITISATION	-	-	-
Santander Consumer, E.F.C., S.A.	Spain	99.99%	0.01%	100.00%	FINANCE	239	(27)	169
Santander Service, GmbH	Germany	-	100.00%	100.00%	LEASE	-	1	-
SC Germany Auto 08-02, Ltd.	Germany	-	(d)	-	SECURITISATION	-	-	-
SC Germany Consumer 08-01, Ltd.	Germany	-	(d)	-	SECURITISATION	-	-	-
Suzuki Servicios Financieros, S.L.	Spain	-	51.00%	51.00%	INTERMEDIATION	-	-	-
UNIFIN S.p.A.	Italy	70.00%	-	70.00%	FINANCE	18	6	44

(a) Data obtained from the financial statements of each subsidiary for the year ended 31 December 2008. These financial statements have not been approved by the respective control bodies. However, the Bank's directors consider that they will be ratified without any changes.
(b) Carrying amount of the investments in each subsidiary per the books of the holding company, net of the related impairment allowance, if any.
(c) Pursuant to Article 3 of Royal Decree 1815/1991, of 20 December, approving the rules for the preparation of consolidated financial statements, in order to determine voting rights, the voting rights relating to subsidiaries or to other parties acting in their own name but on behalf of Group companies were added to the voting rights directly held by the Parent. Accordingly, the number of votes corresponding to the Parent in relation to companies in which it has an indirect interest is the number corresponding to the subsidiary holding a direct ownership interest in such companies.
(d) Vehicles over which effective control is exercised.

Appendix II

Associates and jointly controlled entities

Company	Location	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Rights (b)	Line of Business	Millions of Euros (a)		
		Direct	Indirect			Assets	Capital and Reserves	Net Profit/(Loss)
ABS Line Multimedia, S.L.	Spain	-	47.50%	47.50%	MARKETING	1	1	-
Accordfin España, E.F.C., S.A.	Spain	49.00%	-	49.00%	FINANCE	441	33	(13)
Grupo Konecta Maroc S.A.R.L. à associé unique	Morocco	-	48.26%	48.26%	TELEMARKETING	-	-	(1)
Grupo Konecta UK, Ltda.	United Kingdom	-	48.26%	48.26%	FINANCE	-	-	-
Grupo Konectanet, S.L.	Spain	-	48.26%	48.26%	HOLDING COMPANY	17	4	(2)
Kapitalia Credit House Global, S.L.	Spain	-	48.26%	48.26%	SERVICES	-	-	-
Konecta Activos Inmobiliarios, S.L.	Spain	-	49.08%	49.08%	PROPERTY	10	-	-
Konecta Brazil Outsourcing, Ltda.	Brazil	-	48.25%	48.25%	SERVICES	-	-	-
Konecta Broker, S.L.	Spain	-	48.26%	48.26%	SERVICES	-	-	1
Konecta BTO, S.L.	Spain	-	48.26%	48.26%	TELECOMMUNICATIONS	16	20	(2)
Konecta Centro Especial de Empleo Madrid, S.L.	Spain	-	48.26%	48.26%	TELEMARKETING	-	-	-
Konecta Centro Especial de Empleo, S.A.	Spain	-	48.26%	48.26%	TELEMARKETING	7	5	2
Konecta Chile, S.A.	Chile	-	35.71%	35.71%	SERVICES	3	1	2
Konecta Colombia, Ltda.	Colombia	-	48.26%	48.26%	TELEMARKETING	-	-	-
Konecta Field Marketing, S.A.U.	Spain	-	48.26%	48.26%	MARKETING	-	-	-
Konecta Portugal, Lda.	Portugal	-	48.26%	48.26%	MARKETING	-	-	-
Konecta Servicios Administrativos y Tecnológicos, S.L.	Spain	-	48.26%	48.26%	SERVICES	1	-	-
Konecta Servicios Auxiliares, S.L.	Spain	-	48.26%	48.26%	SERVICES	1	-	-
Konecta Servicios de Empleo ETT, S.A.	Spain	-	38.61%	38.61%	TEMPORARY EMPLOYMENT AGENCY	1	-	1
Konecta Servicios Integrales de Consultoría, S.L.	Spain	-	36.67%	36.67%	ADVERTISING	-	-	-
Konecta Servicios Integrales de Marketing, S.L.	Spain	-	48.26%	48.26%	SERVICES	-	-	-
Konectanet Andalucía, S.L.	Spain	-	48.26%	48.26%	SERVICES	-	-	-
Konectanet Canarias, S.A.	Spain	-	48.26%	48.26%	MARKETING	12	9	4
Konectanet Comercialización, S.L.	Spain	-	48.23%	48.23%	MARKETING	1	-	1
Kontacta Comunicaciones, S.A.	Spain	-	36.19%	36.19%	SERVICES	1	1	1
Kontacta Top Ten, S.L.	Spain	-	36.18%	36.18%	SERVICES	-	-	-
Omega Financial Services GmbH	Germany	-	50.00%	50.00%	SERVICES	1	-	1
Puntoform, S.L.	Spain	-	48.23%	48.23%	TRAINING	-	-	-
Reintegra Contact Center, S.L.U.	Spain	-	45.00%	45.00%	SERVICES	-	-	-
Reintegra, S.A.	Spain	-	45.00%	45.00%	COLLECTION AND PAYMENT SERVICES	5	4	1
Santander Mediación Operador de Banca-Seguros Vinculado, S.A.	Spain	6.00%	5.58%	11.58%	ADVISORY SERVICES	1	1	1
Transolver Finance E.F.C., S.A.	Spain	50.00%	-	50.00%	LEASE	184	30	(1)

(a) Data obtained from the financial statements of each associate and/or jointly controlled entity for the year ended 31 December 2008. These financial statements have not been approved by the respective control bodies. However, the Company's directors consider that they will be ratified without any changes.

(b) Pursuant to Article 3 of Royal Decree 1815/1991, of 20 December, approving the rules for the preparation of consolidated financial statements, in order to determine voting rights, the voting rights relating to subsidiaries or to other parties acting in their own name but on behalf of Group companies were added to the voting rights directly held by the Parent. Accordingly, the number of votes corresponding to the Parent in relation to companies in which it has an indirect interest is the number corresponding to the subsidiary holding a direct ownership interest in such companies.

Appendix III

Notifications of the Acquisition of Investees at 31 December 2008

(Art. 86 of the Consolidated Companies Law).

Investee	Line of Business	Percentage of Net Ownership Interest: Acquired in the Year	Percentage of Net Ownership Interest: At Year-End	Date of Notification to Investee
Acquisitions in 2008:				
Santander Consumer France, S.A.	Financial institution	30%	100%	29/12/08

Appendix IV

List of agents to whom Bank of Spain Circular 6/2002 is applicable

Name	Location	Postal Code	Employer/ National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Alvarez y Garrues, S.L.	Av. A Coruña, 439 - Lugo	27003	B27274216	01/12/03	-	Lugo and its province	Mortgage loans, consumer loans, finance leases
Asesoramiento Financiero Toledano Cortés, S.L.	Agustín Rodríguez Sahaún, 30 Local 3 - Ávila	5003	B05182563	01/12/03	-	Province of Ávila	Mortgage loans, consumer loans, finance leases
Asesoramiento Financiero Zafra, S.L.	Andrés Pro, 18 - Zafra	6300	B06433973	03/01/05	-	Badajoz	Mortgage loans, consumer loans, finance leases
Asesoramiento Integral Financiero, S.L.	Montesinos, 44 - Aranjuez (Madrid)	28300	B82672569	01/10/03	-	Aranjuez, Ciempozuelos, Valdemoro, Pinto, Chinchón, Ocaña, Noblejas, Villarejo de Salvanes, San Martín de Salvanes, San Martín de Valdeiglesias, Seseña, Ontigola, Titulcia	Mortgage loans, consumer loans, finance leases
Asesoria Financiera J. Asenjo, S.L.	Plaza de Comillas, 2 Local 7 Navalmoral de la Mata	10300	B103022279	03/01/05	-	Villanueva de la Vera, Trujillo y Miajadas, Jaraiz de la Vera, Navalmoral de la Mata	Mortgage loans, consumer loans, finance leases
Axarquia Financiaciones, S.L.	Angustias 24- Torre del Mar	29740	B92368828	01/01/03	-	Alcaucin, Alfarnate, Algarrobo, Almachar, Archez, Arenas, Benamargosa, El Boger, Canillas de Aceituno, Canillas de Albaida, Comares, Competa, Macharaviaya, Moclinejo, Frigiliana, Nerja, Periana, Riogordo, Salares, Sayalonga, Torre del Mar, Torrox, Velez Málaga, Viñuela.	Loans and credits, finance leases
Canovaca Agentes Financieros S.L.	Ancha, 2 - Palma del Río	14700	B14539290	01/04/00	-	Almodovar del Rio, Fuente Palmera, Palma del Rio, Posadas, Lora del Rio, Peñaflor, Carmona, La Campana, La Puebla de los Infantes, Mairena del Alcor, El Viso del Alcor	Loans and credits, finance leases
Carrasco Agentes, S.L.	Avenida, 41 - Linares	23700	B23478704	02/01/04	-	Jaén	Mortgage loans, consumer loans, finance lease
Consultoría Financiera de la Mancha, S.L.	Ramiro Ledesma - Socuellanos	13630	B13354303	15/12/03	-	Socuellamos, Tomelloso, Argamasilla de Alba, Pedro Muñoz, Campo de Criptana, Alcázar de San Juan, Las Pedroñeras, Monta del Cuervo, Villanueva de los Infantes	Mortgage loans, consumer loans, finance leases
Ecijana de Seguros y Finanzas, S.L.	Carreras 45 - Ecija	41400	B41953068	01/01/03	-	La Carlota, Ecija, Fuentes de Andalucia, La Luisiana, Cañada Rosal	Loans and credits, finance leases
Eroski S. Coop	Barrio San Agustín, s/n - Elorrio (Vizcaya)	48230	F20033361	01/12/03	31/05/08	Vizcaya	Mortgage loans, consumer loans, finance leases
Financerland S.L.	De la Concepción - 15 - Oteniente	46870	B97405427	01/01/04	-	Onteniente	Mortgage loans, consumer loans, finance leases

