Santander
CONSUMER BANK

Annual Report

General information

REGISTERED OFFICES AND ADMINISTRATION:	Via Nizza 262, 10126 TURIN Tel: 011/63.19.111 - Fax 011/63.19.119
SHAREHOLDER:	Santander Consumer Finance S.A. (Grupo Santander) 100%
COMPANY BOARDS:	

Board of Directors

Chairman	*Ettore Gotti Tedeschi	
Deputy Chairman	*Josè Manuel Varela Uña	(until 27/03/2007)
Directors	Natale Farinetti	
	*Pedro Guijarro Zubizarreta	(until 27/03/2007)
	Francisco Javier San Felix Garcia	(from 27/03/2007)
	*Piero Antonio Rumignani	(until 26/06/2007)
	Paul Adriaan Verburgt	
	*Mauro Viotto	

*Members of the Executive Committee

General Management

Managing Director and General Manager	Mauro Viotto
Vice General Managers	Arturo Cardone Marco Gariglio Guido Pelissero Pietro Vailati Maurizio Valfrè

Board of Statutory Auditors

Chairman	Alessandro Braja
Standing Auditors	Giorgio Ferrino Roberto Mignanego
Alternate Auditors	Aschieri Edoardo Francesco Maria Spano

Independent auditors Deloitte & Touche S.p.A.

Letter from the Chairman

Shareholders,

During 2007, Italy was beset by one of the most difficult economic climates in the last ten years.
The timid signs of recovery, more evident at the start of the year especially in other countries of the Euro area, were so weak and uncertain in Italy as to fade completely in the second half of the year when the effects of the credit sector crisis that has exploded in the United States started to spread to the rest of the world, and also the general upswing in the prices of raw materials.
This context had inevitable negative repercussions on business and households' confidence, curbing Italy's pace of growth, which remained extremely low both in terms of private spending and, more generally, as regards GDP.
Against this backdrop, Santander Consumer Bank, also sustained by its close, increasingly profitable cooperation with Grupo Santander, posted results more or less aligned with forecasts both as regards commercial development and earnings.

Main market trends in 2007 are discussed below.

- The general waning of confidence and a wide-scale shrinkage in purchasing power played a major role in curbing household consumption, also for certain categories of products forming part of the stable basket of purchases.
- The effects on the Italian banking sector were, objectively, less violent compared with the American crisis kindled by sub-prime mortgages; nevertheless, the opening of a new phase of concentration and the ever more significant penetration of operators linked to International Banking Groups rekindled the process of sector development towards European business criteria and standards.
- The Italian consumer finance market, which also benefited from the historically low level of borrowing of Italian households and despite the difficult economic cycle, maintained a significant growth rate with a 9.5% y/upswing in new loans.
- At overall market level, the briskest sectors of business in which the Bank operates were Personal Loans, with an increase of 21%, and granting of one fifth of the borrower's salary with an upswing of 12%, thus confirming operators' growing interest in the development of direct loans.
- The special-purpose loans sector, impacted more than others by the general downturn in consumption, reported a short-fall of 2%, while the car loans sector closed the year with an upswing of around 5%, conditioned in the second half of the year by a considerable decline in registrations.
- As regards loan quality, the market started to bear the brunt of the difficult economic situation and, despite continuous tuning of loan selection criteria in the disbursement phase, operators' statistical data started to deteriorate, albeit not yet to an alarming extent.

Performance of Santander Consumer Bank in the same period 2007.

- On an increasingly competitive market that continues to evolve in terms of product and operating solution innovation, the Bank succeed in achieving sales results more or less on a par with the previous year, giving priority to safeguarding earnings more than to a mere increase in size; new loans granted progressed to €3,104 billion with a y/y growth of 1.8%.
- According to Assofin (Italian Consumer Finance and Real Estate Association) data, subsequently reprocessed in house, the Bank maintained its positioning in terms of market share (4.7%).
- As in 2006, the Bank continued to channel its investments towards the sector of direct loans to customers, with a growth 38.6% in Personal Loans and of 127% in loans secured by one fifth of the borrower's salary, also sustained by the beneficial effects of cooperation with Unifin SpA (also part of Grupo Santander).
- Despite across-the-board competition, the Bank maintained its unchallenged leading position in the car loans sector, with a market share of 7.2%, despite the around 11% y/y decline in volumes.
- After the great success achieved in 2006, there was a certain slowing in 2007 of the project for direct collection of customers' deposits, launched in the Autumn of 2005, while continuing to guarantee a significant amount of liquidity at competitive costs despite the absence of noteworthy investments in communication.

Other facts worth mentioning:

- In April, the share capital was increased by a further € 22 million to € 122 million, thus confirming the Shareholder's intention to guarantee the Bank the necessary financial underpinnings to gear to the market context.

Outlook for 2008

- As, at the moment, the difficult economic climate does not reveal any convincing signs of recovery, it seems legitimate to expect a year of non-growth in private spending, at least for those commodity sectors to which consumer finance is traditionally linked.
- The consumer finance sector is still characterised by interesting growth potential, fostered both by wider diffusion in households of a more modern financial culture and also as an instrument that makes it possible to maintain the same standard of living in unfavourable periods of the economic cycle.
- At the moment, the ECB's interest rate policy, constrained by fears of inflationary pressure, is tending to brake and restrict the downswing in funding costs which are expected to drop in the second half of the year, thus permitting an albeit partial recovery of profitability in terms of interest margin.
- Between the end of 2007 and the start of 2008, one of the main features of business of the consumer finance market was the upsurge of concentration phenomena, reflected in purchase/merger processes. As in the case of all maturing markets, scale economies are tending to become an ever more crucial factor of medium/long-term strategies also in consumer finance.
- The ability to trim structural costs, gradual shifting of the portfolio mix towards segments with a better risk/yield profile and, generally, optimisation of credit risk management in all phases of the production process, will all be equally crucial factors.

History and shareholders

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

Some of the main phases in the history of the Company are outlined below:

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

Rating

In 2007, following an overhaul of its rating policies by Moody's Investor Services, the rating of Banco Santander S.A. and of all Group companies was revised.
This revision resulted in a reduction of the rating on long-term deposits of the Bank, which moved from Aa3 to A1.
On the other hand, the Financial Strength rating, which measures medium-term solidity and the Bank's' ability to generate income regardless of the support of the Shareholder, increased from C- to C. This result confirms the validity of the Bank's decisions regarding its strategic approach to business, the effectiveness of its commercial policies, the financial balance between collection and application of funds, level of operating efficiency, its ability to control risks.
Ratings on short-term deposits (P-1) and Outlook (Stabile) were confirmed.

Ratings Santander Consumer Bank S.p.A.

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

Corporate governance

Corporate Governance

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

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

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

A constant flow of information to and from Administrative Bodies ensures that the members of the various committees, all with proven experience who participate at scheduled meetings, are fully informed of Company operations, thus guaranteeing continuous, positive interaction with executive structures in exercising their guidance, coordination and supervisory powers/duties.

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

The Board of Directors

At year-end, the Board of Directors which, according to the provisions of art. 14 of the Articles of Association, consists of five to thirteen members, comprised six members (seven until 26/06/2007):

- Ettore Gotti Tedeschi (Chairman)
- Pedro Guijarro Zubizarreta (Deputy Chairman)
- Natale Farinetti (Director)
- Francisco Javier San Felix Garcia (Director)
- Paul Adrian Verburgt (Director)
- Mauro Viotto (Managing Director/General Manager)

The period of office of the Board expires with the approval by the AGM of the accounts at December 31 2008.

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

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

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

Particular attention is dedicated to correct identification and conscientious management of business risks, also through actions on those organisational structures in which the critical points of certain processes are located and also through the system of tier-one offices.

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

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

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

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

In 2007, five Board Meetings were held with a participation of 85%.

The Executive Committee

At year-end, the Executive Committee, set up according to art. 21 of the Articles of Association, consisted of three members (four until 26/06/2007):

- Pedro Guijarro Zubizarreta (Chairman)
- Ettore Gotti Tedeschi (member)
- Mauro Viotto (member)

Members of the Committee are appointed for three years and its term of office expires with the approval of annual business statement at December 31 2008 by the Shareholders' Meeting.

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

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

In 2007, the Committee held six meetings with an attendance of 100%.

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

General Management

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

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

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

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

In particular, the Managing Director/General Manager, who participates at the meetings of the Administrative Bodies, is also responsible for decisions regarding credit, according to the powers assigned, is Head of Personnel, represents the Bank in legal actions and proceedings, liaises directly with the Statutory Auditors, the Independent Auditors and Bank of Italy, orders routine inspections and administrative inquiries in accordance with the audit plan or as proposed by the competent functions.

The Board of Statutory Auditors

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

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

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

According to the Articles of Association, the main duties of the Board of Statutory Auditors include checking of formal and substantial correctness of administrative activities; the Board also acts as qualified interface towards the Regulatory Authorities and the Independent Auditors. At the moment, the Board of Statutory Auditors performs its functions through direct audits and also acquiring information from members of Administrative Bodies and from representatives of the Independent Auditors.

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

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

STANDING COMMITTEES

To optimise operation of the Bank, cross-functional structures, in the form of Standing Committees, have been set up with the approval of the Regulation or with specific resolutions of the Board. These committees provide an opportunity for joint discussion and examination of problems, offering consultancy and putting forward proposals regarding matters within their sphere of competence.

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

The Management Committee

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

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

In 2007, the Committee held nineteen meetings with a level of attendance of 95%.

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

The Loan Control Committee

The Loan Control Committee assists the administrative bodies and Credit Department in effectively monitoring loan and dealers risk, adopting predefined methods of leverage.

Members of the Committee include the Managing Director and the Heads of Risk Management, of the Recovery area, of Operating Development and the Head of Planning and Control.

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

In 2007, five meetings were held with 92% attendance.

The Money Laundering Analysis Committee

The Money Laundering Analysis Committee, the top corporate entity for the prevention of money laundering, maintains constant relations with the correspending department of the Santander Group.
Members include the Managing Director/General Manager (acting as Chairman) and the five Deputy General Managers, one whom is the Head of the UPA (Money Laundering Prevention Unit), and also acts as Secretary.

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

The main activities of the Committee include:

- definition of the policies, general objectives, rules of conduct of the various bodies/subjects of the Group with regard to the prevention of laundering, and coordination of these;
- monitoring of actions, operations and issues relating to money laundering;
- application of specific preventive measures and updating of internal reference regulations;

- decisions regarding suspicious transactions that must be notified to the Authorities;
- determination of sensitive operations that must be analysed and reviewed.

In 2007, the Committee held four meetings with a percentage attendance of 100%.

The Emergency Management Committee

The main task of the Emergency Management Committee is to guarantee continuity of service of the operating structure, in particular as regards the IT system, in normal conditions or in emergencies.
Members include the Managing Director, the Deputy General Manager Operating Development and Local Information Security.
The Committee usually meets every three months and its activities also include approval of the Business Continuity Plan and periodic testing of its efficiency.
In 2007, the Committee met four times with an attendance of 100%.

The Asset & Liability Management Committee (ALCO)

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

The Audit Committee

The Audit Committee, which reports directly to the Board of Directors, ultimately responsible for the internal control system, verifies and assesses the constant adequacy, efficiency and effectiveness of internal controls, also analyzing any phenomena with a critical impact on operations or risk profile.
The Committee is therefore required, if necessary, to adopt all the measures necessary to improve overall efficiency of the system.
Members of the Committee include the Managing Director/General Manager, the Deputy General Manager Planning and Control and the Head of Auditing and Operating Controls. Where advisable, other persons may be invited to participate in the Committee in order to discuss specific topics.
In 2007, the Committee held seven meetings, attended by 100% of its members.

The Consumer Protection Committee

The Committee periodically collects various types of updated information from the Departments concerned in order to monitor the level of consumer protection and satisfaction, both as regards compliance with current legal requirements and also from the point of view of company procedures and operations.
The information collected is then processed in order to draw up two reports, one monthly and the other quarterly, which are sent by pre-established deadlines to the Santander Consumer Finance S.A. Parent Bank.

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

In 2007, the Committee met four times and draw up and sent four quarterly reports and eight monthly reports to the Spanish Parent Bank.

Stock Financing Committee

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

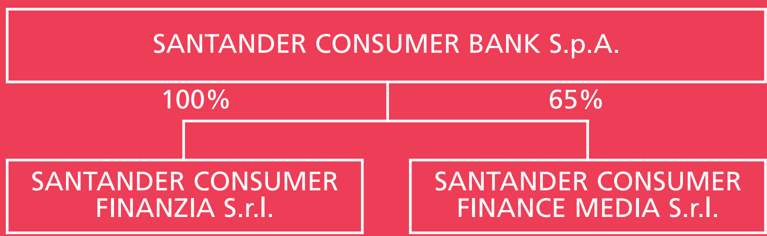
The Committee comprises 5 members:<0} the Managing Director, the Head of Sales, the Head of Risk Management, the Head of the Credit Department and the Head of the Bank Area.

In 2007, the Committee held twelve meetings with 100% attendance.

Consolidated financial statements of the
Santander Consumer Bank Group

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

SHARE STRUCTURE



Consolidated Report on Operations

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

The macro-economic scenario

In 2007, the main factors that influenced the world economic climate included persistent political tensions (in particular in the Middle East), spiralling energy costs (in particular of oil), repeated irregular climatic conditions which pushed up the prices of various raw materials and lastly, the sub-prime mortgage financial crisis in the United States.

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

Countries outside the Euro and Dollar areas played a major role in boosting worldwide development.
In particular in Asian countries, internal demand continued to expand at an exceptionally high rate and growth continued at a very fast pace, despite a certain slowing in relation to 2006.
For China and India, the anticipated growth rate in 2007 was 10.4% (mainly aligned with the 10.5% of the previous year) and 8.7% (with a slight short-fall in relation to the 9.6% of the previous year) respectively.
After a good performance in 2006, there was a certain slowing of growth in Japan, probably to be ascribed more to the world economic cycle rather than to objective factors of internal weakness, with a forecast for 2007 of 3.5% (in relation to 4.8% in the previous year). The Bank of Japan has applied a restrictive monetary policy, upping the benchmark rate to 0.50% (+0.25%).
Highly positive news arrived also from Brazil which, in 2007, achieved a y/y growth of 4.7%, with a considerable reinforcement of the raw materials market in an optimal context of low inflation.

In the United States, mainly due to the repercussions of the credit crisis tied to sub-prime mortgages, there was a considerable deceleration in economic growth, with an anticipated level of growth of 2.2%, the worst in the last five years (+1.6% in 2002) combined with a worrying increase in inflation.
The Federal Reserve took decisive action on several occasions in an attempt to curb the effects of the crisis with a highly expansive monetary policy: with three reductions of interest rates (for a total of 100 bps), with a reduction from 5.25% at the start of the year to 4.25% at year-end. The effective scope of the American crisis was reflected primarily in two further rate reductions in January 2008 (125bps) and March (75bps), with a final reduction of the benchmark rate to 2.25%.

Despite soaring energy prices and the repercussions of the crisis in the United States, the Euro area maintained a constant pace of growth, basically aligned with that of 2006, with an estimated increase of 2.7%.
Although constant in the first six months of 2007, business confidence plunged in the second half of the year, while expectations on the prices front revealed a lateral trend throughout the year, without significant changes in the second six months and tied to decline in confidence.
At European level, there was a slight y/y drop in household consumption, forged by the slow-down recorded in Germany following the increase in VAT and, more generally, the economic scenario that emerged in the second half of the year.
However, due to the constant increase in the price of oil and raw materials and also fears of a negative evolution of the financial crisis, major uncertainties persist regarding the time necessary to confirm more sustained, long-lasting growth in the Euro area.

Turning to prices, the inflation rate (3.1%) was strongly affected by rallying of the prices of raw materials and oil in particular but, despite the trepidation expressed on several occasions by the ECB, no particular risks are expected in this area, at least in the short term.
As opposed to the Federal Reserve, during the year, the ECB intervened on two occasions in March and June, upping the benchmark rate from 3.50% to 4.00%, with the declared aim of maintaining forecast inflation in the Euro area firmly pegged to a level consistent with the economic situation.

For Italy, with regard to the provisional actual data for the twelve months of the year, ISTAT data revealed a y/y 0.2% drop in production, to be ascribed above all to the decline recorded in the second half of the year.
Industrial output was characterised by contrasting signs in the various sectors, with growth in the sectors of capi-

tal goods, energy, plastics and rubber, refineries and textiles and clothing, offset by a certain sluggishness in the consumer goods, intermediate goods, leather and footwear, wood products and electronic appliances sectors.
ISTAT preliminary data regarding GDP indicate a growth of 1.5% for 2007, with a sharp deceleration in the last quarter of the year; 2007 was characterised by a further increase in tax pressure which soared to a record level (since 1997) of 43.3% of GDP.
In 2007, Italian final consumption increased by 1.4%, with "household spending" achieving a particularly positive performance with the highest increase since 2001. More generally, public spending moved up by 1.2%, exports of goods and services by 5%, imports by 4.4% and gross investments in fixed assets by 1.2%.
Overall, in 2007 the Italian car registration market reported an upsurge of 7.1%; partly spurred by the excellent performance recorded in December with an exploit of 14.1% of new vehicle registrations.

Sector performance

Despite the difficult economic situation, but also due to the upswing in household consumption, 2007 was another year of expansion for the consumer finance market, albeit with an objectively lower growth rate than in previous years.
Although still well below the average of other EU countries, there was a further increase in loans to households, sustained mainly by evolution of financial culture and also by a more or less general decline in purchasing power.
Analysing the various sectors, business was briskest in the so-called direct loans sector, including in this category personal loans (with a growth of 38.6%) and credit cards (upswing of 6.9%).
2007 was not a particularly positive year for specialised loans which moved down by a total of 2.3%.
After getting off to a good start in the first half of the year, stimulated by the launching of new models and manufacturers' massive promotional campaigns, there was a noteworthy shrinkage in car loans in the last six months of 2007 which, however, closed the year with a respectable +5.4%, topping the growth recorded in 2006.

Value of lending operations in 2007

Type of financing	Value lending operations (€m)		
	Jan-Dec 2007	Breakdown	Change
- Direct loans	19,588	32.7%	38.6%
- Car and motorcycle	21,344	35.7%	5.4%
- Industrial vehicles	193	0.3%	-4.6%
- Other goods	5,628	9.4%	2.4%
- Credit Cards	9,264	15.5%	6.9%
- Transfer 5th of salary	3,816	6.4%	-0.2%
Total Consumer finance	**59,833**	**100.0%**	**13.2%**

Source: Assofin Survey Dec. 31 2007

In 2007, net sector disbursements topped the € 59.8 mark billion for more than 91 million operations, of which 83.9 million transactions with credit cards.
The market share of the Santander Consumer Bank Group, in the sector of specialist operators assessed by Assofin, was equal to 4.8%, more or less unchanged in relation to the previous year.
The Group is currently in seventh position for business generated in its sector of business, having moved down two positions in relation to the same period 2006.

Strategic guidelines

In 2007, sales and revenue results were lower than initially forecast but consistent with decisions taken during the year to gear to the change in the interest rates market and tighter completion between sector operators, the combined effect of which was a drastic reduction in unitary interest margins.
However, after a 2007 in which it focussed on safeguarding earnings, in 2008 Santander Consumer Bank S.p.A. intends to confirm and reinforce, with even greater momentum and determination than in the past, its strategic goal of increasing the dimensions of the Bank, with the aim of achieving a higher critical mass able to further boost its market share.

The Italian consumer finance market still offers ample margins of growth, with a relative (albeit still growing) risk level of the portfolio, and attractive (although declining) earnings prospects that make it one of the most interesting financial markets in Europe.
However, the entrance of new competitors belonging to leading Italian and foreign Banking Groups and various processes of integration between competitors makes the need to pursue further increases in size able to promote economies of scale even more essential and impellent.

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

Therefore, the Bank will concentrate its efforts on:
- optimising business management (attentive monitoring of various items of expense with the aim of gradually reducing these in relative terms);
- technological innovation, in order to improve efficiency and the level of service provided to Dealers and end customers;
- ever more attentive monitoring of request for loans through cross-checking of databases and historical series, with the aim of reducing frauds;
- promoting an increase in the implicit value of customers by extending the number of products sold to the same customer (loan, insurance product, deposit, transfer of one fifth of the borrower's salary, etc.) in order to promote improved, complete satisfaction of customers' needs;
- developing and updating company professional expertise in view of continuing modifications to regulations, in order to an ever more competitive market and Santander Group strategies.
- a constant search to identify opportunities for acquisitions, focussing in particular on those operators who, in view of their standing, loan quality and market shares, can be easily integrated in the current structure and strategy of the Banking Group.

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

The Sales network

In 2007, the consumer finance sector was characterised by a slowing of growth rates which, after four years of double-digit increases, dropped to 9.5%.
Market growth was forged first and foremost by those operators able to distribute their product range, in particular those proposed directly to the end customer, through the outlets of the reference banking institute.
Sustained by strong focus on the quality of the credit granted, the Bank was able to rationalise its distribution network, interrupting the relationship in cases of negative credit performance, with a consequent positive spillover on losses and without hampering the development of business.
Despite across-the-board competition, direct products maintained the positive trend initiated in 2006, reporting a total growth of 39%, well above the market average which, according to Assofin data, was 21%.
As regards the credit card product, the Bank continued to reinforce its leadership in the insurance compartment, with a 36% upswing in volumes transacted, also driven by the excellent performance of the agreement stipulated with Allianz Lloyd Adriatico (+47%), and continued to propose loans to finance the purchase of works published by De Agostini Diffusione del Libro and Utet (+40%) through Santander Consumer Finance Media.
On the other hand, the Bank restricted its operations in the automotive segment, while continuing to maintain its leading position. Sustained also by timid signs of recovery of the registrations market, the automotive segment continued to represent the Bank's main area of business, with major cooperation agreements with leading automakers such as Kia and, from the end of the year, the Korean Ssangyong.
In the motorcycle compartment, existing agreements were consolidated, with an increase in market share on loans to Yamaha (+5% in relation to the previous year), good growth in the KTM (+70%), Harley Davidson (+17%) and Triumph (+8%) agreements and, lastly, sealing a new agreement with Peugeot Motorcycle.
In 2007, sales of the One Fifth of Borrower's Salary product, a sector in which the Banks now ranks in eighth position (from thirteenth in 2006) in the specific Assofin classification, were further consolidated through Unifin Spa (in which the Parent Santander Consumer Finance, S.A. holds a 70% share).

Marketing

During 2007, attention was dedicated to consolidating new communication initiatives on alternative channels, such as SMS (text messaging) and e-mail. These actions contributed to maintaining a high rate of redemption of direct marketing campaigns targeting existing Bank customers which, together with further optimisation of traditional communication channels, promoted a 16% upswing in volumes generated by this activity.
During the year, new customer targets, based on various social-demographic and credit profiles, were identified, proposing specifically tailored solutions according to target.

In order to develop alternative sales channels, a new WEB site has been set up through which the user can request a loan directly on-line after simulating the most suitable repayment plan using an integrated computer able to manage high levels of personalisation.
The activity of this Department was upgraded during the year through the assignment of various reporting functions, with the aim of automating the production and management of information and of facilitating access to this by the sales network.
Cooperation with the Credit Cards Department was also stepped up in order to develop marketing and customer retention campaigns to support product activation and use ,activities and also new co-branding projects.
The sale of insurance services combined with loans continued to return excellent results both as regards well-consolidated covers, such as Credit Protection Insurance (CPI), Theft Fire and All-In-One insurance, and those introduced more recently such as Identikit, achieving a total y/y growth of 43%.

Nationwide Agreements and Credit Cards

Development of national agreements was reinforced in 2007 and also the support furnished to the Branches through adoption of a more efficient organisational model.
In particular, new sales agreements were sealed in the Automotive sector (SsangYong and Peugeot Motocycles), in the furnishings sector (Arredo Tre, Ermes, Sforza Living, Vismap and Floritelli Cucine) and in the sector of "Food" medium-scale retailing with the CRAI agreement that will come on stream in 2008.
The strategy adopted for development of "Top" agreements in the Automotive sector focussed on utilisation of these to support the Stock Financing product.
In 2007, total volumes of new loans ascribable to National Agreements and Cards posted a modest y/y increase of 3.6%.
The Motorcycle segment posted a y/y upswing of 18%, spurred by the major increase in "niche" agreements (Triumph, Harley-Davidson, KTM) and by reinforcement of the Yamaha agreement which, despite difficulties on the reference market (-7%), recorded a growth of 5%.
Furnishing sector results were more or less on a par with the previous year, although new agreements sealed during the year are expected to return significant results starting from 2008, also driven by a new organisation within the sales network.
In the electronics sector, the growth of the Bang&Olufsen agreement (+28%), forged by renewed commercial vigour and also the development of combined products (Credit Cards), is worth noting.

As regards Credit Cards, the excellent results in 2007 of the insurance agreements with Axa, Lloyd and Generali (a total growth of around 36%, with +46% stemming from the Lloyd agreement) must be stressed.
Due to the shrinkage in volumes in circulation, to be ascribed principally to exit from the market of large-scale retailing following gradual deterioration of the risk/earnings ratio, there was a slight y/y short-fall of 3.3% in the all-round performance of the product.