Name	Location	Postal Code	Employer/ National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Finangi. Cat, S.L.	Avda. de la Rápita, 33 1º Amposta (Tarragona)	43870	B43571660	01/06/99	-	Tarragona	Loans and credits, finance leases
Fromin Consultores, S.L.U.	Badia Polesina - 6 - Estepa	41560	B41969767	01/06/04	-	Aguadulce, Badolatosa, Casariche, Los Corrales, Estepa, Gilena, Herrera, La Lentejuela, Lora de Estepa, Marinaleda, Martin de la Jara, Osuna, Pedrea, La Roda de Andalucía, El Rubio, El Saucejo.	Mortgage loans, consumer loans, finance leases
Gestión de Servicios Financieros, Artimar, S.L.	Avda. de Canarias 344- Sta. Lucia de Tirajana	35110	B35496777	01/01/98	-	Santa Lucia de Tirajana, San Bartolomé de Tirajana	Loans and credits, finance leases
Gestión Financiera Villalva	General Luque Arenas, 16 Cadiz	11600	B11517620	01/08/01	-	Ubrique, Alcalá del Valle, Algodonales, Arcos de la Frontera, Benaocaz, Bornos, El Bosque, El Gastor, Espera, Grazalema, Olivera, Prado del Rey, Setenil, Torre Alhaquine, Villanueva del Rosario, Villa Martín, Puerto Serrano	Loans and credits, finance leases
Gestiones Financieras La Marina, S.L.	Oculista Buiges, 8-2-8 - Denia	3700	B53832291	01/01/04	-	Denia	Mortgage loans, consumer loans, finance leases
GEYBA Servicios Financieros, S.L.	Antonio Machado - 10 - La Algaba	41980	B91385377	01/09/04	-	Arevalillo de Cega, Alacala del Rio, Alcolea del Rio, La Algaba, Almaden de la Plata, Brenes, Burguillos, Cantillana, Castilblanco de los Arroyos, El Castillo de las Guardas, Cazalla de la Sierra, Constantina, El Garrobo, Gerena, El Madroño, Las Navas de la Concepción, El Pedroso, La Roda de Andalucía, La Rinconada	Mortgage loans, consumer loans, finance leases
Indastec Asociados, S.L.	Madrid, 20 - Ibiza	7800	B57150310	01/01/04	-	Eivissa, Sant Antoni de Portmany, Santa Eulalia del Rio San Jose Formentera	Mortgage loans, consumer loans, finance leases
Intermediación y Servicios Junval, S.L.	Bebricio 54, Calahorra	26500	B26319178	01/12/03	-	Calahorra	Mortgage loans, consumer loans, finance leases
Inversiones y Servicios La Matallana, S.L.	De Andalucia, 11 - Puente Genil	14500	B14499909	02/01/04	19/12/08	Aguilar, Castro del Río, Espejo, Fernan Nuñez, Montalbal de Córdoba, Montemayor, Montilla, Monturque, Moriles, Palenciana, Puente Genil, La Rambla and Santaella	Mortgage loans, consumer loans, finance leases
Juan Jimenez Gestión Financiera, S.L.	Avda Menéndez Pelayo, 12 - Seville	41004	B91167973	01/02/02	-	Bormujos, Coria del Río, Gelves, Gines, Pilas, Sanlucar la Mayor, Umbrete, Villamanrique de la Condesa, Villanueva del Ariscal.	Loans and credits, finance leases
KonectaNet, S.A.	Avda. de Valdeparra, 27 Edificio Alcor, 2ª Planta - Alcobendas (Madrid)	28108	A81915100	01/06/00	-	Álava, Albacete, Alicante, Almería, Ávila, Badajoz, Balearic Islands, Barcelona, Burgos, Cáceres, Cádiz, Castellón, Ciudad Real, Córdoba, A Coruña, Cuenca, Girona, Granada	Loans and credits, finance leases, collection management
L'Eliana Finance, S.L.	Cortes Valencianes 35 - L'Eliana	46183	B9739462	01/10/05	-	Riba - Roja de Turia, Lliria, Betera, Buñol, Requena, Utiel, L'Eliana, La Pobla de Vallbona	Mortgage loans, consumer loans, finance leases

Name	Location	Postal Code	Employer/ National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Martin & Castilla Servicios Financieros, S.L.	Fray Diego de Cádiz - 163 - Morón de la Frontera	41530	B91369231	01/06/04	-	Algamitas, Arahal, Caripe, El Coronil, Marchena, Montellano, Morón de la Frontera, Paradas, Pruna, La Puebla de Cazalla, Villanueva de San Juan	Mortgage loans, consumer loans, finance leases
Martínez Valdivieso Serafín	Murcia S7N - Baza	18800	B18706713	01/02/05	31/01/10	Granada	Mortgage loans, consumer loans, finance leases
Medifirent, S.L.	Vitoria, 2 - Miranda de Ebro	9200	B09410572	01/03/04	-	Miranda de Ebro	Mortgage loans, consumer loans, finance leases
Opportunity Center S.L.	De la Industria 49 - Alcobendas	28108	B84291236	27/04/05	31/05/08	Andalucía, Aragón, Asturias, Balearic Islands, Canary Islands, Cantabria, Castilla-Leon	Mortgage loans, consumer loans, finance leases
Ramsa Servicios Financieros y Empresariales, S.L.	Blas Infante, 7 - Lepe	21440	B21347190	02/01/04	-	Punta Umbría, Cartaya, Lepe, Isla Cristina and Ayamonte	Mortgage loans, consumer loans, finance leases
Sedace, S.L.	Concordia 2 - Vera	04620	B04395117	01/02/05	-	Vera	Mortgage loans, consumer loans
Servicios Específicos de Financiación, S.L.	Lealtad, 12 - Santander	39002	B83957126	05/04/04	-	Cantabria	Mortgage loans, consumer loans, finance leases
Servicios Financieros Quintanar, S.L.	General López Brea, 5- Quintanar de la Orden (Toledo)	45800	B45545167	01/12/03	-	Quintanar de la Orden, Madridejos	Mortgage loans, consumer loans, finance leases
Servital Asesores S.L.	Nuestro Padre Jesús 3- La Palma del Condado	14500	B2161177	02/11/05	-	Almonte, Bollullos Par del Condado, Bonares, Chucena, Escacena del Campo, Hinojos, Lucena del Puerto, Manzanilla, Niebla, La Palma del Condado, Paterna del Campo, Rociana del Condado, Villalba del Alcor, Villarrasa	Mortgage loans, consumer loans, finance leases
Soluciones Financieras del Este S.L.	Crisol 3 - Rivas VaciaMadrid	28529	B84418904	02/11/05	-	Arganda del Rey, Rivas - Vaciamadrid	Mortgage loans, consumer loans, finance leases
Servicios Financieros Sorianos, S.L.	Plaza del Salvador, 1 - Soria	42600	B42180927	02/01/06	-	Soria	Mortgage loans, consumer loans, finance leases
Sánchez Ramade Santander Financiera, S.L.	Plaza de Colón, 10 - Córdoba	14001	B14754097	27/02/06	31/05/08	Córdoba	Mortgage loans, consumer loans, finance leases
Financiaceuta, S.L.U.	General Aranda, 3 - Ceuta	51001	B51017101	01/07/06	-	Ceuta	Mortgage loans, consumer loans, finance leases
Suzuki Servicios Financieros, S.L.	Carlos Sainz, 35 - Leganés	28914	B84799881	01/08/06	31/05/08	Leganés	Automotive financing, leasing and full-service leasing

Name	Location	Postal Code	Employer/ National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Antonio García Fernández Servicios Financieros, S.L.	Avda. Argentina, 1 - Pozoblanco	14400	B14771554	01/10/06	-	Alcaracejos, Añora, Belalcazar, Belmez, Los Blázquez, Cardenas, Conquista, Dos Torres, Espiel, Fuente La Mancha, Fuenteovejuna, Elguido, Hinojosa del Duque, Pedroche, Peñarroya-Pueblonuevo, Pozoblanco, Santa Eufemia, Torrecampo, Valsequillo, Villamaría, Villanueva de Córdoba, Villanueva del Duque y Villanueva del Rey, Villarralto, Villa Viciosa de Córdoba and El Viso.	Mortgage loans, consumer loans, finance leases
García y Trinidad Asesoramiento y Financiación, S.L.	Rosario, 9 - Albox	4800	B04577383	01/10/06	-	Albox, Alcontar, Almanzorra, Armuña de Almanzorra, Bacares, Bayarque, Benitagla, Bezalon, Cantoria, Cobrar, Fines, Laroya, Lijar, Lubrin, Lucar, Macael, Olula del Rio, Partaloa, Purchena, Seron, Sierro, Somontin, Tahall, Tijola, Uleila del Campo, Urracal and Zurgena.	Mortgage loans, consumer loans, finance leases
Gestio de Financament I Inversions de Ponent	Av. De la Pau, 49 - Mollerusa	25230	B25539123	01/10/06	-	Comarcas del Pla D´urgel, la Noguera, L´urgell and La Segarra.	Mortgage loans, consumer loans, finance leases
Donat Finance Service, S.L.	Plaza de Velázquez, 11 - Melilla	52004	B52015435	01/02/07	01/02/12	Melilla	Mortgage loans, consumer loans, finance leases
Estudios y Análisis de Riesgos, S.L.	Avd. del Mediterráneo, sn - Cuenca	16004	B16156598	30/06/07	02/11/08	Cuenca	Mortgage loans, consumer loans, finance leases
Noguer Bau, S.L. (*)	Sant Fidel, - 5 - Vic	8500	B64018179	30/06/07	31/08/07	Aiguafreda, Alpens, El Brull, Calldetenes, Centelles, Collsuspina, Espinelves, Folgueroles, Gurb, Els Hostalets De Balenya, Lluça, Perafita, Prats De Lluçanes, Roda De Ter, Rupit-Pruit, Santa Cecilia De Voltrega, Santa Eugenia De Berga Santa Eulalia De Riuprimer, Sant Agusti Del Lluçanes, Santa Maria De Corco L'asquirol, Sant Bartomeu Del Grau, Sant Boi De Lluçanes, Sant Hipolit De Voltrega	Mortgage loans, consumer loans, finance leases
Finanduero 2007, S.L.U.	Plaza Arco Isilla, 5 Aranda de Duero	09018	B09480013	02/11/07	02/11/12	Aranda de Duero, Lerma, Huerta del Rey, Salas de los Infantes and Roa.	Mortgage loans, consumer loans, insurance and automotive financing, leasing and full-service leasing
Jordi Masso Riera	Bruc 52 Bajos - Igualada	08700	35036266K	01/03/08	28/02/13	Argençola, Bellprat, Bruc, Cabrera d'Igualada, Calaf, Calonge de Segarra, Capellades, Carme, Castellfollit de Riubregós, Castellolí, Capons, Hostalets de Pierola, Igualada, Jorba, Llanuca, Masquefa, Montmaneu, Òdena, Orpí, Piera, Pobla de Claramunt, Prats de Rei, Pujalt, Rubió, Sant Martí de Tous, Sant Martí Sesgueioles, Sant Pere Sallavinera, Santa Margarida de Montbui, Santa María de Miralles, Torre de Claramunt, Vallbona d'Anoia, Veciana, Vilanova del Camí, Castellví de Rosanes, Collbató, Esparreguera, Martorell and Olesa de Montserrat.	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing

Name	Location	Postal Code	Employer/ National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Eduardo Muñoz Suárez	Constitución 3 - 1 - Andújar	23740	75006402K	01/04/08	01/06/08	Andujar, Arjona, Arjonilla, Espeluy, Higuera de Arjona, Lopera, Marmolejo, Villardompardo, Cazalilla, Villanueva de la Reina, Aldeaquemada, Bailén, Baños de la Encina, Carboneros, La Carolina, Santa Elena and Villa del Río.	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Asedime Servicios Financieros, S.L.	Doctor Dorronsoro 2 - Valverde del Camino	21600	B21380746	01/04/08	31/03/13	Alajar, Almonaster la Real, Aracena, Aroche, Arroyo Molinos de León, Beas, Berrocal, Cala, Calañas, El Campillo, Campofrío, Cañaveral de León, Castaño de Robledo, Corteconcepción, Cortegana, Cortelazor, Cumbre de En Medio, Cumbres de San Bartolomé, Cumbres Mayores, Encinasola, Fuenteheridos, Galaroza, La Granada de Ríotinto, La Nava, Nerva, Puerto del Moral, Rosal de la Frontera, Santa Ana la Real, Santa Olalla del Cala, Trigueros, Valdelarco, Valverde del Camino, Zalamea la Real and Zufre.	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Ilinium Mediación, S.L.	Alejandro Tomás 4-B - Hellín	02400	B02466993	02/05/08	01/05/13	Hellín and Jumilla	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Aragüez Inversiones, S.L.	Francia 2, portal 5, 2º 1 - Pozuelo de Alarcón	28224	B85386613	05/05/08	04/05/13	Móstoles, Navalcarnero, Sevilla la Nueva, Aldea del Fresno, Villa del Pardo, Brunete, Villanueva de la Cañada and San Martín de Valdeiglesias	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Centro Asesor de Teruel Financiera, S.L.	Carretera de Alcañiz 3 - Bajo - Teruel	44003	B44224947	02/06/08	01/06/13	Teruel and its province	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Centro Financiero de Benidorm, S.L.	Constitución 113 - 14 - Valencia	46009	B98050305	10/06/08	09/06/13	Alfaz del Pi, Altea, Beniarres, Benidorm, Callosa d'en Sarria, Finestrat, Guadalest, La Nucia, Polop and Villajoyosa	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Emusua Andujar, S.L.	Doce de Agosto 4 - Andujar	23740	B161156598	01/06/08	31/03/13	Andujar, Arjona, Arjonilla, Espeluy, Higuera de Arjona, Lopera, Marmolejo, Villardompardo, Cazalilla, Villanueva de la Reina, Aldeaquemada, Bailén, Baños de la Encina, Carboneros, La Carolina, Santa Elena and Villa del Río.	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Santex Financial Services, S.L.	Sancho el Sabio 29 - Vitoria	01008	B01445923	02/07/08	01/07/13	Vitoria and its province	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing

Name	Location	Postal Code	Employer/ National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Álvarez y Garrúes Dos, S.L.	Mondoñedo 26 - Lugo	27004	B21380746	01/08/08	31/07/13	Pontevedra, Villagarcía de Arosa, O Grove, Sanxenxo, Cambados, Lalín, La Estrada, Silleda and Caldas de Rey	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Insema Inversiones, S.L.	Andalucía 11 - 1- Puente Genil	14500	B14499909	19/12/08	-	Aguilar, Castro del Río, Espejo, Fernan Nuñez, Montalbal de Córdoba, Montemayor, Montilla, Monturque, Moriles, Palenciana, Puente Genil, La Rambla and Santaella	Mortgage loans, consumer loans, finance leases
Eroski, S. Coop.	Barrio San Agustín, s/n - Elorrio (Vizcaya)	48230	F-20033361	01/12/03	31/05/08	Vitoria	The agent is responsible for negotiating and/or formally executing transactions with customers interested in the acquisition of the products and/or services offered by the Company. In no case may the agency agreement encompass the formalisation of guarantees and other off-balance-sheet risks. The agent shall not enter into any other agreement with any other financial institution for the marketing of products and services which compete with those marketed by the Company.

(*) Contract tacitly renewable for successive periods of one year.

Translation of a report originally issued in Spain. In the event of a discrepancy, the Spanish-language versión prevails.

Santander Consumer Finance, S.A. and Companies that make up the Santander Consumer Finance Group (Consolidated)

Consolidated Directors' Report for the year ended 31 December 2008

GENERAL BACKGROUND

The Bank carried on its business activities within a scenario in which the world economy went into recession at the tail-end of 2008 following a prolonged period of intense across-the-board growth. Global GDP grew by 3.5% in 2008 (as compared with 5.2% in 2007).

The main cause of the recession is the lengthy financial crisis, in turn due to huge worldwide liquidity in recent years produced by real interest rates that had remained low for far too long, shortcomings in financial supervision and regulation due to excess confidence in the market's self-regulating capacity, and less motivation for proper risk analysis.

The consequences of an abundance of liquidity were: a sharp increase in credit, an excessive reduction in risk premiums, and overvaluation of the price of real assets.

The US economy posted a substantial decrease in GDP over the last six months of 2008, and in terms of the whole year was up 1.3% (compared with 2.1% in 2007), since the three elements that drive demand (consumption, exports and construction) and which had supported growth until the summer finally dwindled, and intensification of the financial crisis had serious repercussions on credit facilities.

There can be no doubt that a downturn in personal consumption is set to be the main feature of this recession.

Higher prices for raw materials until the summer, a deep and prolonged financial crisis, and less proactive monetary and tax policies than in other areas are edging the Euro-zone economy towards recession. Growth in GDP fell from 2.6% in 2007 to 0.9% in 2008, and last year the euro also fell sharply against the US dollar.

The financial crisis entails a further element of risk, fostering aggressive cuts in interest rates, currently standing at around 2%, in order to facilitate bank loans.

Spain recorded overall growth of 1.3% in 2008 (versus 3.8% in 2007), and went into recession due to growth-accumulated disparities and the effects of the worldwide financial crisis.

Increases in the prices of raw materials took inflation to over 5%, and the hike on interbank interest rates, the mortgage benchmark, reached 5.4% between June and October 2008, placing a substantial financial burden on Spanish households. Household confidence has been considerably impaired due to a rapid rise in unemployment, savings are on the increase, and consumption growth has been cut back. These factors have all exercised a sharp adverse effect on the property market.

BUSINESS PERFORMANCE

The key aspects of the year were as follows:

The Group performed well in 2008 at a particularly complex business juncture. Profit attributed to the Group was EUR 378 million, with a sound income/expenditure performance cut back by the larger allocations stemming from a weaker economic picture.

In terms of geographic areas, Germany was the main contributor to profits with 65.8%, followed by Scandinavia (13.3%), Spain and Portugal (13.6%), Italy (6.3%), and other areas (4.0%).

New loans in 2008 stood at over EUR 24,000 million, steady year-on-year, while the managed assets portfolio was EUR 51,825 million (+14.7%), partly due to the assets acquired from Royal Bank of Scotland (growth equivalent to 5 p.p.).

Almost two-thirds of the entire managed portfolio were accounted for by vehicle financing, mostly new car registrations (34%, as compared with 28% for used cars), and 22% by indirect consumption, with cards and direct loans as the most profitable products.

There are five key factors to explain the trend over the year:

- A smaller European consumer market, particularly in the car sector, which reported an 8% decrease in registrations. A fall in consumption was reported in all countries, most particularly in Spain (-28%).

  Within this context, the sector only just managed to hold its vehicle financing position in Europe (-3%), mainly because it was able to offset the downturn in Spain with a strong German market and impressive growth in Italy and Nordic countries.

- In other segments growth was extremely selective, with the emphasis on better prices and an increase in high-return products such as direct loans.