Direct Loans Department

During 2007, personal loans business reported a further significant increase: with a y/y growth of 39%, lending volumes moved up from € 524 to € 727 million.
On a highly dynamic, competitive market, despite the aggressive rates proposed to end customers on the Internet channel and the significant upswing in lending volumes, Direct Loans reported a more than significant result, also with regard to product earnings which moved from 11.1% in 2006 to 11.8% in 2007, achieved through constant, attentive management of sales policies.

As regards lending volumes, the results achieved by the Multimedia Products Branch on the Web channel, through both the www.santanderconsumer.it site and cooperation with Credit Online Spa (a company of the Mutuo Online Group), were particularly worthy of note.
In 2007, the Multimedia Branch generated flows for a total of € 102 million, equal to around 15% of the total personal loans granted by the Bank, achieving a 36% y/y increase in volumes generated.

Generally, the positive result of the direct channel, in terms of volumes, earnings and quality, was forged by the following decisive factors:

- a highly professional, suitably structured and organised, constantly updated sales network, actively involved in achieving objectives (qualitative and quantitative);
- increasing attention to direct marketing strategies and ever more fully-fledged communication campaigns targeting specifically defined customer segments, also sustained by increasingly sophisticated analyses of the results of previous campaigns;

- structured coordination and effective monitoring of cooperation with the agency and insurance networks which, in 2007, contributed to achieving around 13% of the total lending volume of the direct channel. Cooperation with Unifin Spa, an Italian investee of Santander Consumer Finance S.A. which operates, through its own agency network, on the market of loans secured by one fifth of the borrower's salary and Delegations of Payment, provided a significant contribution. During the year, the Unifin Spa network contributed to generating around 6% of the total volumes of personal loans, i.e. around 47% of total personal loans distributed thorough indirect networks;
- instruments for managing relationships with the customer and for monitoring technologically advanced, personalised services in order to comply with the requirements of commercial strategies and branch operational management (appointments diary; telemarketing applications, applications for extraction and analysis of the portfolio);
- constantly updated procedures shared with all other company areas (Risk Management, Auditing Department, Organisation Department), directed towards improvement of operating processes and pro-active control of portfolio quality (and therefore of risk).

Briefly, in 2007, the direct channel dedicated particular attention to a further improvement of its organisation and own sales/distribution strategies, with the final goal of generating a highly interesting portfolio as regards volumes, earnings and quality.

Banking Products Department

Marketing of the "Conto Santander Consumer", a high-yield deposit account, continued in 2007 with new promotions addressing new and existing customers.
To this end, the Bank consolidated its operations on this market and, despite strong competition also from traditional banks, succeeded in maintaining a substantially stable level of deposits, which amounted to € 407 million for around 17,000 accounts open at December 31 2007.
"Santander Time Deposit", a high-yield time (6 or 12 months) deposit account was launched in the last quarter of the year; at year-end 2007, around 160 accounts had been opened with deposits of € 2.2 million.
Opening of current accounts intended for franchised sales points, as preferred instruments for the settlement of directed workflows and for short-term management of cash and, above all, as settlement accounts for Stock Financing product operations (financing of stocks of goods - new vehicles and motorbikes - reserved for Top Dealers) continued with a noteworthy acceleration in the last quarter 2007: at December 31 2007, there were 220 active positions and credit lines granted reached € 83.8 million for a draw-down of around € 62.8 million.
Examination and approval of consumer finance contracts and personal loans that reach specific levels of exposure/risk was stepped up during the year. In 2007, the Banking Products Department processed around 33,000 contracts, 45% up on the previous year.

Processing Department

After reinforcing its structure with a major internal re-organisation which involved transfers of resources to the management of products with highest growth rates (leasing and personal loans), in 2007 the Processing Department concentrated on developing and completing a joint project with General Management and Sales, named "Progetto Qualità". An ever more competitive and "demanding" market imposes maximum efficiency of the process of loading and approval of loan applications, where efficiency means the speed of notification of the result of the loan application to the Dealer and, also, precision in the phase of loading the personal and financial data of potential customers.
The following projects were therefore completed:

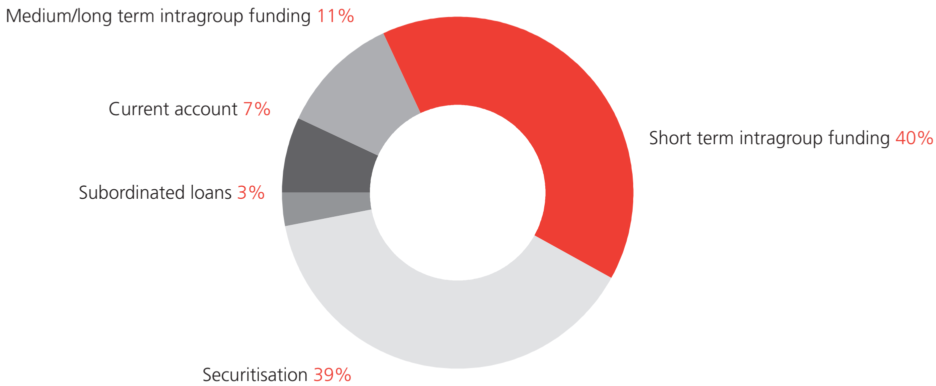
- Migration of the fax server to a new IT platform which made it possible to improve the speed of reception, display and filing of the documentation;
- Management of a list of 300 Top Dealers, drawn up by the sales network according to importance in terms of volumes traded or on the basis of their growth potential, assigning top priority to these in the approval procedure both as regards the Fast Loading method and on the web channel. The list of the 300 Top Dealers is updated quarterly by Sales Management. The Processing Department is committed to guaranteeing loading and approval within 120 minutes from reception on the fax server of the documentation sent by the Dealer. The aforementioned SLA (Servicer Level Agreement) returned average values of around 98%;
- An activity has been launched for the management of Top Dealer contracts that have been suspended (for more than 2 days) through a telephone contact intended to obtain the missing information for definitive approval. This activity returned significant results and was particularly appreciated by all the related parties. The related SLA returned average values of around 75%;
- Completion of structured activities in daily monitoring of the quality of the data loaded in the AS400 system by

outsourcers, through checking of a 5% sample of all the data loaded the previous day. The activity confirmed compliance with the contractually agreed SLAs.

Financial management

During the year, the Central European Bank continued to apply the tight monetary policy launched in December 2005 and continued throughout 2006, with two subsequent interventions on the benchmark rate in March and June.
Financial management was particularly delicate due to the upswing in the average cost of funding and difficulties in promptly transferring such costs to the lending side, in an ever more attentive search to achieve the best compromise between maximising short/medium term results and interest rate risk management.
At year-end, total indebtedness, direct and indirect (securitisation), reached € 5,835 million, moving up 19.2% in relation to € 4,895 million in the previous year.
The breakdown of indebtedness according to technical form is shown in the graph below:

Funding



Short-term funds issued at market rates by the Shareholder continue to represent the most significant component (more than 40% of total exposure) accompanied, with an almost identical percentage, by securitisation of loans, equal at year-end to around 39%.

At year-end, funding via customers' current accounts accounted for 7% of the total, a slight reduction on the 10% at December 2006, despite a significant reduction in investments in communication.
In the medium/long-term segment, "Upper Tier II" and "Lower Tier II" subordinate loans remained unchanged at € 165 million. The characteristics of these loans comply with the requirements of the Regulatory Authorities for calculation in the Bank's Regulatory Capital.

In January 2007, once again within the securitisation programme launched in 2004, a fourth issue of Asset-Backed Securities was structured for € 700 million, thus reaching a total of securitised loans, at programme level, of € 2,100 million.
With regard to the above programme, amortisation of the Series 1 securities issued in March 2004 started in November. On the date of payment of the interest for November, Class A securities were reimbursed for € 26,254,107.11.
Also with regard to securitisation, a new securitisation programme was launched in November and completed in March 2008. This new programme, always with a maximum amount of € 2.5 billion, had to be created as the maximum limit of securitisable loans of the on-going Programme had almost been reached (€ 2.1 billion in relation to € 2.5 billion) and also due to evolution of the consumer finance market and of the strategic objectives pursued by the Bank in terms of product mix.
A first tranche of securities (Series 1) has already been issued against the new Programme for € 700 million, floated on the market in March 2008 as follows:

Title	Amount	Rating (S&P/Moody's)	Coupon
Class A	631,750,000	AAA/Aaa	EURIBOR 3 months + 60 bps
Class B	49,000,000	A/Aa3	EURIBOR 3 months + 175 bps
Class C	15,750,000	BBB/ Baa2	EURIBOR 3 months + 300 bps
Class D	3,500,000	Not rated	

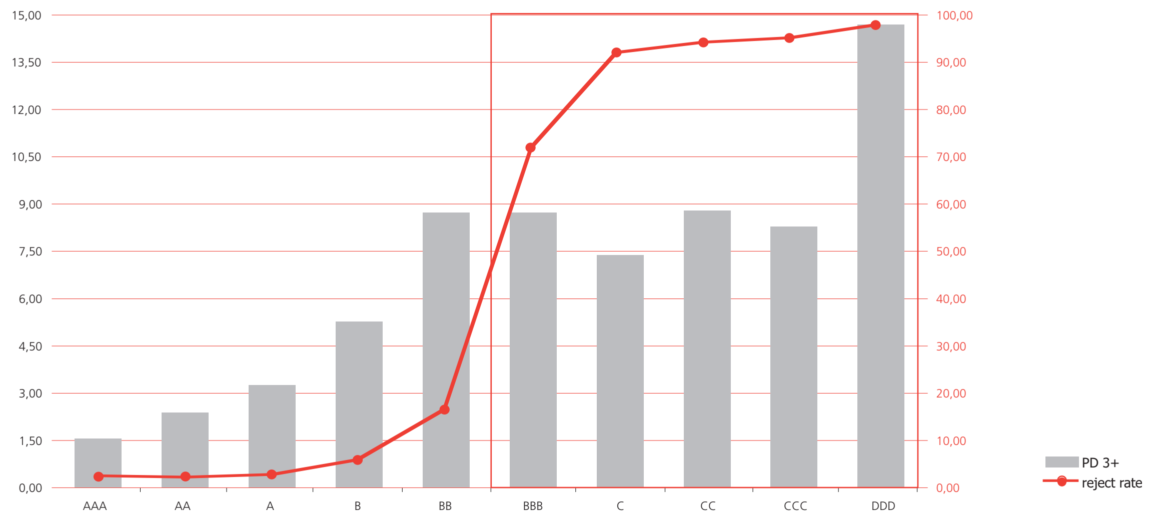
Financial risk management policies

With a portfolio of fixed-rate loans with an approximate duration of 18.4 months and funding with variable- or fixed-rate contracts of shorter duration, the Bank is inevitably exposed to rate risk that is managed adopting Group-wide macro-strategies and according to precise, formally-defined limits of exposure.
Such risk is managed through trading in derivatives (in most cases though Interest Rate Swaps contracts), mainly with the Parent Bank.
Through these contracts, usually with a duration of between two and four years, and with EURIBOR 3 or 6 months as variable benchmark parameter, the Bank "artificially" increases the contractual duration of certain portfolios of funds.
Precise limits of exposure to rate risk (measured in terms of effects on Net Present Value (NPV) of the portfolio and on the interest margin of an instantaneous increase of 100 bps in market rate curves), to liquidity risk and counterparty credit risk (the latter restricted to operations on derivatives), are defined in cooperation with the Group.
With a view to separating responsibility, monitoring of exposure to rate, liquidity and counterparty risk is entrusted to an organisational unit (Risk Planning and Control) independent of the Treasury Department which is responsible for financial management of operations.
Detailed reports on exposure to financial risks are prepared twice a month and submitted periodically to the Board of Directors or to the Executive Committee. The financial policies of the Bank are discussed with the Asset & Liability Committee (ALCO) whose functions are detailed elsewhere in this Report.

Credit policy

As far as credit risk is concerned, the Bank continued to maintain/update the automated decision-making process with the aim of enhancing the discriminating power of the internal rating system during assessment of loan applications. In particular, the scoring models of personal loans, credit cards, used car and furnishings products were revised.
The testing and study of new scoring systems based on neural networks continued with encouraging results, reflecting the Bank's constant commitment to improving management of the operating process and customer analysis in the acceptance phase. This statistical method permits construction of a non-linear customer assessment model, i.e. based on statistical algorithms able to learn from past experience. The two previous models constructed on the new and used car sectors have been flanked by a new model for analysis of personal loans. The network is trained using a specific algorithm whose purpose is to modify the weights and other parameters of the network in order to minimise forecasting errors and, therefore, to optimise the result.