- As a result, diversification of European business has offset the weak macroeconomic situation in certain markets by using the greater strength of others and their ability to generate synergies.

- Addition of the new platforms and adjustment of other units to the new lower-growth scenario.

- Some mention must also be made of the new units acquired in Germany and the Netherlands during the latter stage of the year which, although their contribution to profits was small, are set to generate synergies and additional profits in future quarters.

With regard to the other new units, which will require substantial investment in the years to come, some of these were sold to other entities inside and outside the Group. The impact of these divisions and the cost of recent purchases now in the initial stages of development deducted some 26 p.p. from the growth of group-attributable profits.

GROUP EARNINGS

The Santander Consumer Finance Group's consolidated net profit was EUR 377 million in 2008, as compared with EUR 511 million the previous year, a decrease of 26.2%.

The Group's income statement shows gross income up by 15.9% due to the larger volumes administered and the emphasis on price management in view of higher interest rates, and in particular to fees and commissions (+37.19%) as a result of greater penetration and better product-marketing conditions.

Costs rose by 14.9% following the addition of the new units and the impact of the platforms introduced at the end of 2007 – excluding this burden, costs would have increased by 6.1%. The sound combination of the income/cost trend put the efficiency ratio at 34.3%.

Income and costs partially offset the larger portion of net allocations for loans, mainly due to the economic slowdown and the fall in credit rating in Spain.

Excluding this unit, net allocations for loans in the remaining area increased steadily with business, securing twin-figure growth in net operating income with no provisions. Amid this scenario, write-down activity gives Santander Consumer Finance a non-performing loans ratio of 4.6% and a hedge ratio of 86.1%.

Lastly, following the year-end Santander Consumer Finance completed its purchase of various General Electric units in Finland and Austria.

Incorporation of the units purchased in 2008 and 2009 will improve Santander Consumer's competitive edge in key countries such as Germany, increase its market share in a low-growth scenario, and secure additional cost synergies. It is also set to improve its spreads through price increases and the lower cost of retail financing, and this will help counteract the higher cost of provisions caused by economies in recession.

BALANCE SHEET

Total funds managed by the Santander Consumer Finance Group were EUR 56,946 million in 2008, compared with EUR 49,070 million the previous year, an increase of 16.0%.

91.0% of assets relate to loans and receivables.

Loans and advances to customers totalled EUR 48,426 million, up 13.1% on the previous year. From a geographical standpoint, 83.9% of the loan portfolio was concentrated in Germany, Spain and Italy, with 46.7%, 24.9% and 12.3% respectively.

Doubtful assets rose to EUR 2,290 million at 2008 year-end, compared with EUR 1,357 million at 31 December 2007, due to an increase in lending and in past-due amounts.

The non-performing loans ratio, viz., the ratio of doubtful assets to gross loans and receivables, was 4.6% in 2008, compared with 3.1% the previous year.
The Santander Consumer Finance Group's shareholders' equity, including profit for the year, was EUR 3,673 million at 31 December 2008.

RISK MANAGEMENT

Since the Group forms part of the Santander Group, its risk management is based on the following principles:

- Independence of the risk function with regard to business activity. The Risk Area Manager at Santander Consumer Finance, as Deputy General Manager of the Santander Group, reports directly to the General Manager of the Group's Risks Division, who in turn reports to Mr Matías Rodríguez Inciarte who, as 3rd Vice Chairman, and Chairman of the Risk Standing Committee, reports directly to the Executive Committee and the Board of Directors.

- Business support, working towards commercial goals by maintaining risk quality levels, without prejudice to the abovementioned principle. Thus the Group's organisational structure that implements risk policy operates as a complement to commercial policy to ensure cooperation between business managers and risk managers.

- Senior management decisions that cater for contrasting opinions in a bid to prevent the allocation of decision-making capacities on an exclusively individual basis.

- A deep-rooted tradition of tools for internal rating and scoring, economic capital etc.

- A blanket approach through comprehensive processing of all risk factors across the board in terms of business units and locations, and use of the concept of economic capital as a uniform measure of risks assumed and a basis to gauge management performance.

- The will to maintain a medium-low risk profile, enhancing its low volatility and predictability using the following procedures:

  - Seeking a high level of risk diversification, with restrictions placed on customers, groups, sectors, products or geographical areas;
  - Maintaining a low level of complexity in market activities;
  - Ongoing risk monitoring to predict portfolio impairments in good time.

As part of the Santander Group, risk management and control at Santander Consumer Finance is structured into the following stages:

- Set-up of risk management policies and frameworks reflecting the Santander risk management doctrine.

  The Santander Group has a series of risk policies and procedures which make up the regulatory framework, implemented by means of circulars, frameworks (previously known as Risk Management Policy Manuals), and operating standards, which regulate risk activities and processes.

  Within this regulatory framework, and with the approval of Senior Risk Management, the Corporate Risk Management Framework regulates the principles and standards for general operation of risk activities by the Santander Group, based on an organisational model and a management model.

  The organisational model includes the management scope, risk function and governance, as well as the regulatory framework, while the management model contains the essential mainstays in relation to risk management, the channels for planning and setting goals, the process of drawing up risk thresholds and budgets, control of banking activities, the risk information framework for Senior Management, and the technology model for risk management.

  One of the key features of the Corporate Risk Management Framework is that it ushers in regulation of the functions carried out by General Risk Management, through a number of more specific corporate frameworks.

- Identification of risks by ongoing monitoring and review of exposures, appraisal of new products and business lines, and specific analysis of individual transactions;

- Measurement of risks, using widely contrasted methodologies and models;

- Drawing up the Group’s risk appetite by setting global and specific thresholds for the various types of risks, products, customers, groups, sectors and geographical areas;

- Drawing up and distributing a complex set of reports reviewed on a daily basis by Santander management at all levels;

- Implementation of a risk control system for day to day verification, that the Santander Group's risk profile matches the risk polices approved and the risk thresholds put in place.

- Internal rating and scoring models that appraise qualitative and quantitative aspects by customers and by transactions to firstly provide an estimate of default likelihood and subsequently the expected loss, in accordance with estimates of LGD (loss-given default).

- Economic capital as a uniform measurement of the risk assumed and a basis to gauge management performance.

- Analysis of scenarios and stress testing to back up market and credit risk analyses in order to appraise the impacts of alternative scenarios, including provision and capital.

The Group's risk policy is geared at maintaining a profile of medium-to-low predictable credit and market risk. The main types of Group risk are shown below: Credit Risk, Market Risk and Operational Risk.

Credit risk-

Introduction to the treatment of credit risk

Credit risk stems from the possibility of loss from total or partial failure of our customers or counterparties to meet their financial obligations with the Group.

Organisation of the Group's risk function focuses on customer type, to distinguish individualised customers from standardised customers throughout the risk management process:

- Individualised customers are customers that have been allocated a Risk Analyst, in view of the risk assumed. This category includes Wholesale Banking and a certain amount of Retail Banking. Risk is managed by expert analysis together with tools to assist the decision-making process that are based on internal risk appraisal models.

- Standardised risks consist of customers that have not been expressly allocated a Risk Analyst, and here risk generally concerns private individuals, individual entrepreneurs and non-individualised Retail Banking companies. Risk management is based on internal models for appraisal and automatic decision-taking, and also, in a subsidiary manner, when the model proves inadequate or is not sufficiently accurate, on teams of analysts specialising in this kind of risk type.

Main figures and trend

The Group's credit risk profile covers a large geographic spread, where the main feature is Retail Banking.

a) Global Credit Risk Map 2008

The table below shows a map of the global credit risk, in nominal amounts, to which the Group was exposed at 31 December 2008:

GRUPO SCF - EXPOSICIÓN BRUTA AL RIESGO DE CRÉDITO			
	2008 (Millones de Euros)	Variación sobre Diciembre 2007	% Cartera
España y Portugal	13.675	(3,76%)	27,48%
Italia	6.104	5,94%	12,27%
Alemania	23.240	34,67%	46,71%
Escandinavia	3.499	(0,17%)	7,03%
Resto	3.241	12,02%	6,51%
Grupo SCF	**49.759**	**14,06%**	**100,00%**

The year was marked by a slump in investment growth due to less demand for credit. Nominal credit risk exposure showed annual growth of 14.06%, including purchase of the RBS portfolios in Germany and the Netherlands for EUR 2,332 million (EUR 1,655 million in Germany and EUR 677 million in the Netherlands), and GE Money in Germany for EUR 2,128 million.

Business in Germany and Spain accounted for 72% of nominal credit risk exposure, similar to the previous year. The other major European units were Italy and Scandinavia, which accounted for 19% of risk exposure.

b) Trend of figures in 2008

The trend of asset non-payments and credit costs reflect firstly a general worsening in the economic scenario that has affected the financial system as a whole, but also prudent risk management that has enabled the Group to maintain its figures at acceptable levels and hedge against its risk exposures.

The Group's non-performing loans ratio stood at 4.60% in December 2008, up 149 basis points (BPS) on the year. Hedging against defaults on payment with provisions was 86.13%, compared with 96.22% at 2007 year-end.

c) Distribution of loans and receivables

The Group is geographically diversified, operating in 21 countries and focusing on our core markets. Santander Consumer Finance's profile is primarily retail (94.8% in consumer loans, and 5.2% in stock financing for concessionaries).

Measures and measurement tools

The Group uses internal scoring and rating systems to measure the credit rating of a customer or a transaction. Each of the ratings assigned by models matches a probability of default, which is determined by the Group's previous experience.

Since Group business focuses mainly on retail, assessments are primarily based on scoring models or tables which, in conjunction with other credit policy regulations, issue an automatic decision on the applications received. These tools have the dual advantage of allocating an objective appraisal of the level of risk, and speeding up the response time that would be required by a purely manual analysis.