Performances and denials (reject rate) by rating segments



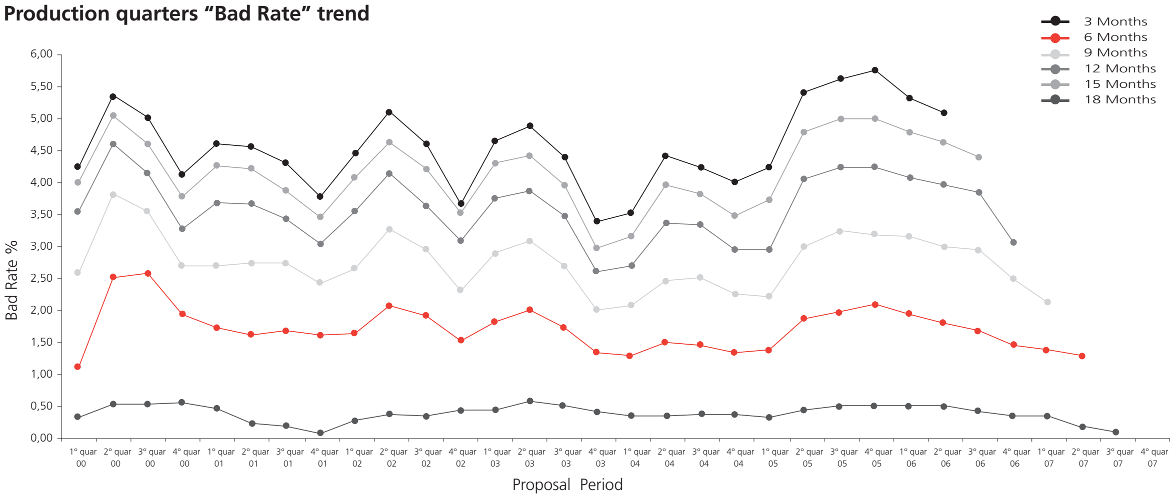
The graph illustrates the litigation rate, generated in 2007, expressed in percentage terms (histogram) for each individual rating segment and the related reject rate (line).

Quality of the Portfolio

In the graph below, the bad rate represents the percentage of contracts that have recorded a maximum peak of three consecutive overdue instalments, regardless of subsequent payment of these. The curves represent the maturity of the portfolio considering the same production quarter. Starting from 2005, the bad rate curves have shown a clear reversal of trend, interrupting the positive trend of gradual reduction of the litigation rate. This phenomenon has been generated mainly by the loss of information on the credit circuit deriving from the introduction of the Code of Ethics.

In order to restrict the effect of growth of risk, corrective actions were adopted in 2007 in the acceptance phase. These actions, mainly based on adaptation of the scoring systems, made it possible to align customer acceptance policies with the expected probability of default. The effects of these measures are reflected in the graph below, which shows a substantial, generalised reduction of bad rate lines in relation to 2005 and 2006.

Production quarters "Bad Rate" trend



Call Center

During the year, Customer Service completed various activities already initiated at the end of 2006, also launching a number of new projects.

Overall, volumes of inbound calls were more or less on a par with those of 2006; however, there was a reduction in transfers to operator, reflecting the improved efficiency of the inbound call distribution procedures in IVR (Interactive Voice Responder) which require prior identification by the customer for recognition of active accounting positions with automatic issue of information/routing of the call towards the competent service.

Procedures for the outsourcing of front-end and back-office activities were also consolidated and extended: re-routing towards the level managed in house reached an average 7% of calls received.

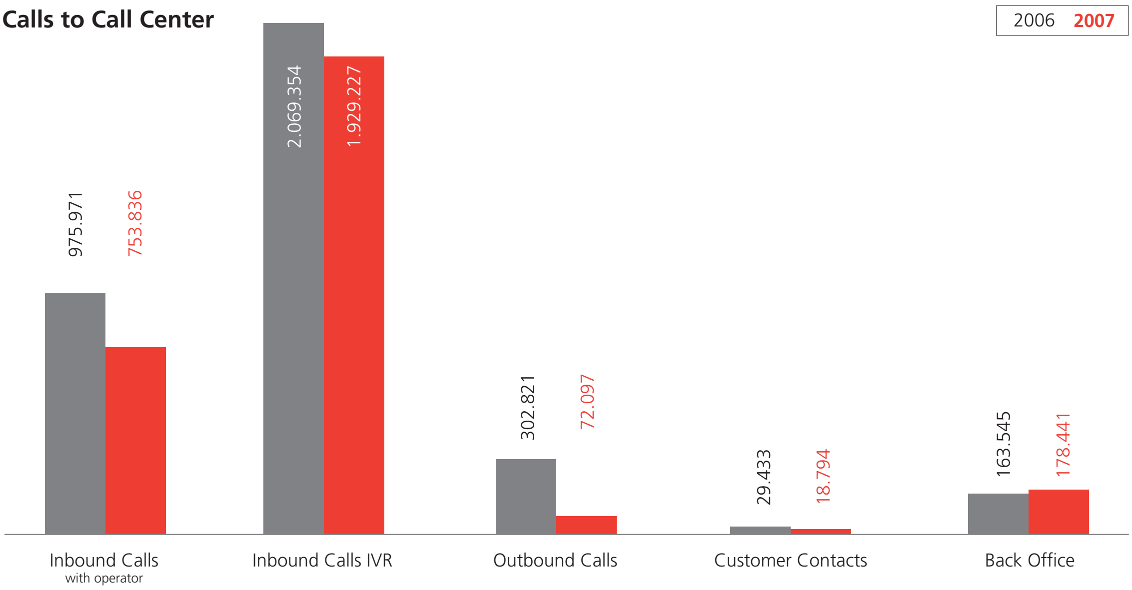
The main project launched in 2007 was the creation of a Quality Group dedicated to the monitoring, development and checking of all activities. This goal has been achieved as follows:

1. "Mystery Calls" that permit direct checking of external operators' replies to our customers with also the possibility, if necessary, of intervening with instructions regarding a specific topic or group of operators.
2. Spot checks on back office and data entry activities in order to guarantee an excellent level of quality on all customer contact channels.
3. Start-up and development of an activity tied to a Business Intelligence project for identification and outbound management of critical operations (multiple calls in defined time sequences, check-up calls to verify reception of fax/documents sent, etc.) coming directly from customers.
4. Outsourcing and control of the entire outbound part concerning Dealer risk quality calls. This promotes savings, in terms of management, and more constant, efficient checking of Dealers, both as regards control and prevention, in cooperation with the internal fraud-prevention unit.

5. Further development of the portal dedicated to external operators which comprises various reply and training support tools.
6. Outsourcing, development and upgrading of the SMS (text messaging) channel, particularly appreciated by customers, in order to optimise the related costs and response times.

There was a further y/y increase of 9% in traffic on the outbound SMS channel, while management of inbound SMS achieved an excellent customer satisfaction index. In 2007, more than 23,000 requests were managed, thus reducing the burden on the telephone channel and offering customers a fast service. During the year, the service was further expanded with the following processes:
- drafting of templates for standard customer replies;
- introduction of an automatic routing engine by product and type of request (according to the presence of a code/specific word in the text of the SMS), to permit distribution of the requests according to work group and level of competence (in house and outsourcing).

Calls to Call Center



IT Systems

With a view to aligning with Group strategic/organisational criteria, the Italian branch of the ISBAN Spanish company, which operates in the Information Technology sector, was set up in 2007, with transfer of all the personnel previously assigned to the Systems Department of the Bank.
For the Bank, this company guarantees overall functioning of the IT System and suitability with company priorities and qualitative and quantitative requirements, and also security and continuous functioning of the equipment, the possibility of restore in the case of accidental events, the confidentiality and integrity of the information managed.

In addition to its constant commitment to system maintenance and to providing other company areas with support, IT Systems was involved during the year in various projects directed towards standardising internal procedures and to offering Bank business partners and customers improved products and services.
Particularly noteworthy projects included those that promoted improvement of internal procedures and operations, such as: actions directed towards application of Information Security policies, implementations for management of commercial cooperation with Olio Carli, the management of databases relating to the Bank's internal fraud-prevention unit, integration in existing programmes of the new product ("Time Deposit") launched by the Bank to reinforce the products portfolio for the collection of liquidity, assistance in creating the Semeion Neural Networks to support prior scoring activities.

Activities tied to new projects, such as on-line connection of a network of Agents for the acquisition of consumer and leasing contracts, the development of a web interface to support the agreement aimed at acquiring renting contracts through the SOA (Department Object Architecture) channel and also the on-line connection to support new commercial cooperation relationships (such as that launched with Mediolanum with regard to personal loans, also based on web-oriented procedures) were launched in the last quarter of the year and are currently at the development phase.

Legal Department

According to the resolution of the Board of Directors of September 18 2007, the Bank has adopted the Organisational, Management and Control model defined by Legislative Decree No. 231 of June 8 2001 regulating the administrative liability of legal entities and has also set up the Supervisory Body, specifically delegated to implement the provisions of the Model.

This Body, chaired by the Head of the Legal Department and whose members include the Chairman of the Board of Statutory Auditors, the Head of Auditing and Operating Controls and the Head of Human Resources, is endowed with all the various professional competencies necessary for control of company management and also with the complete autonomy and independence required by legislation.

This decision follows the path already initiated by Santander Consumer Bank which, aware that pursuit of the corporate mission necessarily implies complete compliance with current laws and regulations, with the principles of fairness, correctness and integrity, had already adopted the Code of Ethics in 2004.

The functional objective of the Model is to prevent the risk of perpetration of the offences falling within the scope of the Decree with regard to the administrative liability of legal entities, inspired by the principles of transparency, correctness and fairness and also applying the core principles of the Code of Ethics, as an expression of the conduct to be adopted by all those who act in the name and on behalf of the Santander Consumer Bank Group.

Briefly, the Model comprises:

- a general part that illustrates the aspects, purposes and contents of Legislative Decree. 231/2001 (Legislative Decree 231/2001; the Organisational, Management and Control Model; the Supervisory Body; flows of information from and towards the Supervisory Body; the Code of Ethics; the Disciplinary System; Deployment of and Training in the Model);
- a special part that defines “sensitive” activities for the purpose of preventing perpetration of the crimes envisaged by the Decree, the operating procedures that regulate the activity, the persons responsible for managing the activities and the system of internal controls established to mitigate risk;
- annexes, consisting of the updated Code of Ethics, of the Guide to the crimes envisaged by Legislative Decree 231/2001, the matrix and sheet of the crimes, the map of sensitive activities and of the systems of governance, the reporting sheet and standard notification form.

The method of work adopted when drafting and developing the Model, which will also be used in the future in the case in which administrative liability is extended to other types of crimes, is based on:

- a prior assessment by the Auditing and Operating Controls Department, with the assistance of the Santander Consumer Bank Legal Department, of currently applicable regulations regarding the administrative liability of legal entities;
- identification, by the Auditing and Operating Controls Department, of “sensitive areas”, i.e. those with a higher risk of possible perpetration of illicit conduct, to be submitted to the examination of the Supervisory Body;
- creation by Auditing and Operating Controls for each Department of a map of sensitive activities within the organisational units involved;
- assessment of existing organisational protocols and of the adequacy of the systems of control established for “sensitive” activities, by the persons responsible for the processes concerned with the support of the Auditing and Operational Controls Department;
- construction of a risks database containing the sensitive areas, the activities carried out by these, the risks inherent in such activities, the crimes envisaged by Legislative Decree 231/2001 and existing control systems of the aforesaid activities.

Organisation

During the year, Organisation Department carried out organisational support and coordination activities for the strategic projects implemented by the company for development and consolidation of its position on the reference market.

In cooperation with the Marketing Department, it drafted the procedures necessary for registration of Group Dealers according to ISVAP requirements. In this environment, the procedure, both as regards technical and organisational aspects, has been acknowledged by the counterparty as “Best Practice”.

According to requests received from the Shareholder, with the aim of monitoring and prompt identification of illicit conduct, the Organisation Department drew up the on-line "Complaints Register", for collection and transmission of the data of complaints received, and distributed this to all company areas involved.

In cooperation with the Systems Department, the activity of drafting and improvement of security procedures in accordance with the requirements of Parent Bank policies continued. Major actions included modification of the rules of physical access to Bank premises with a consequent increase in the level of security and protection of company areas.

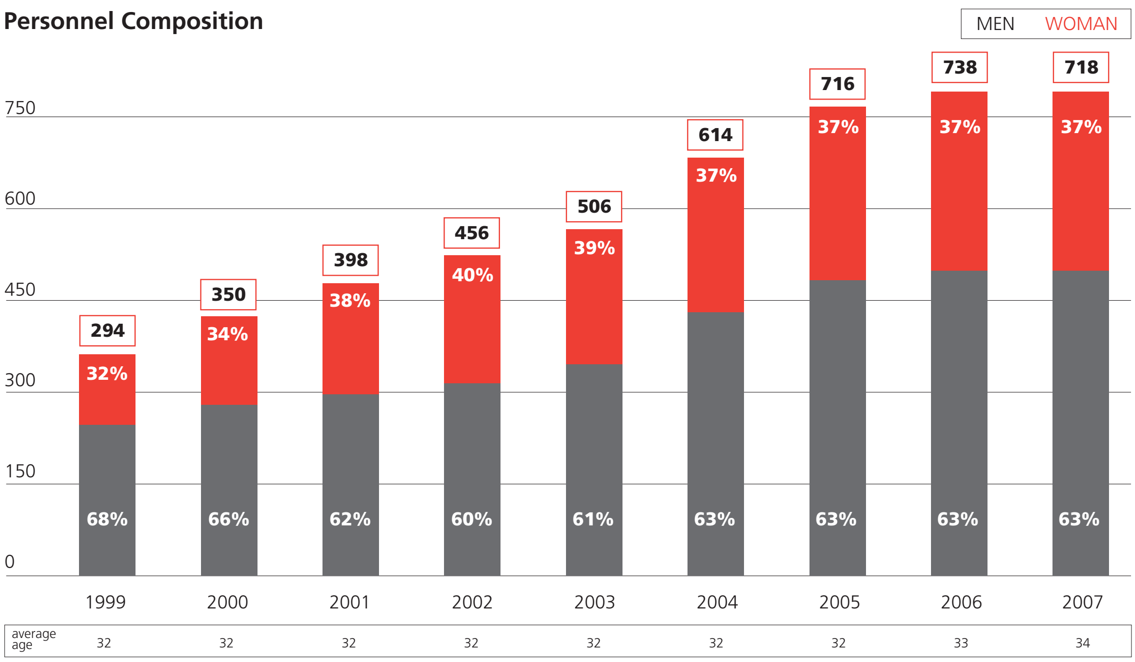
Attention was dedicated to upgrading the areas of the corporate Intranet dedicated to personnel training and information. This area has in fact been used to transmit information and the events organised to celebrate the 150th anniversary of the founding of Banco Santander to all employees.
In cooperation with the Personnel Office, an annual compulsory training plan for all employees has been defined, identifying the courses that are compulsory by law and/or according to company policy and combining these in a standard on-line training package, to be scheduled at specific dates able to guarantee the required monitoring and coverage.
The Department also monitored organisational changes during the year, informing all employees of these through the publication of the Organisation Regulation and update of organisational mapping.

With regard to the general obligations established by Legislative Decree No. 196 of 30/06/2003 (Code on Privacy, the Security Policy Statement has been updated for all Group companies.

Human Resources

The Group workforce consists of 718 employees of which 10 directors, 124 managers and 584 staff members. The decrease of 20 persons in relation to 2006 was to be ascribed exclusively to the divisionalisation of the IT department at the newly-established Italian branch of ISBAN (Banking Software Engineering), a company wholly owned by Grupo Santander.
Thirty-five staff members were hired with integration contracts.
At year-end, 51 resources were involved in post-graduate periods of training.
Resources were allocated 63% to the sales area and 37% to various General Management functions.
Average age (34) and also the percentage of female staff (37%) in relation to total employees were unchanged in relation to the previous year.

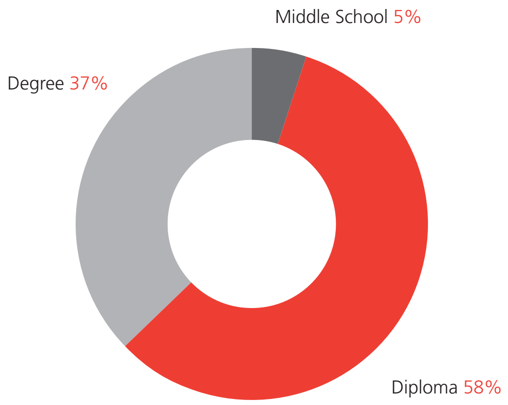
Personnel Composition



Company training activities contributed to enhancing and consolidating, in particular, sales skills, with around 14,000 hours of training. Attention was also focused on managerial skills such as leadership, communication and management of resources, with more than 400 hours of training. On-line training played a major role with around

1,800 hours of courses, guaranteeing complete coverage of all the various topics of interest to the company.
Training provided according to new ISVAP regulations involved around 110 employees for a total of around 6,000 hours of training.
A national training project was also launched for company talents, with the participation of 15 colleagues of General Management and of the Sales Network. The participants had the opportunity of developing methodological guidelines and operating instruments with a view to supporting and enhancing their professional and personal skills.

Qualification



Another event worthy of note was the participation in the international initiative, dubbed "Santander Ambassador", launched at Group level, in which an Italian colleague was involved in an interesting training experience at the Polish division of Santander Consumer.
In the Summer, as part of world-wide events to celebrate the 150 years of business of Banco Santander, all Group employees were awarded 100 shares of Banco Santander free of charge.
Cooperation with leading Italian Universities continued with excellent results involving, in 2007, 71 new graduates in training periods, some of whom were subsequently hired.
As usual, relationships with the Trade Unions were inspired by transparency, correctness and respect of reciprocal roles.
As in previous years, the results achieved in 2007 were also forged by the active participation, professional maturity and dedication of all Group personnel to whom we express our sincere thanks.

Credit Recovery

In line with evolution of the bank and market changes, sweeping modifications were made during the year to the Credit Recovery structure, mainly directed towards optimising processes and improving efficiency in order to meet challenging budget targets.
From January 2007, activation of recovery procedures on consumer finance product contracts has been gradually anticipated and, starting from September, management of recovery activities is initiated 35 days from the date of the first default instead of at 65 days as in the past. The final goal was to anticipate all recovery phases by one month in order to improve cash flows and also to have an extra month for management of positions, while maintaining the same write-off times.

Briefly, the main objectives to be achieved were:

- reduction of the number of customers with more than three overdue payments;
- ereduction of monthly write-offs;
- anticipation of legal management;
- improved investment of available economic resources.

The new strategy, combined with the continuing upswing in Bank volumes and the economic problems that continue to affect a significant percentage of Italian households, resulted in a major increase in contracts managed.
This made it necessary to increase the number of external partners who continue to represent an increasing important instrument in achieving all-round objectives.

Various actions were taken to reinforce the first phase of Phone Collection, in particular as regards the consumer finance product, which made it necessary to select and train new partners.

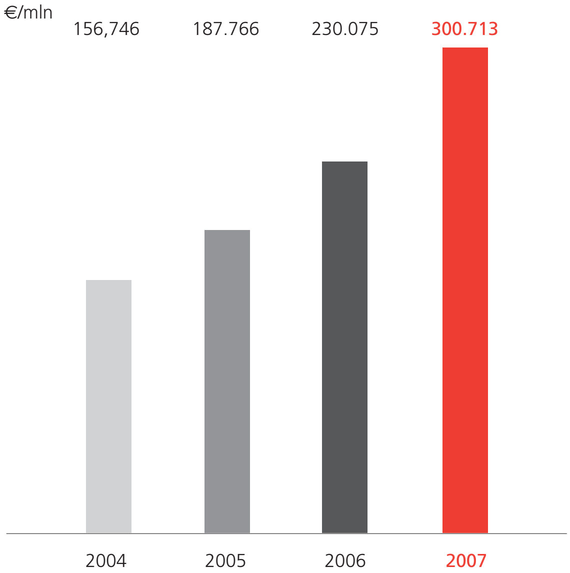
There was also a noteworthy upswing in volumes managed with regard to the credit cards product, characterised in 2007 by higher recovery performance than in the previous year.

With regard to the leasing product, position management times were extended by one month in 2007: at the end of the first five months of processing, 90% of the positions has been settled while the remaining positions were entrusted to Litigation which achieved a considerable improvement in its performance in this area.

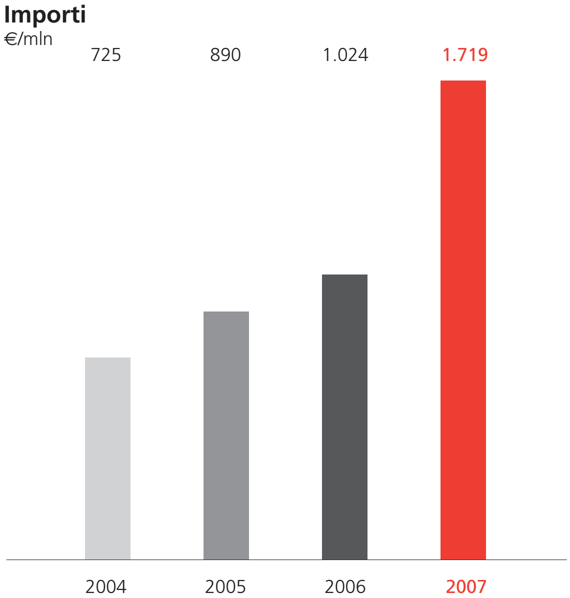
Overall, the recovery structure has consolidated and stepped up relationships with specialised external partners, also monitoring and constantly controlling their activities.

In 2007, 300,713 contracts (consumer finance, credit cards and leasing) were involved in credit recovery procedures with a y/y increase of 30.7%.

Pratiche



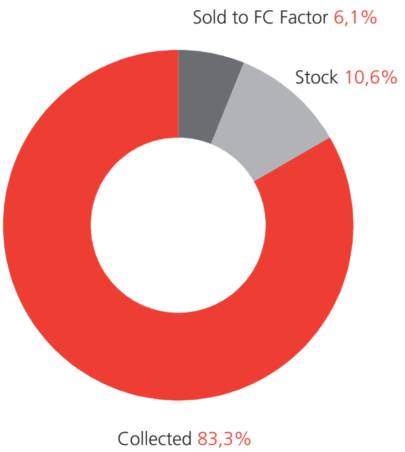
Importi



The percentage of actions with positive outcome referring to new consumer entries was 88.2%.

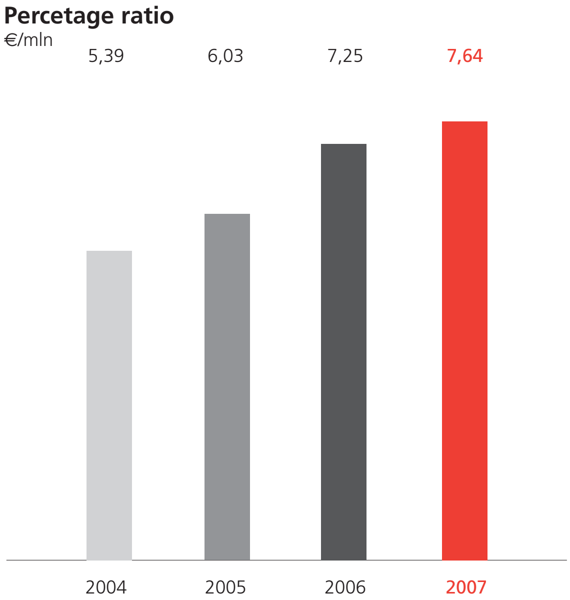
The results of recovery activities in terms of value, as highlighted in the graph below, were positive for 83.3% of the contracts managed during 2007, with a backlog under management at year-end of 10.6%.

Performance Nominal Value



The amount of loans assigned during the year to the Santander Consumer Finanzia S.r.l. subsidiary corresponded to 6.1% of the risk managed.

During the year, the percentage ratio between the value of contracts not collected and that of contracts involved in credit recovery procedures, in the reference month, was 7.64%.



The positions managed by Litigation were characterised by a reduced increase in volumes, of only 4%, but with a higher level of inbound risk due to a generalised increase in the average ticket.
Also in 2007, priority was given to preventing and managing situations in which both the rights and image of the Bank must be protected.
There was also been a significant increase in the number and complexity of the cases of customers represented by lawyers, consumer associations, foundations, etc. which must obviously be addressed with prompt, highly professional actions.

At year-end, credit recovery staff was more or less stable. The credit recovery structure comprises qualified, highly specialised resources whose main activities are increasingly focussed on precise governance, coordination and control of volumes managed by decentralised structures in Italy.

Constant improvement of methods and the use of increasingly sophisticated technology made it possible to maintain the positive costs/benefits ratio of credit recovery activities in 2007, while still guaranteeing the indispensable quality of contacts with customers who, in view of their peculiar characteristics, must always be followed with maximum attention.

Tax disputes

With regard to the tax audit of the Bank by the Agenzia delle Entrate - Direzione Regionale del Piemonte (Revenue Office - Regional Management of Piedmont) in the period December 2003 - March 2004, the following should be noted.
On December 29 2006, the *Agenzia of the Entrate - Ufficio Torino 1* (Revenue Office - Turin 1) appealed against the decision handed down by the Provincial Tax Commission which acknowledged the complete legitimacy of the Bank's conduct with regard to the findings of the auditors (in detail: illegitimate deduction of losses, non-permissible advanced amortisation, failure to invoice taxable operations, failure to pay purchases). In the appeal, the Tax Authorities did not submit any particular new findings in relation to those expressed in the first level of judgement.
Following the public hearing on Junes 11 2007, the decision of the Regional Tax Commission of Turin was deposited on October 1 and subsequently published; in partial modification of the first level decision, the Bench declared:
- the non-deductibility of the loss following assignment without recourse of receivables, quantifying the related fiscal recovery according to the carrying value of the receivables instead of the nominal value as demanded by the Tax Authorities and, also, re-asserting the principle of the need to quantify and recognise the effects of "receivables of modest amount" (without however specifying the maximum amount to be considered as "modest");
- the illegitimacy of the advance amortisation applied;
- the liability to VAT of certain services tied to transactions with credit cards;
- that assignments without recourse of receivables according to the procedure adopted by the Bank are not liable to VAT.