In addition to scoring models for approval of risk, tools are also available to evaluate existing accounts or customers, and these are used during the stage of recovery or collection of non-payments. This method is used as a bid to cover the entire "credit cycle" (approval, monitoring and recovery) by means of statistical decision-making models based on the Group’s internal information.

For the Group’s Individualised Institutions and Corporate segments, mainly the indirect segment, evaluation of credit risk is based on expert rating models that combine the most relevant aspects to be taken into account for the purposes of assessment as variables, in such a way that the assignation process generates appraisals that are consistent, comparable among customers, and provide a summary of all major data.

The ratings assigned to customers are reviewed periodically, adding in any new financial information available together with past experience of the banking relationship. The reviews are carried out more frequently for customers reaching certain levels in the automatic warning systems, and for customers deemed to require special monitoring. The rating tools are themselves reviewed to adjust the accuracy of the ratings they generate.

In a more residual fashion, certain exposures are subject to inspection by global rating tools for the Global Retail Banking segment, and here the rating is determined and monitored by centralised management at the Santander Group's Risks Division. These tools assign a rating to each customer as the result of a quantitative or qualitative model, based on balance sheet ratios or macroeconomic variables, coupled with the analyst’s expert opinion.

The Group’s portfolio of individualised companies is hardly representative of the total risks managed, which are mostly vehicle concessionary stock financing (5% of the total portfolio).

Observed loss: measurements of the cost of credit risk

As part of the Santander Group, the Group uses a number of approaches to measure the cost of credit risk: change in net entries (final doubtful loans – initial doubtful loans + write-offs – recovered write-offs), net loan-loss provisions (gross specific provisions – recovered write-offs); and net write-offs (write-offs – recovered write-offs).

We can see that the general trend in recent years has been for the Group to keep its credit costs down. The cost of credit rose in 2008 due to serious deterioration of the economic fabric and to growth in a number of retail portfolios which, with greater than expected loss, show both higher direct returns (net interest margin less the cost of provisions) and indirect returns (induced business), and also prove much more attractive in view of the greater predictability of this type of risk.

Risk credit cycle

The risk cycle comprises three stages: pre-sale, sale and post-sale:

- Pre-sale: this includes processes in connection with planning, target setting, determining the Santander Group's risk appetite, approval of new products, study of risk and the credit rating process and the establishment of limits.
- Sale: this includes the decision-making stage for transactions subject to pre-classification, and also occasional operations.
- Post-sale: this contains processes relating to monitoring, measurement and control and recovery management.

a) Planning and establishing limits

Establishing risk limits is regarded as a dynamic process that identifies the Group’s risk appetite by discussion of business proposals and risk opinion.

Limits are based on two primary structures: customers/segments and products.

For individualised portfolios the basic level is the customer, and when certain characteristics have been fulfilled such as the relative importance of the customer, for example, an individual limit is established (pre-classification).

For large corporate groups, this method uses a pre-classification model based on a system for measuring and monitoring economic capital. For the company segment, a simplified pre-classification model is used for customers that satisfy a number of requirements (well-known customer, rating etc.).

b) Risk study and the credit rating process

The risk study is one of the basic tools used to assess credit risk, and hence the Group’s authorisation for operations with customers. The study consists in analysing the counterparty's ability to meet his contractual obligations with the Group. This entails analysis of the customer's credit quality, his risk operations, his solvency, and the economic return to be secured in accordance with the risk assumed.

The risk study is performed for each new customer/operation, or with a pre-set frequency, depending on the segment involved. The study is also carried out and the rating reviewed on the emergence of a warning or an event affecting the counterparty or the operation.

c) Decision-making for operations

The aims of the decision-making process for operations are analysis and resolution of these operations, considering risk appetite and any other aspects of the operation that may be relevant in a bid to secure a balance between risk and economic return.

d) Monitoring and control

For proper control of credit rating, and the work carried out by the Internal Audit Division, General Risk Management and local and global teams, a specific function with its own resources and specific supervisors has been created to monitor risk.

The monitoring function is based on a continuous process of ongoing observation for early detection of any incidents that may emerge within the trends of risk, operations, customers and related aspects, to enable action to be taken to mitigate this risk. The monitoring function is specialised in accordance with customer segmentation.

To this end a system known as Companies under Special Watch (FEVE) has been devised, with four levels on the basis of the degree of concern stemming from the circumstances observed (Extinguish, Secure, Reduce and Monitor). The fact that a company is included in the FEVE system does not mean any defaults have been recorded, but merely that a specific policy should be adopted, indicating the person responsible and the period of time for the process to be carried out. FEVE-graded customers are subject to review at least every six months, and every three months for companies in the most serious brackets. The decision as to whether a company is to be placed on special watch emerges from the monitoring process itself, a review performed by the internal audit unit, a decision by the commercial manager supervising the company, or the triggering of the automatic warning system.

Reviews of the ratings assigned take place at least every year, but are carried out more regularly if any weaknesses are detected, or in accordance with the rating itself.

In the case of risks relating to standardised customers, the main indicators are monitored in a bid to detect any behavioural deviations in the loan portfolio.

Scenario analysis

Regular stress testing is carried out for the purposes of portfolio monitoring and control. Scenario analysis is a major tool the purpose of which is to measure the sensitivity of a portfolio's value to changes in circumstances. By taking into account factors such as trends in interest rates, unemployment or property prices, a check is run to ensure that general provisions are sufficient with respect to the estimated impacts as calculated by stress tests.

Control function

As back-up to the management process, the control function that operates throughout the various stages of the risk cycle produces an overview of the Group's loan portfolio in sufficient detail to enable it to assess the current position of risk and its trend.

To this end the function ensures ongoing systematic control of the risk trend with respect to budgets, limits and benchmark standards, and evaluates the impacts of future exogenous situations and situations arising from strategic decisions, to enable measures to be introduced that place the profile and volume of the risk portfolio within the criteria set by Santander Consumer Finance and the Santander Group.

The function assesses risks from different intercomplementary perspectives, and the main items operated are control by geographic locations, business lines, models of management, products and processes, thereby enabling the detection of specific areas of action for the decision-making process.

In 2006, as part of the corporate framework established at the Santander Group to meet the requirements of the Sarbanes-Oxley Act, a corporate tool was set up on the Group's intranet for documentation and certification of all subprocesses, operational risks and controls to mitigate risks. The Group performs an annual assessment of the efficiency of internal control of its activities.

e) Recovery activity

As part of the Santander Group, Santander Consumer Finance considers recovery management a strategic, integral, business-related activity.

The Santander Group has a global model for local application and implementation in due consideration of the peculiarities of business activity in each sector.

The specific objectives of the recovery process are as follows:

- To seek collection or settlement of outstanding balances in such a way as to return an account to normal status; if this is not possible, the objective is total or partial recovery of debts, regardless of their accounting or management status.
- To maintain and enhance our relations with customers by supervising their payment behaviour pattern.

Recovery activity divides or splits customers into general or standardised, and individualised, using specific integral management models in each case, in accordance with certain basic specialisation criteria.

This segmented recovery activity also identifies a number of different management stages: preventive management, management of irregular situations, management of defaults and impairments, which in turn have their own specific models, structures, strategies and circuits. Recovery activity is shared with other business areas.

In the general customer segment management is carried out using multi-channel systems, subsequently giving way to personalised or individualised management, if need be, in accordance with specific rules that consider, among other concerns, the market situation, defaulted products etc.

The individualised customer segment is run by specialist managers.

The management models are pro-active and in general can be automated, thereby enabling standardised workflows and “industrial” management methods with a view to personalised or exceptional processing.

The Group has internal and external structures to cater to management requirements with our customers, implementing monthly capacity plans and regular training, using tools to manage and provide solutions for customers.

Other credit risk focuses

Credit risk contains certain specific contexts and/or visions which require specialised attention as back-up to global management.

Concentration risk

Concentration risk represents an essential component of management within the context of credit risk. The Group carries out continuous monitoring of the level of concentration of credit risk portfolios from various relevant viewpoints: geographic areas and countries, economic sectors, products and customer groups. The types of operations carried out by the Group allow its concentration risk to be kept fairly low.

Market risk-

Activities subject to market risk

The measurement, control and monitoring of market risk covers all operations where net worth risk is assumed. This risk arises from changes in risk factors – interest rate, exchange rate, equities and their volatility – and also solvency risk and liquidity risk of the various products and markets in which the Santander Consumer Group operates.

Activities are divided as follows, depending on the risk objective:

- Trading: This includes financial services to customers, purchases and sales and positions on fixed-income products, equities and foreign currencies. The Group does not carry out trading activities at local level, and focuses basically on hedging against the risk inherent to its balance sheet management and on managing the liquidity required to finance its business activity.

- Balance sheet management: Interest rate risk and liquidity risk arise from the repricing and maturity gaps of all assets and liabilities. This function also includes active management of credit risk inherent to the Group’s balance sheet.

- Structural risks:

    - Structural exchange rate risk/hedging on earnings: Exchange rate risk due to the currency in which the investment is made, both for companies included in the consolidation and those which are not (structural exchange rate). This also includes positions taken to hedge against future earnings generated in currencies other than the euro (hedging on earnings).

The Santander Consumer balance sheet contains no structural currency risks since the balance sheets for each business line are covered in their local currency through natural on-balance sheet hedges.

- Structural equity: This includes investments through shareholdings in financial and non-financial entities that do not form part of the consolidable group, generating equity risk. This type of risk does not apply to the Group.

The Financial Management area is responsible for managing balance sheet risk and structural risks in a centralised fashion through the application of uniform methodologies adapted to the situation of each market in which it operates. With regard to convertible currencies, Financial Management handles the parent company's risk and coordinates the management of other units that operate in these currencies. Management decisions in connection with these risks are taken through the Asset-Liability Committees in each country, and ultimately by the parent company's Asset-Liability Committee.