With the assistance of its own fiscal consultants, also in view of the repercussions that the contents of this decision could have on the entire banking and financial system, the Bank immediately contacted the Associazione Bancaria Italiana in order to agree on the next steps to be taken.
Furthermore, in the records of the cross-examinations and in the closing report of the assessment procedure with acceptance for tax years 2000-2001-2002, finalised in April 2006, the Tax Authorities had expressed their agreement with the Bank's assumptions regarding:
- the suitability of the procedure adopted to qualify, even if on a statistical basis, the existence of "certain and precise" data such as to permit deductibility of the losses;
- the substantial congruity of the transfer price, also liable to a further reduction in view of the declining trend of the average amounts recovered by Santander Consumer Finanzia.

Also, in April-May 2007, the Tax Police - Turin Section carried out a partial audit at the Bank of income taxes pertaining to the 2005 tax period.

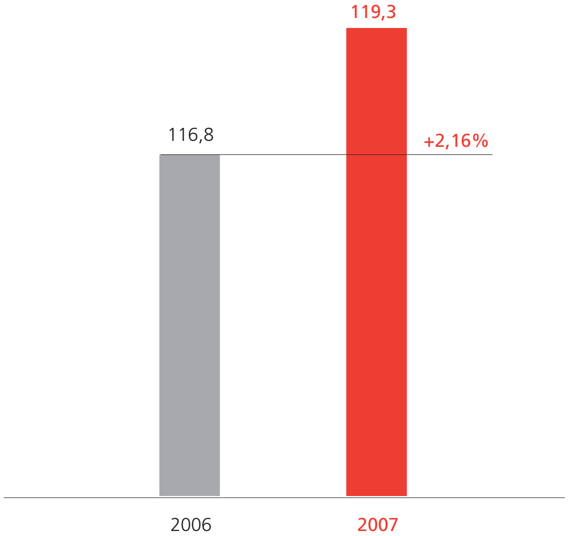
The audit focussed on both formal and substantial controls. The Official Tax Audit Report issued at the end of the audit once again asserted the non-deductibility of losses following assignment without recourse of receivables for an asserted taxable amount to be recovered to taxation (for the purpose of IRES and IRAP) equal to € 6,256 million. Therefore, the subject of the observation was the same as that of the dispute indicated above.

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

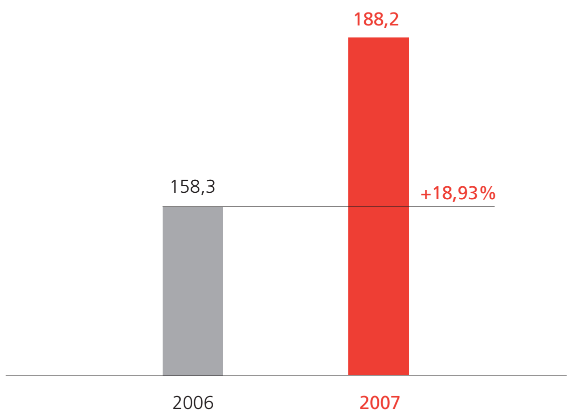
The main financial-operating performance indicators of the year, compared with those of the previous year are set forth below (data in millions of euro).

					Variation	
	2007	% ATM	2006	% ATM	Absolute	(%)
Interest margin	**119.3**	**2.1**	**116.8**	**2.5**	**2.5**	**2.2**
Result of activities in foreign currencies	0.0	0.0	0.0	0.0	0.0	0.0
Net commissions	68.9	1.2	44.5	1.0	24.4	54.9
Commercial margin	**188.2**	**3.3**	**161.2**	**3.4**	**26.9**	**16.7**
Net result of financial activities	0.1	0.0	(3.0)	(0.1)	3.0	(102.3)
Intermediation margin	**188.2**	**3.3**	**158.3**	**3.4**	**30.0**	**18.9**
Other operating income/expense	33.1	0.6	33.9	0.7	(0.9)	(2.6)
Administrative expenses	(87.9)	(1.5)	(82.2)	(1.8)	(5.7)	6.9
- personnel costs	(36.3)	(0.6)	(33.1)	(0.7)	(3.1)	9.4
- other administrative expenses	(51.7)	(0.9)	(49.1)	(1.0)	(2.6)	5.3
Adjustments on assets	(6.8)	(0.1)	(7.8)	(0.2)	0.9	(12.0)
Operating margin	**126.6**	**2.2**	**102.2**	**2.2**	**24.3**	**23.8**
Net adjustments of value for impairment of:	(74.3)	(1.3)	(58.0)	(1.2)	(16.2)	28.0
- Credits	(74.3)	(1.3)	(58.0)	(1.2)	(16.2)	28.0
Net income before taxes	**52.3**	**0.9**	**44.2**	**0.9**	**8.1**	**18.3**
Income taxes	(32.8)	(0.6)	(23.7)	(0.5)	(9.1)	38.6
Net income after taxes	**19.5**	**0.3**	**20.5**	**0.4**	**(1.1)**	**(5.1)**
Consolidated year result	**19.5**	**0.3**	**20.5**	**0.4**	**(1.1)**	**(5.1)**
Group income	**19.5**	**0.3**	**20.5**	**0.4**	**(1.1)**	**(5.1)**

Interest margin



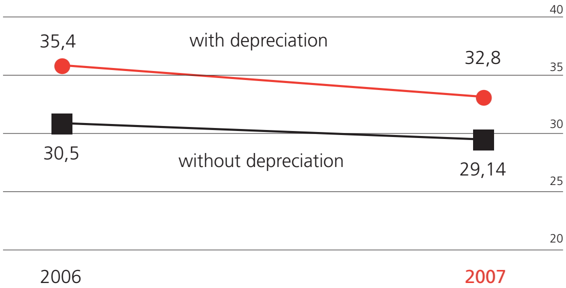
Intermediation margin



In 2007, there was a y/y increase of 29.7% in interest income and of 50.9% in interest expense, which generated a modest increase (2.2%) in the Group interest margin. This effect was closely tied to the evolution of market rates, according to which the average return of the assets (at fixed rate) reacted less quickly than the average cost of funding. This phenomenon, which can be considered a more or less physiological, was also accompanied by the effects of the ever fiercer competition of sector operators which generated a very strong compression of yield margins, also reflected in the evolution of intermediation commissions paid to the dealer network. As is known, these items, disclosed under the interest income heading of the income statement according to the amortised cost principle, increased by around € 11.7 million or 18% in relation to the previous year.

There was an 18.9% increase in the intermediation margin, driven by a 54.9% upswing in net commissions; commissions receivable were marked by particularly positive performance, progressing from € 64.4 million to € 85.6 million, spurred mainly by the excellent results of the sale of insurance products placed with customers (functional to loans granted) and by collecting commissions (whose growth is closely tied to the evolution of the loans portfolio), whose contribution increased by more 16% in relation to the previous year.
At the same time, there was a drop in absolute value of commissions payable, mainly due to the reduction in inter-bank charges and the optimisation actions undertaken.

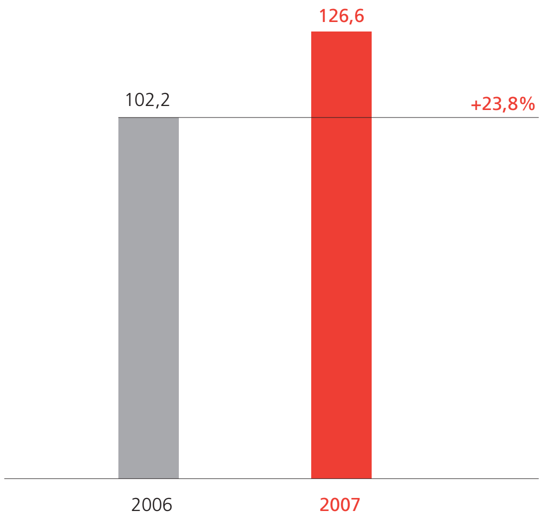
Efficiency ratio

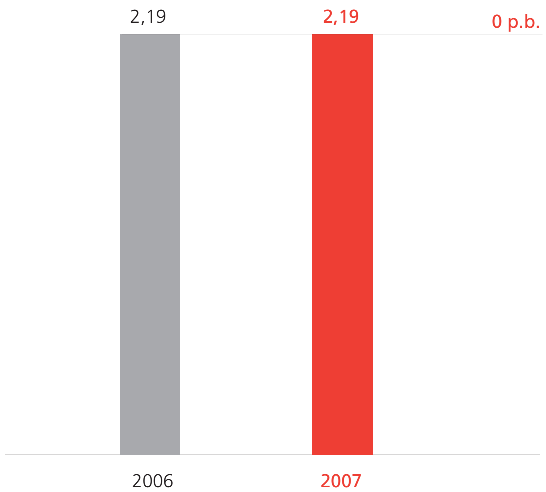


The *efficiency ratio*, calculated as the relationship between the sum of administrative costs and other net operating income (with and without amortisation) divided by the intermediation margin, improved over 2006 due, on the one hand, to the above-mentioned increase in the intermediation margin and, on the other, to the strong policy of rationalisation of costs that made it possible to restrict the increase in administrative costs to 7% for year.

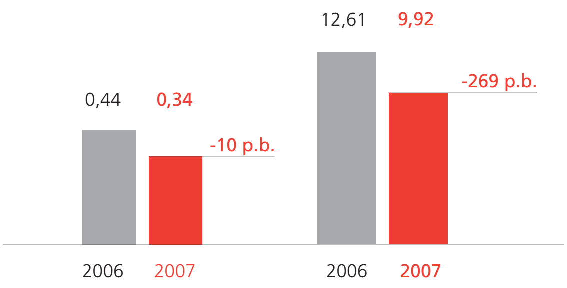
The 23.8% increase in the *net operating margin*, calculated as the sum of the intermediation margin, other operating income and expense, administrative costs and amortisation, was mainly driven by the increase in the intermediation margin. The relative incidence in relation to average assets on the balance sheet was unchanged due to the effect of the consistent 23.5% increase in average assets during the year.

Net operating margin
in absolute values / in percentage of Average Assets





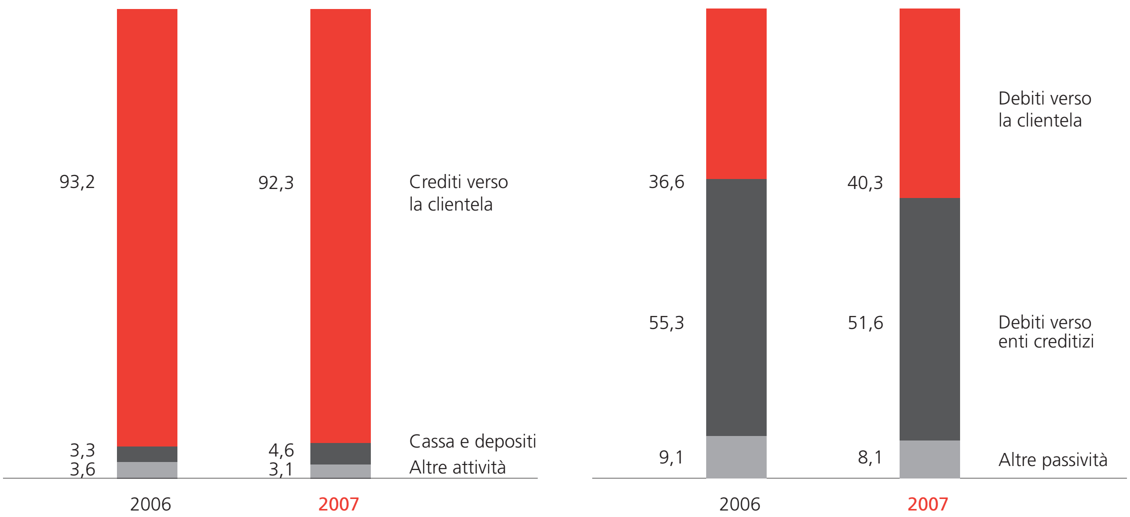
Roa/Roe
(%)



Return On Assets decreased by 10 bps. This phenomenon is closely related, on the one hand, to the increase in average assets (+23.5%) and, on the other, to the evolution of net income for the year, lower than in 2006 due to the negative effects of deferred taxes generated by the rate changes introduced by the 2008 Finance Act.
Return On Equity decreased by 269 bps due to the combined effect of the drop in net income and the increase in the share capital which moved from € 100 to € 122 million following the share capital increase effected during the year.