Financial Management aims to give a certain amount of stability and recurrence to the net interest margin on commercial activity and to the Group's economic value, with appropriate levels of liquidity and solvency.

Each of these activities is measured and analysed with different tools in order to provide the most accurate picture of their risk profile.

Methodologies

<u>Balance sheet management</u>

Interest rate risk

The Santander Consumer Group analyses the sensitivity of the net interest margin and the market value of equity to changes in interest rates. This sensitivity is affected by maturity and repricing gaps in the various balance sheet items.

On the basis of the balance sheet interest rate position, and considering the current and forecast market situation, the necessary financial measures are adopted to bring this position into line with the Bank's objective. Measures may include taking positions on markets or definition of the interest rate features of commercial products.

The measures employed by the Group to control interest rate risk in these activities are the interest rate gap, the sensitivity of the net interest margin and the market value of equity to changes in interest rates.

a) Interest rate gap of assets and liabilities

The interest rate gap analysis focuses on mismatches between the interest reset periods of on-balance sheet assets and liabilities and of off-balance sheet items. This analysis facilitates a basic snapshot of the balance sheet structure and enables concentrations of interest rate risk to be detected in the different maturity periods. Additionally, it is a useful tool for estimating the possible impact of potential changes in interest rates on the entity's net interest margin and market value of equity.

All the on- and off-balance sheet aggregates must be broken down and placed at the point of repricing or maturity. In the case of aggregates without a contractual maturity date, the Santander Group's internal model is used to analyse and estimate their duration and sensitivity.

b) Sensitivity of the net interest margin (NIM)

Sensitivity of the net interest margin measures the change in the expected accruals for a specific period (12 months) given a shift in the interest rate curve.

The sensitivity of the net interest margin is calculated by simulating the margin both for a scenario of changes in the interest rate curve and for the current scenario, where sensitivity is the difference between the two margins thus calculated.

c) Sensitivity of the market value of equity (MVE)

Sensitivity of the market value of equity is a measure that complements sensitivity of the net interest margin.

This measures the interest rate risk implicit in the market value of equity (capital) based on the impact that changes in interest rates have on the current values of financial assets and liabilities.

Liquidity risk

Liquidity risk management aims to ensure the Group has access to the funds required to meet its payment commitments at fair market prices, and carry out its business plans with stable sources of funding. The Group supervises the maximum gap profiles on a permanent basis.

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

a) Liquidity gap

The liquidity gap provides information on contractual and expected cash inflows and outflows for a given period for each currency in which the Santander Consumer Group operates. The gap measures cash requirements or net surpluses at a given date and reflects the liquidity level maintained under normal market conditions.

A contractual liquidity gap analysis focuses on all the items that generate cash flows, placed at the point of contractual maturity. For assets and liabilities without contractual maturities the Santander Group's internal analysis model is used, based on a statistical study of the time series of the products.

b) Liquidity ratios

The liquidity ratio compares liquid assets available for sale or transfer (after the relevant discounts and adjustments have been applied) with the total amount of liabilities (including contingencies). This ratio shows the bank’s immediate response capability to firm commitments.

Risks and results in 2008

a) *Balance sheet management*

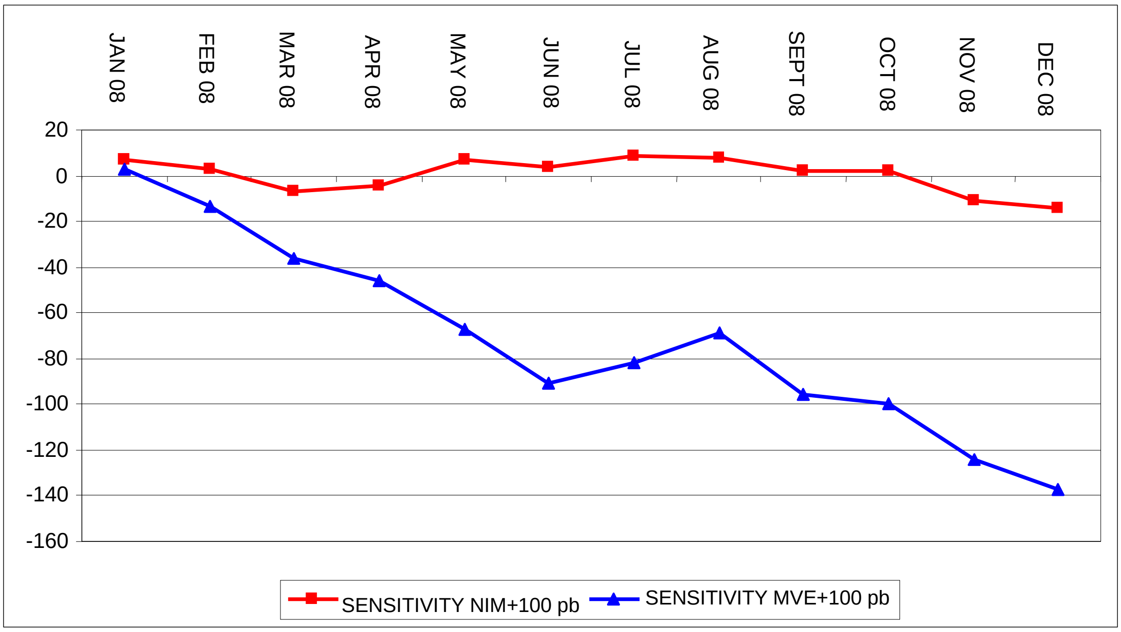
Interest rate risk

Sensitivity of the net interest margin (NIM) at one year to parallel increases of 100 b.p. in 2008 remained low, fluctuating within a narrow band. Maximum sensitivity was recorded in December 2008 as EUR 14.24 million, with an adverse effect on the net interest margin for the consolidated portfolios denominated in euros (which include the major units in Spain, Italy and Germany).

Throughout the year, strategy focused on a gradual opening of balance sheet interest rate risk sensitivity, in order to place the balance sheet at a suitable position to extract maximum advantage from lower interest rates. It was for this reason that sensitivity of the net interest margin was negative at 2008 year-end - EUR 14.24 million, as mentioned above.

The strategy of a gradual opening of the balance sheet also affected the sensitivity of market value of equity (MVE) to the risk of a parallel shift of 100 b.p. in the interest rate curve. Maximum sensitivity was recorded in December 2008 for the consolidated portfolios denominated in euros (which include the major units in Spain, Italy and Germany) as a negative EUR 137.15 million.

Both the sensitivity of net interest margin (NIM) and the market value of equity (MVE) to 100 b.p. parallel increases in interest rates in December 2008 showed appropriate balance sheet openings to take proper advantage of lower interest rates.



Structural credit risk management

Structural management of credit risk aims to reduce the concentrations which naturally occur as a result of commercial activity through the sale of assets. Santander Consumer’s business comprises a wide spread of consumer loans, and therefore credit risk is analysed as part of the unit's commercial strategy.

Structural liquidity management

The aim of structural liquidity management is to finance the Santander Consumer Group’s recurring activity in optimum conditions of maturity and cost, avoiding the need to assume unwanted liquidity risks.

The Santander Consumer Group manages its liquidity on the basis of a comfortable structural liquidity position due to its retail banking nature, along with management principles based on prudence and anticipation. These principles are as follows:

- A comfortable structural liquidity situation. Unlike other consumer financial institutions, Santander Consumer is a bank in virtually all the countries in which it operates and conducts stable business operations, mainly Europe, where it focuses its activity (Spain, Italy and Germany). Thus its funding structure has an extremely stable percentage of financing from customer deposits.

- Ample access to wholesale liquidity markets on the basis of high short-term and long-term ratings.

- Diversification of markets and instruments to obtain liquidity. The Group is actively involved in a broad and diversified series of financing markets, limiting dependence on specific markets and maintaining a comfortable capacity of recourse to the markets.

  This enables the Group to have an adequate structure of short-term and medium-term issues in accordance with the structure of its balance sheet, with recourse to short-term wholesale financing (at the end of 2008 commercial paper and notes accounted for 13.6% of total wholesale financing, according to Financial Management's information) and, due to the nature of the assets on its balance sheet, permanent recourse to securitisations (around 43.7% of the total).

- A considerable capacity to secure liquidity on the balance sheet. The Group balance sheet maintains a portfolio of liquid assets or assets that can be discounted at central banks in the short term.

- Centralised liquidity management. With the exception of local securitisation (Spain, Germany and Italy are securitising countries), the parent provides its subsidiaries with the necessary liquidity, availing itself where necessary of liquidity lines from its parent company, Banco Santander S.A., to finance business activity.

- The Santander Consumer Group carries out control and management functions, which entails the planning of funding requirements and structuring of sources of finance, optimising diversification by maturities, instruments and markets.

  In practice, the Group’s liquidity management comprises the following:

- The liquidity plan is prepared annually on the basis of the financing needs arising from the budgets of each line of business. The annual issuance and securitisation plan is established based on these liquidity requirements, and in due consideration of prudential limits on recourse to short-term markets.

- Throughout the year the Group periodically monitors the actual changes in financing requirements, and updates this plan accordingly.

- Control and analysis of liquidity risk are also extremely important. The primary aim is to ensure that the Santander Consumer Group maintains acceptable levels of liquidity to cover its financing needs in the short and long term in normal market situations, and to this end the system uses measures such as the liquidity gap and liquidity ratios to control the balance sheet.

A list of some of the main aspects concerning structural liquidity management in 2008 is given below:

Issue programmes:

AIAF PROMISSORY NOTES PROGRAMME

Santander Consumer Finance currently operates a Promissory Notes Issue Programme for EUR 10,000 million on the AIAF Fixed-Income Bond Market, with maturities between 7 days and 25 months. Santander Consumer Finance (which acts as issuer on the primary market and places its issues through associate financial institutions) issued promissory notes in 2008 for a value of EUR 27,062 million in 2,599 transactions, with maturities between 7 days and 25 months, with an average outstanding balance at 2008 year-end of EUR 7,330 million, and maximum balance EUR 8,600 million.

SECURITISATIONS

In 2008 the Group continued to arrange credit rights securitisations of its German, Spanish and Italian subsidiaries.

ECP PROGRAMME

A multi-currency European Commercial Paper programme (ECP) was launched in the third quarter of 2008 for a capped amount of EUR 8,000 million, with maturities between 7 days and 364 days.

EMTN PROGRAMME

A multi-currency Euro Medium Term Note programme (EMTN) was launched in the last quarter of 2008 for a capped amount of EUR 5,000 million.

The Santander Consumer Group's structural liquidity situation and market presence, along with support from its parent, Banco Santander S.A., through intragroup financing facilities, have enabled and continue to enable the Group to run its credit activity normally under current market conditions.

<u>Structural exchange rate risk/hedging on earnings</u>

Structural exchange rate risk arises from Group operations in currencies, mainly concerning permanent financial investments, earnings, and hedging for this investment.

Exchange rate risk management is dynamic, and seeks to limit the impact of currency devaluations on equity and optimise the financial cost of hedging.

With regard to exchange rate risk management for permanent investments, the general policy is to finance these in the currency of the investment, provided the depth of the market allows this, and the cost is justified by the expected depreciation. One-off hedging is also carried out when it is considered likely that a local currency will weaken against the euro far more swiftly than discounts on the market. This function is carried out by the Santander Group's Financial Management section.

Regarding exchange rate risk arising from balance sheets denominated in currencies other than the euro, the general policy, wherever possible, is natural on-balance sheet hedging of those structural positions in currencies.

Operational risk-

Definition and objectives

The Group defines operational risk (RO) as "the risk of loss resulting from deficiencies or failures of internal processes, human resources or systems or that arising due to external causes". This risk, in general, relates to events of a purely operational nature, thus differentiating it from market risk or credit risk, although external risks such as natural disasters are also included.

The Group's aim in terms of operational risk control and management is to identify, measure / assess, control / mitigate and monitor this risk.

The overriding requirement for the Group, therefore, is to identify and eliminate any clusters of operational risk, irrespective of whether losses have been incurred. Measurement of this risk also facilitates the establishment of priorities in the management of operational risk.

Operational risk management structure is based on the knowledge and experience of managers and professionals operating the various areas, with particular emphasis placed on the role of Local Heads of Operational Risk.

BASEL II-

As part of the Santander Group, Santander Consumer Finance has been firmly committed from the very outset to the principles behind the "Revised framework of international convergence of capital measures and rules" (Basel II). The framework enables entities to conduct internal estimates of the funds they need to ensure capital adequacy in the event of circumstances caused by different types of risk. As a result of this commitment, the Santander Group has assigned all the human and material resources required to ensure Basel II is successfully implemented. Thus several years ago a Basel II team was created, comprising qualified employees from various areas in the Group: mainly Risk, Technology and Operations, General Intervention, Financial Management, Internal Audit – to verify the entire process as the ultimate layer of control within the entity – and Business, particularly in all issues relating to the integration of internal models in the management process. Moreover, specific teams have also been put together to ensure that the most complex aspects of the project are properly handled.

In addition to this Basel II operational team, the Santander Group's Senior Management has been noticeably involved from the very start. The Management Committee and the Board of Directors have been informed of the progress made in the project and of the implications of implementation of the New Capital Accord for the Santander Group.

In the specific case of credit risk, implementation of Basel II means recognising, for the purposes of regulatory capital, the internal models that have been used as management devices for some time now.

Santander Consumer Finance's major units (Germany, Spain and the Nordic countries) will begin using the advanced AIRB models to a schedule agreed with the Bank of Spain and notified to the various local regulators.

In addition to the process of validation and supervisory approval, in 2008 the Santander Group also continued the process of gradual implementation of the technology platforms and methodological developments required for steady application of the advanced internal models to calculate regulatory capital in the other Santander Group units.

With respect to operational risk, the Group has decided to adopt the standard approach to calculation of regulatory capital, since it feels it is still somewhat early to consider using the advanced models (AMA) for this task.

Internal validation of the risk models

As part of the Santander Group, Santander Consumer Finance has implemented the Internal Validation function at corporate level in the Area of Integral Control and Internal Validation of Risk (CIVIR), which reports directly to the Group's 3rd Vice Chairman and Chairman of the Risk Standing Committee. This function is global and corporate, in a bid to secure uniform application.

The Santander Group's corporate internal validation framework is fully aligned with the criteria for internal validation of advanced models issued recently by the Bank of Spain. This maintains the criterion of separation of functions between Internal Validation and Internal Audit which, as the ultimate layer of control within the Group, is responsible for reviewing the methodology, tools and work carried out by the Internal Validation unit and for providing an opinion on its degree of effective independence.

ECONOMIC CAPITAL-

Analysis of the global risk profile

The Santander Group periodically assesses the level and trend of the creation of value (CV) and the return on risk-adjusted capital (RORAC) in its main business units. CV is the profit generated above the cost of the capital employed, and is calculated using the following formula:

Creation of Value = Economic Profit – (average economic value x cost of capital)

The economic profit is obtained by making the necessary adjustments to attributable profit to extract only the recurring profit that each unit generates for its activity. The cost of capital, which is the minimum remuneration required by shareholders, may be calculated objectively by adding the premium that the shareholder requires for investing in the Santander Group to the risk-free return. The premium will primarily depend on the degree of volatility in the price of our shares in relation to market performance. The cost of capital calculated in 2008 for the Santander Group was 9.2%.

Santander Consumer Finance's RORAC was greater than the cost of capital in 2008. The relative share of Santander Consumer Finance in the total value created (as defined above, the value created represents the economic profit that exceeds the cost of capital) by the Santander Group was 8.9%.

PROPOSED DISTRIBUTION OF PROFIT

The distribution of the Bank's net profit for 2008, amounting to EUR 482,883,000, which will be put forward for approval by the Annual General Meeting of Shareholders is as follows:

Dividends: EUR 401,138,000

Legal reserve: EUR 48,288,000

Voluntary reserves: EUR 33,457,000

SHARE CAPITAL AND TREASURY SHARES

The Group did not perform any transactions involving treasury shares in 2008, and thus did not have any treasury share balance on its balance sheet in December 2008.

RESEARCH AND DEVELOPMENT

Technology and information systems are a basic component of development of the Santander Consumer Finance Group’s management model. In 2008, the Group's investment and efforts focused on continuing to develop tools to secure a competitive edge. It continued to invest, for example, in the implementation of technology platforms, producing management tools and making steady progress on the shared services model. The major milestones here are as follows.

- Development and enhancement of the ITACA management information system: addition of the Progress Report.
- Development of new recovery management tools (Tallyman).
- Development of tools for the monitoring and homogenisation of organisational structures and management of human resources (Peoplesoft).
- Continuation of the inclusion of Group units on the Dealer Management platform (Ficres).
- Continuation of the inclusion of Group units on the Partenón platform.

SIGNIFICANT EVENTS SUBSEQUENT TO YEAR-END

The significant events subsequent to year-end are set out in Note 1.i to the Consolidated Financial Statements.

OUTLOOK

The economic outlook for 2008 points to world GDP growth of around 4%, somewhat slacker than the pace set in 2007, but satisfactory when viewed over a long-term timeframe, and all the more so in the light of obstacles posed by the high price of crude oil, the turbulence in the financial markets and the prolonged and hectic phase of global expansion that began five years ago.

The most dynamic areas will be the emerging countries, above all Asia, spearheaded by China, and also Latin America, which is displaying remarkable resilience in the current climate and is once again set to report growth in excess of 4%. The sound policies applied in recent years, which boosted the region's credibility, the high prices of raw materials and its robust foreign position (currency reserves, reduction of foreign debt, surplus on balances of payments, etc.) will enable Latin America to extend this stage of growth and macroeconomic stability, a scenario conducive to further bankarisation of the region.

In the United States, monetary and tax policies have responded swiftly to the adverse conditions besetting the financial and real estate markets. Consequently, although activity will be sluggish in the first half of the year, the economy is expected to show certain signs of recovery after the summer, which will enable it to avoid the risk of recession and achieve growth of 1.5% in 2008. Since January the FED has lowered its benchmark interest rate and in all likelihood will make further cuts in the next few months, despite the fact that underlying inflation is currently running at the upper limit of the desired 1.5%-2% band.

Expectations for the euro zone, not untouched by the slowdown in the US, signal moderate growth of less than 2% in 2008. Inflation has risen due to increases of more than 3% in energy and food prices, breaking the ECB's 2% ceiling, thus limiting any room for manoeuvre. Nevertheless, once the abatement of price increases in the coming months is confirmed, official interest rates are expected to fall by between 50 and 75 basis points in the course of 2008. In any case, the financial strength of businesses and families in most European countries suggests that there is a solid base for a revival that would be triggered by even the slightest improvement in the international economic and financial climate. The euro will remain steady and the second half of the year will foreseeably bring a recovery of the United States that could bolster the dollar to around USD 1.35/EUR 1.

The outlook for growth in the United Kingdom is also less optimistic, even though its slowdown towards the end of 2007 was highly contained. Faced by this trend, the Bank of England reacted swiftly to reduce interest rates from 5.75% to 5.25%. Further cuts are anticipated for 2008 although, as in the euro zone, the relatively high rate of inflation and predictions of a sharp rise will prompt the Bank of England to act prudently. The pound sterling is expected to remain stable against the euro to stand at around EUR 1/GBP 0.73 by the end of 2008.

Growth in Spain will continue to clearly outpace that of the euro zone and its neighbouring countries, albeit at around 2.5%, a more modest rate than in 2007, due to the less favourable climate and the decline in the real estate industry. Inflation has risen to above 4%; however, as in the euro zone as a whole, it is expected to fall back to below 3% after the spring. Against this backdrop, predictions herald more moderate growth in lending and deposits.