There were no major y/y changes in the structure of assets, while the structure of liabilities, with regard to payables to customers, reflected the effect of issuing, in 2007, asset-backed securities relating to the fourth series of the securitisation programme. This component, combined with the increase in funding to support commercial development and assets managed, offset the reduction in current account payables and deposits with customers.

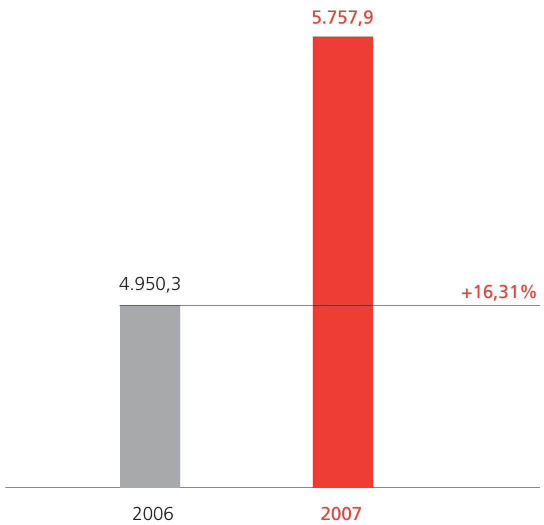
Structure of assets and liabilities on the balance sheet



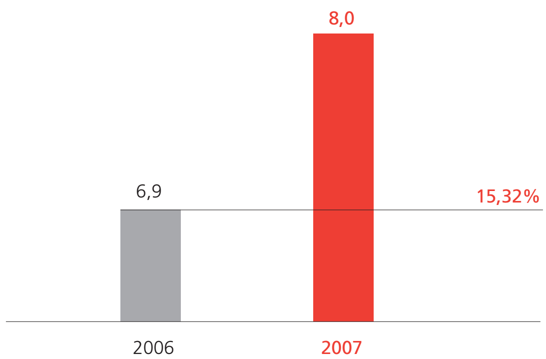
			Variation	
	2007	2006	Assoluta	(%)
- Car loans	3,546	3,287	260	7.9
- Direct loans	340	366	(26)	(7.1)
- Personal loans	1,070	762	307	40.3
- Cards	202	184	18	9.7
- Leasing	426	335	91	27.1
- Transfer 5th of salary	169	57	113	198.5
- Stock financing	63	9	54	580.1
- Factoring	57	40	17	42.7
Other credits	4	6	(2)	(32.8)
Other components of amortized cost	(33)	(27)	(7)	24.6
Gross credits	**5,844**	**5,019**	**825**	**16.4**
Fund for credits risk	(86)	(69)	(17)	24.9
Net credits	**5,758**	**4,950**	**808**	**16.3**

As regards movements on receivables from customers, the 16.3% y/y increase was to be ascribed, on the one hand, to the increase in lending volumes (+13.2% in relation to 2006), particularly strong on the direct and leasing channels and, on the other, to the upswing in commissions payable, of which the component due is inserted in this aggregate according to the IAS amortised cost principle.
Particularly significant increases were recorded in personal loans (+40.3%) and with regard to the transfer of one-fifth of salary product which triplicated its outstanding in relation to 2006, thus confirming the effectiveness of synergies with Unifin Spa, a subsidiary of the Spanish Parent Santander Consumer Finance S.A.
The results of stock financing were also worth noting, although this new product line has been launched only recently, of credit cards (+9.7%) which also benefited from the positive operating performance of the Santander Consumer Finance Media subsidiary, also due to the commercial cooperation agreement with the companies of the DeAgostini Editore Group.
As regards the activity of acquiring non-performing receivables, concentrated at the Santander Consumer Finanzia subsidiary, reference should be made to the section below dedicated to this company.
The "other components of amortised cost" of the above table refer to the value due of collecting commissions, the increase in which was closely related to the evolution of the loans portfolio and to extension of the average duration of the loans. Lastly, the significant upswing in gross receivables per employee should be noted, confirming the noteworthy economies of scale achieved during the year.

Net receivables from customers



Gross receivables for employee



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

During its eighth year of business, the Company formalised the purchase without recourse of non-performing loans for a total number of 22,197 positions and a nominal value of € 112,859 thousand in addition to arrears interest.

One of the major events during the year was the sale without recourse of a portfolio 23,719 contracts for a nominal value of € 120,737 thousand and a carrying value of € 4,153 thousand to a company operating at international level.
This transaction was directed mainly towards optimising management of capital at consolidated level, improving Group ratios and also increasing the efficiency and effectiveness of the credit recovery activities of the company, while maintaining its level of earnings.
Following this extraordinary transaction, the number of contracts under management decreased by 17%, while the nominal value and carrying values of loans on hand increased respectively by 10% and 41%, reflecting continuous new acquisitions of portfolios.

Income from the ordinary activity of managing the loans acquired (excluding therefore the consideration for the extraordinary sale) totalled € 16,936 million.

2007 business income was generated for € 11,955 thousand by capital gains on the purchased portfolio (of which € 2,720 thousand referring to the aforementioned sale without recourse), for € 1,156 thousand by arrears interest charged during the year to customers assigned and paid thereby and, lastly, for € 311 thousand by penalties and recovery expenses collected during the year.

Operating expenses for the year amounted to € 6,048 thousand, net losses on loans recorded came to € 3,703 thousand (of which € 665 thousand relating to the above sale) and the net adjustments to loans amounted to € 2,650 thousand.

The ratio between operating expenses/proceeds was equal to 27.2%, a decrease in relation to the 34.7% in the previous year, due mainly to the effects of the extraordinary transaction indicated above.

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

At December 31 2007, total residual loans amounted to € 215,318 million, for a stated residual purchase cost of € 57,780 million.

The average ticket of the portfolio managed increased in relation to the previous year, reaching a unitary value of € 4,800 and the concentration of risk on contracts of higher amount inevitably extended average recovery times.

The generally good quality of re-entry plans in portfolio was confirmed: these are characterised by an interesting relationship between cash and deferred proceeds and also pledged bills of exchange were regularly paid in 80% of the cases.

The portfolio purchased from the Santander Consumer Bank Parent and from Golden Bar (Securitisation) is evenly distributed between the Centre-North (52%) and Southern Italy (48%).

In 2007, attention was also dedicated to re-organising recovery flows with the aim of improving the processes and of enhancing their efficiency and effectiveness; in particular, priority was given to optimising telephone credit recovery activities, locating, training and testing Phone Collection companies able to carry out this activity, still characterised by a limited number of specialist on the market, in a professional and profitable manner.

Referring more specifically to Litigation, there was a reduction in the number of contracts managed in relation to the previous year while, on the other hand, there was a significant increase in the average unit value. Proceeds and the capital gains stemming from this sector of business increased respectively by 15% and 10% in relation to the previous year.

Looking towards the future, the main aim continues to be application of policies of further anticipation of recovery activities, rimming of costs and continuous, systematic reinforcement of control of the domiciliary activities of External Recovery Entities.

At December 31 2007, the Company workforce comprised 27 persons of which 1 director, 5 managers, 21 members of staff.

Financial 2007 closed with a loss of € 774 thousand, to be ascribed mainly to the effects of the reduction of 2008 tax rates established by the Finance Act definitively approved on December 24 2007. The reduction in the IRES rate (from 33% in 2007 to 27.5% in 2008) has generated an additional tax liability, as part of prepaid taxes can no longer be entirely recovered in relation to the amount originally stated. "The extraordinary" tax liability can be quantified as around € 995 thousand.

Santander Consumer Finance Media S.r.l.

In the year just ended, the Company continued to operate on the basis of two specific commercial cooperation agreements stipulated with De Agostini Diffusione del Libro S.p.A. and with Utet S.p.A.; these agreements envisage financing of instalment sales of De Agostini Diffusione del Libro S.p.A. and Utet S.p.A. publishing products sold through their respective sales networks. Alongside such agreements, in order also to promote complete, correct management of business, the Company operates on the basis of a specific servicing" agreement signed directly with the Parent Santander Consumer Bank S.p.A..

It is worth recalling that prior to setting up of the Company (July 2006), Utet S.p.A. and De Agostini Diffusione del Libro S.p.A. operated mainly according to a commercial model based on instalment sales at the customer's home through a larger sales network of many agents who received commissions on sales concluded.

The Joint Venture between Santander Consumer Bank S.p.A. and De Agostini Editore S.p.A. involved the introduction of a completely new market and operating model for the De Agostini Group, with major changes in the method of financing, collection and management of instalment credits generated by sales of its publishing products, without however modifying the sales phase.

In particular, since the introduction of the new operating model (editorial products/works sold with the support of the loan), restrictions have been applied on De Agostini Group agents' possibility of carrying out the specifically remunerated accessory activity of collecting instalments through visits to the customer's home, the main method of monthly collection used in the past.

The new operating method, introduced gradually at the beginning with due attention to the requirements of the Sales Management Departments of the De Agostini Group, was encouraged with greater emphasis during the year just ended. However, the model still envisages use of a "privative" credit card (i.e. without circulation on banking circuits) with payment function, on which the credit line granted to the customer is domiciled. The fact that the loan is made available when the customer purchases its first publishing product allows the beneficiary to use the funds available immediately.

The Company therefore receives the loan request directly from the De Agostini networks and is free to grant or reject this according to checks on the customer's solvency carried out using the same methods and procedures as adopted by Santander Consumer Bank which updates and "tailors" these to the typical De Agostini customer case by case.

If granted, the loan is issued at "zero" rate" for the customer insofar as the related charges (the so-called "contributions"), which constitute a strong marketing lever, are charged to De Agostini Diffusione del Libro S.p.A. and Utet S.p.A.

According to the particularly satisfactory sales results achieved in 2007 and after tuning various aspects of procedures/operations in the start-up phase, it can be said the two aforementioned sales networks of the De Agostini Group have responded very positively to the introduction of the new business model, continuing the process of transformation and adaptation of this. In particular, various actions have been adopted and tailored according to the product/customer characteristics of each network, measuring up effectively, especially in the second half of 2007, to a reference market (publishing) that has started to feel the negative effects of the shrinkage in consumption in Italy.

As in 2006 (the first year of operation), the performance of the two sales networks differed with regard to the new method of selling financed by Company loans: Utet S.p.A. achieved a financed quota equal to around 40% of works ordered, whereas for De Agostini Diffusione del Libro S.p.A. this value was equal to around 65%.

In the year under review, some 30,000 requests were assessed of which around 25,500 were approved, with a total lending volume of around € 50 million. During the periodic meetings with De Agostini Group Sales Management (in order to analyze results and to discuss/define new actions to further improve mutual expectations), general satisfaction was expressed regarding the work carried out, also confirming that the two networks intend to further extend, where possible, recourse to financing as a supporting instrument for the sale of editorial works.

The aforesaid commercial transactions generated receivables from customers of approx. € 68,005 thousand at December 31 2007; during the year, contributions by Utet S.p.A. and De Agostini Diffusione del Libro S.p.A. were invoiced for around € 9,949 thousand while those ascribable to financial 2007 amounted to around € 4,435 thousand.

Operating expenses, including the charge for services provided by the Parent, totalled € 1,184 thousand, while value adjustments to receivables were equal to € 1,688 thousand.
The year closed with a pre-tax income of € 168 thousand that, due to the effect of income taxes for the year of around € 250 thousand, generated a net loss of close on € 82 thousand.
The consistent impact of taxes is to be ascribed to the definitive approval on 24/12/2007 of the Finance Act which generated an "extraordinary" tax charge for the year; the reduction of the IRES rate (from 33% in 2007 to 27.5% in 2008) has generated an additional tax liability, as part of prepaid taxes can no longer be entirely recovered in relation to the amount originally stated. The extraordinary" tax liability can be quantified as around € 82 thousand.

As indicated above, it should be noted that the Company outsources all corporate functions from the Santander Consumer Bank S.p.A. Parent which therefore furnishes the services required on the basis of the aforementioned servicing agreement and the specific company functions chart, at a cost aligned with market standards. In the year under review, the Company paid the Parent approximately € 909 thousand for services rendered. According to the above, the Company does not resort to own employees.
With regard to the general obligations of security established by Legislative Decree No 196 of June 30 2003 (Code on Privacy), the "Security Policy Statement" (version 1.1 of 30/03/2007), set forth in Annex B of the above Decree, has been regularly updated. This document comprises a list of processing operations carried out, an analysis of risks, indication of the measures adopted to guarantee integrity ad availability of the data and also protection of the areas and premises where the data are preserved and training of those responsible for processing such data.
Starting from tax year 2007, the Company has participated in the so-called National Fiscal Consolidation which will permit consolidation of its own fiscal income at the Santander Consumer Bank S.p.A. Parent.
As regards organisation and procedures, the Board of Directors of the Company has, amongst others, examined and positively assessed the manuals specifically prepared by the competent structures of the Servicer, comprising the "Manual of operating and credit procedures" and the "Manual of credit recovery procedures", resolving to adopt these.