In short, although the prevailing scenario is one of growth, conditions will be more demanding and there will be greater uncertainties than in previous years, from both the macroeconomic and the financial standpoint.

The financial climate in the second half of 2007 marked the end of a period characterised by high liquidity (pushing the cost of liquidity down), in which financial institutions focused their attention on strengthening the asset side of their balance sheets. In the new climate, financial institutions and customers alike face a scenario in which liquidity and risks will demand a higher price, more commensurate with the levels assumed, and in which a high value will be attached to customer relations, efficiency and deposits.

Against this backdrop, the Santander Consumer Finance Group will continue to focus on profitable growth in 2008, paying particular attention to its basic management areas and continuing to perform an exhaustive control of risk quality.

ANNUAL CORPORATE GOVERNANCE REPORT

The Bank, an entity registered in Spain the voting rights of which indirectly correspond to Banco Santander, S.A., in compliance with Regulation Six of the Spanish National Securities Market Commission's Circular 1/2004 of 17 March, does not compile an Annual Corporate Governance Report, which is drawn up and presented to the National Securities Market Commission by Banco Santander, S.A., as the Santander Group's parent company.

STRUCTURE OF SHARE CAPITAL AND SIGNIFICANT HOLDINGS

Banco Santander, S.A.	378,345,282	Percentage 63.19%
Holneth, B.V.	149,678,465	Percentage 25.00%
Fomento e Inversiones, S.A.	70,690,113	Percentage 11.81%
Total number of shares	598,713,860	
Par Value	3.00	
Share Capital	1,796,141,580	

On 26 May 2008 the Bank's Extraordinary General Meeting of Shareholders approved a share capital increase of EUR 599,979,000 through the issue of 199,992,852 ordinary shares with an individual par value of EUR 3. The capital increase was fully subscribed and paid by Banco Santander, S.A. using a non-cash method consisting of 12,198 Golden Bar securitisation bonds, in euros, of EUR 50,000 par value each, maturing on 20 November 2024. The value of the bonds, according to a report drawn up by an independent expert on his own responsibility, does not differ substantially from the amount by which the Bank has increased its share capital. On 30 June 2008 Banco Santander, S.A. sold 49,998,213 and 23,613,145 shares to Holneth, B.V. and Fomento de Inversiones, S.A., respectively, to enable these shareholders to maintain the same ownership percentage of the Bank's capital they held prior to the increase.

Consequently, at 31 December 2008 the Bank's share capital comprised 598,713,860 registered shares with an individual par value of EUR 3, fully subscribed and paid-up, with the same political and economic rights.

RESTRICTIONS ON THE TRANSFERABILITY OF SECURITIES

Not applicable.

SIGNIFICANT DIRECT AND INDIRECT HOLDINGS

The major operations carried out in relation to holdings in dependent entities are described in Note 3 to the Consolidated Financial Statements. Details of Group companies, multi-group and associates are set out in Annexes I and II to the consolidated statements for the year ended 31 December 2008.

RESTRICTIONS ON VOTING RIGHTS

The shareholders attending the Annual General Meeting will have one vote for each share that they hold or represent.

Only the holders of twenty or more shares will be entitled to attend the Annual General Meeting, provided that these shares are registered in their name in the corresponding accounting records.

SHAREHOLDERS' AGREEMENTS

Not applicable.

BOARD OF DIRECTORS

Appointment and replacement of members of the Board of Directors and amendment of the bylaws

Representation of the Bank is the responsibility of the Board of Directors, which will comprise no fewer than five and no more than twelve members (*), who will be appointed by the Annual General Meeting for a period of one year, although they may be re-elected, as many times as may be desired, for further one-year periods.

Any vacancies arising on the Board of Directors in the interval between Annual General Meetings will be filled by the Board of Directors through co-optation between the shareholders, as provided for under current legislation.

It is not necessary to be a shareholder of the Bank in order to be a director, except as mentioned above.

(*) The shareholders at the Annual General Meeting of 26 February 2008 resolved to increase the number of Board members to a maximum of fifteen. This amendment is in the process of being registered.

Powers of the members of the Board of Directors

On 16 December 2008, the Bank issued authorisation for either Ms Inés Serrano González, CEO or Mr Francisco Javier San Félix García, CEO, to jointly exercise the following powers for and on behalf of the Bank:

1. To arrange, modify and cancel all types of deposits in cash, securities, possessory or non-possessory, or in some other form at the Bank of Spain, official and private banks, the General Public Depository, corporations, bodies and entities either created or to be created at some point. To open safety deposit boxes and withdraw the contents.
2. To prepare and sign, with the effects established by law, the protest statement (Exchange and Cheque Law 19/1985 of 16 July) on both bills of exchange and promissory notes and cheques, effective for the equivalent or replacement protest statement in the event of total or partial non-payment.
3. To open, monitor and close current accounts, savings accounts and credit accounts with any personal and *in rem* guarantees as may be arranged, in any conditions deemed appropriate, at the Bank of Spain and official and private banks, and other corporations and entities.
4. To transfer all types of endorsable and non-endorsable loans, promissory notes, cheques or other negotiable instruments.
5. To arrange or perform all manner of banking and stock market transactions and to purchase, sell, pledge and subscribe all kinds of shares, debentures or securities from private companies or entities, and present for conversion, at any office pertaining to the State, banks, companies, establishments and private locales, shares or securities for swapping purposes, withdrawing or collecting the new securities produced by swapping or conversion, with current or backdated coupons, and in general carrying out any operations required to this end.
6. To purchase, sell and swap personal and real property and to assume responsibility for or take possession of assets of any kind. To deliver and take possession of assets of any kind. To deliver and take either physical

or symbolic possession of assets which, for any reason, may correspond to the Bank, drawing up, should the need arise, any administrative or legal documents required for this purpose.

7. To take part in Annual General Meetings and meetings of the Board of Directors in the name and on behalf of the Bank at companies in which the Bank holds an ownership interest.

8. To arrange, accept and cancel all types of security and to sign exchange rate and non-exchange rate guarantees; to create, divide, accept, postpone and cancel mortgages, including chattel mortgages, easements and *in rem* rights, pledges and non-possessory pledges; to effectively pool together and divide properties and verify their segregations; to issue deeds of declaration of new construction; to regulate and draw up joint ownership statutes, stipulating, should this be deemed appropriate, their period of validity and the judicial or extrajudicial procedures for terminating same; to rent and lease any assets, arrange transfers of same, stipulating the economic conditions and any other conditions and, in general, to amply formalise any action or contract included in Article 2 of the Mortgage Act in relation to transactions performed directly by the Bank or on behalf of third parties, freely stipulating the conditions and procedures for each action and contract in defence of the interests bestowed.

9. To arrange all types of leases or sub-leases, as lessor or lessee, with the price, period of validity and conditions that are deemed appropriate, including arrangements to put such contracts into the form of a notary document and list them in the Land Register.

10. In relation to official bodies pertaining to the State, Autonomous Communities, provinces and municipalities, and any institution, public establishment or decentralised administrative service, to enter into all kinds of administrative and private agreements in competitions, auctions or direct procurement arrangements, submitting proposals, creating, modifying or withdrawing either totally or partially provisional or final guarantees and deposits at the General Public Depository, branches of the same, or with any other official bodies or offices, regardless of whether this concerns guarantees for obligations undertaken by third parties or whether the process is carried out on their behalf for any reason; to settle credits in favour of or against the State, Autonomous Communities, provinces and municipalities and other official bodies as a result of the agreements drawn up.

11. To represent the Bank by exercising all the rights and performing all the actions of the Company both in and out of court. To appear before the Constitutional Court, presiding judges and tribunals of any level and jurisdiction, in civil suits, criminal proceedings, contentious-administrative proceedings, employment-related proceedings, constitutional proceedings or any other kind of proceedings that may be currently ongoing or may be established hereinafter; to appear before all manner of bodies, authorities and civil servants or employees of the State, Autonomous Communities, provinces and municipalities, bodies dependent thereon and other public official bodies, in relation to administrative proceedings, economic-administrative proceedings or similar. To present documents and ratify same; to appear in conciliatory acts, acts and incidents of all types placing obligations on their Company; to furnish evidence, request petitions, citations, summonses, sales, embargos, or release and cancellation of same; to challenge witnesses; to object to functionaries; to reply to interrogatories; to offer explanations in the courts; to request any proceedings required by the procedure in question; to reach compromises concerning all manner of issues and discrepancies; to desist from the actions or procedures instigated, whatever stage these may have reached. To instigate and continue all manner of relevant legal appeals, including reversals of any kind, and to revise and desist from those instigated. To create, modify and withdraw deposits, guarantees and other endorsements at the disposal of the Tribunals and other bodies mentioned in this section. To grant and revoke the legal empowerments of lawyers and *procuradores* of Tribunals freely chosen.

12. To appoint, separate, hire, organise, lead, modify, inspect and rectify the Bank's personnel and services; to inspect all their operations to ensure sound running of the Bank's business activity, and to request accountability of any person with this obligation, demanding any items that are necessary thereto, and signing any documents that are required for this purpose.

13. To represent the Company in any other matter or transaction the performance of which has been approved by the Board of Directors or by its Executive Standing Committee, and entrusted to them through proper certification.

14. In the exercise of the powers outlined above, to issue, grant and sign as many public and private documents as may prove necessary or advisable.

The Bank does not grant the power to issue or buy back treasury shares, which corresponds to the Annual General Meeting or the Board of Directors, as appropriate.

Significant agreements which will be modified or terminated in the event of a change in control of the Company

Not applicable.

Agreements between the Company, the directors, executives or employees which provide for termination benefits if the relationship with the Company terminates as a result of a takeover bid

Not applicable.