SIGNIFICANT EVENTS AFTER THE CLOSING OF THE YEAR

On January 31 2008, Mr. Farinetti, a member of the Board since July 2005, resigned from his office and from all other appointments within the Group.
On January 29 2008, it was decided to modify the company name of Fc Factor S.r.l. to Santander Consumer Finanzia S.r.l., also amending the Articles of Association so that the Company can also carry out the business of granting of loans to the public.

Santander
CONSUMER BANK

Consolidated accounting schedules

Consolidated Balance Sheet

				Change	
ASSETS		31/12/07	31/12/06	absolute	%
10	Cash and cash equivalents	9,000	10,145	(1,145)	-11.3
20	Financial assets held for trading		2,617,874	(2,617,874)	-100.0
40	Available for-sale financial assets		20,790	(20,790)	-100.0
60	Due from banks	285,458,628	176,032,407	109,426,221	62.2
70	Due from customers	5,757,899,424	4,950,320,502	807,578,922	16.3
80	Derivatives used for hedging	32,835,829	29,887,032	2,948,797	9.9
120	Tangible assets	6,936,309	7,673,124	(736,815)	-9.6
130	Intangible assets	5,442,877	5,297,931	144,946	2.7
140	Tax assets	71,229,876	65,861,406	5,368,470	8.2
	a) current	30,448,390	31,339,202	(890,812)	-2.8
	b) prepaid	40,781,486	34,522,204	6,259,282	18.1
160	Other assets	79,322,484	72,226,003	7,096,481	9.8
TOTAL ASSETS		6,239,134,427	5,309,947,214	929,187,213	17.5

LIABILITIES AND SHAREHOLDERS' EQUITY		31/12/07	31/12/06	Change absolute	Change %
10	Due to banks	3,386,410,784	3,101,399,046	285,011,738	9.2
20	Due to customers	439,809,751	491,798,549	(51,988,798)	-10.6
30	Securities issued	2,074,402,441	1,398,981,147	675,421,294	48.3
40	Financial liabilities held for trading		5,742,901	(5,742,901)	-100.0
60	Derivatives used for hedging	768,014		768,014	
80	Tax liabilities	50,712,486	44,370,996	6,341,490	14.3
	a) current	41,064,156	33,273,599	7,790,557	23.4
	b) deferred	9,648,330	11,097,397	(1,449,067)	-13.1
100	Other liabilities	53,889,626	55,795,269	(1,905,643)	-3.4
110	Provision for termination benefits	5,333,857	6,936,297	(1,602,440)	-23.1
140	Valuation reserves	18,715,533	17,832,337	883,196	5.0
170	Reserves	65,187,424	64,109,523	1,077,901	1.7
190	Shareholders' equity	122,000,000	100,000,000	22,000,000	22.0
210	Minority interest in Shareholders' equity (+/-)	2,400,854	2,453,553	(52,699)	-2,1
220	Net income (loss) for the year (+/-)	19,503,657	20,527,596	(1,023,939)	-5.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,239,134,427	5,309,947,214	929,187,213	17.5

Consolidated Income Statement

ITEMS		31/12/07	31/12/06	Change absolute	Change %
10	Interest earned and similar income	348,201,433	268,488,624	79,712,809	29.7
20	Interest expense and similar charges	(228,908,097)	(151,722,174)	77,185,923	50.9
30	**Interest margin**	**119,293,336**	**116,766,450**	**2,526,886**	**2.2**
40	Commissions receivable	85,624,765	64,377,881	21,246,884	33.0
50	Commissions payable	(16,742,559)	(19,903,411)	(3,160,852)	-15.9
60	**Net commissions**	**68,882,206**	**44,474,470**	**24,407,736**	**54.9**
70	Dividends and similar income	231		231	
80	Net result of trading activity	(29,101)	(2,992,609)	(2.963,508)	-99.0
100	Income (loss) on transfer or repurchase of:	97,556	30,447	67,109	220.4
	b) financial assets available for sale	97,556	30,447	67,109	220.4
120	**Contribution margin**	**188,244,228**	**158,278,758**	**29,965,470**	**18.9**
130	Net adjustments/re-adjustments of value for impairment of:	(74,259,129)	(58,018,781)	16,240,348	28.0
	a) credits	(74,259,129)	(58,018,781)	16,240,348	28.0
140	**Net result of financial management**	**113,985,099**	**100,259,977**	**13,725,122**	**13.7**
170	**Net result of financial and insurance operations**	**113,985,099**	**100,259,977**	**13,725,122**	**13.7**
180	Administrative expenses:	(87,923,491)	(82,226,090)	5,697,401	6.9
	a) personnel costs	(36,266,617)	(33,146,606)	3,120,011	9.4
	b) other administrative expenses	(51,656,874)	(49,079,484)	2,577,390	5,3
200	Net adjustments/re-adjustments to tangible assets	(3,390,088)	(4,615,014)	(1,224,926)	-26.5
210	Net adjustments/re-adjustments to intangible assets	(3,449,733)	(3,160,094)	289,639	9.2
220	Other operating income/expense	33,070,808	33,946,419	(875,611)	-2.6
230	**Operating expenses**	**(61,692,504)**	**(56,054,779)**	**5,637,725**	**10.1**
280	**Income (loss) on current operations before taxes**	**52,292,595**	**44,205,198**	**8,087,397**	**18.3**
290	Income taxes for the year on current operations	(32,817,747)	(23,674,049)	9,143,698	38,6
300	**Income (loss) on current operations net of taxes**	**19,474,848**	**20,531,149**	**(1,056,301)**	**-5.1**
320	**Net income (loss) for the year**	**19,474,848**	**20,531,149**	**(1,056,301)**	**-5.1**
330	Minority interest in net income (loss) for the year	(28,809)	3,553	(32,362)	-910,8
340	**Parent company interest in net income (loss) for the year**	**19,503,657**	**20,527,596**	**(1,023,939)**	**-5.0**

Schedule of Changes in Consolidated Shareholders' Equity

	Capital: ordinary shares	Capital: other shares	Additional paid-in capital	Reserves: profit	Reserves: other	Valuation reserves: Available for sale	Valuation reserves: Cash flow hedge	Valuation reserves: other	Capital instruments	Own shares	Net income (loss) for the year	Shareholders' equity
Balance at 31.12.2006 Group interest (under Decree Law 87/92)	100,000			63,280	830	7	17,825				20,528	**202,470**
Balance at 31.12.2006 Minority interest (under Decree Law 87/92)	2,450										4	**2,454**
Modification of opening balances												
Balance at 1.1.2007 Group interest (IAS/IFRS)	**100,000**			**63,280**	**830**	**7**	**17,825**				**20,528**	**202,470**
Balance at 1.1.2007 Minority interest (IAS/IFRS)	2,450										4	**2,454**
Allocation of the net income (loss) of the previous year												
- Group interest in reserves				1,065							(296)	**769**
- Minority interest in reserves				4							(4)	
- Dividends and other allocations											(20,232)	**(20,232)**
Changes during the year												
Changes in Group interest in reserves					(12)	(7)	891					**896**
Changes in Minority interest in reserves							(24)					**(24)**
Operations on Shareholders' equity												
- Issue of new shares of the Group	22,000											**22,000**
- Issue of new shares of Minority interests												
- Purchase of own shares of the Group												
- Purchase of own shares of Minority interests												
- Distribution of extraordinary dividends												
- Change in capital instruments												
- Derivatives on own shares												
- Stock options												
Net income (loss) for the year 31.12.2007 Group interest											19,504	**19,504**
Net income (loss) for the year 31.12.2007 Minority interest											(29)	**(29)**
Shareholders' equity at 31.12.2007 Group interest	**122,000**			**64,345**	**842**		**18,716**				**19,504**	**225,407**
Shareholders' equity at 31.12.2007 Minority interest	**2,450**			**4**			**(24)**				**(29)**	**2,401**

Schedule of Changes in Consolidated Shareholders' Equity

	Shareholders' equity		Additional paid-in capital	Reserves		Valuation reserves			Capital instruments	Own shares	Net income (loss) for the year	Shareholders' equity
	ordinary shares	other shares		profit	other	Available for sale	Cash flow hedge	other				
Balance at 31.12.2005 Group interest (under Decree Law 87/92)	72,000			64,155	1,211		3,830				27,317	**168,513**
Balance at 31.12.2005 Minority interest (under Decree Law 87/92)												
Modification of opening balances												
Balance at 1.1.2006 Group interest (IAS/IFRS)	**72,000**			**64,155**	**1,211**		**3,830**				**27,317**	**168,513**
Balance at 1.1.2006 Minority interest (IAS/IFRS)												
Allocation of the net income (loss) of the previous year												
- Group interest in reserves				(875)							1,256	381
- Minority interest in reserves												
- Dividends and other allocations											(28,573)	**(28,573)**
Changes during the year												
Changes in Group interest in reserves					(381)	7	13,995					**13,621**
Changes in Minority interest in reserves												
Operations on Shareholders' equity												
- Issue of new shares of the Group	28,000											**28,000**
- Issue of new shares of Minority interests	2,450											
- Purchase of own shares of the Group												
- Purchase of own shares of Minority interests												
- Distribution of extraordinary dividends												
- Change in capital instruments												
- Derivatives on own shares												
- Stock options												
Net income (loss) for the year 31.12.2006 Group interest											20,528	**20,528**
Net income (loss) for the year 31.12.2006 Minority interest											4	**4**
Shareholders' equity at 31.12.2006 Group interest	**100,000**			**63,280**	**830**	**7**	**17,825**				**20,528**	**202,470**
Shareholders' equity at 31.12.2006 Minority interest	**2,450**										**4**	**2,454**

Consolidated Cash Flow Statement (indirect method)

A. OPERATIONS	31/12/07	31/12/06
1. Operating activity	**106,269**	**72,268**
- net income for the year (+/-)	19,475	20,531
- capital gains/losses on financial assets held for trading and on assets/liabilities carried at *fair value* (+/-)		3,324
- capital gains/losses on hedges (+/-)		
- net adjustments/re-adjustments of value for impairment (+/-)	88,942	76,384
- net adjustments/re-adjustments of value on tangible and intangible assets (+/-)	6,840	7,775
- net provisions to reserves for risks and charges and other costs/revenues (+/-)		
- net premiums not collected (-)		
- other unrealised insurance income/charges (+/-)		
- taxes not paid (+)	2,160	(15,461)
- net adjustments/re-adjustments on disposal groups net of tax effect (-/+)		
- other adjustments (+/-)	(11,148)	(20,285)
2. Net cash flow generated (absorbed) by financial assets	**(1,035,761)**	**(1,281,613)**
- financial assets held for trading	2,618	228
- financial assets measured at *fair value*		
- financial assets available for sale	14	5
- due from banks: repayable on demand	(137,554)	(82,711)
- due from banks: other loans	(6,206)	(2,383)
- loans to customers	(894,633)	(1,196,752)
3. Net cash flow generated (absorbed) by financial liabilities	**934,034**	**1,217,436**
- due to banks: repayable on demand	(11,149)	35,255
- due to banks: other deposits	327,458	829,921
- due to customers	(51,989)	(51,081)
- securities issued	675,421	403,318
- trading financial liabilities	(5,743)	
- financial liabilities carried at *fair value*		
- other liabilities	36	23
Net cash flow generated (absorbed) by operations	**4,542**	**8,091**
B. INVESTING ACTIVITY		
1. Cash flow generated by	**58**	**27**
- sale of equity investments		
- dividends on equity investments		
- sale of financial assets held to maturity		
- sale of tangible assets	58	27
- sale of intangible assets		
- sale of subsidiaries and of business units		
2. Cash flow absorbed by	**(6,369)**	**(7,552)**
- purchase of equity investments		
- purchase of financial assets held to maturity		
- purchase of tangible assets	(2,774)	(3,235)
- purchase of intangible assets	(3,595)	(4,317)
- purchase of subsidiaries and of business units		
Net cash flow generated (absorbed) by investing activity	**(6,311)**	**(7,525)**
C. FUNDING ACTIVITY		
- issue/purchase of own shares	22,000	28,000
- issue/purchase of capital instruments		
- distribution of dividends and other uses	(20,232)	(28,573)
Net cash flow generated (absorbed) by funding	**1,768**	**(573)**
NET CASH FLOW GENERATED (ABSORBED) DURING THE YEAR	**(1)**	**(7)**

Reconciliation

CAPTIONS	31/12/07	31/12/06
Cash and cash equivalents at start of year	10	17
Total net cash flow generated (absorbed) during the year	(1)	(7)
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at end of year	9	10