

Directors' Report continued

Directors' Remuneration (audited)

The aggregate remuneration received by the Directors of the Company in 2008 was:

	£
Salaries and fees	2,946,081
Performance-related payments	5,672,908
Other taxable benefits	-
Total remuneration excluding pension contributions	8,618,989
Pension contributions	141,486
Compensation for loss of office	-

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

Medium-Term Incentive Plan (audited)

Under the Medium-Term Incentive Plan granted on 20 October 2005, certain Executive Directors, Other Key Management Personnel and other nominated individuals were granted a conditional award of shares in Banco Santander, S.A.. Key Management Personnel are defined as the Executive Committee of the Company and the Board and Executive Committee of its parent company, Banco Santander, S.A. who served during the year.

The amount of shares participants would receive at the end of the three-year period depended on the performance of Abbey in this period. The performance conditions were linked to Abbey's three-year plan. Performance was measured in two ways, half of the award depended on Abbey achieving an attributable profit target for the 2007 financial year, and the remainder depended on the achievement of a revenue target for the 2007 financial year. Both performance conditions were achieved, resulting in a full award of shares to participants in March 2008.

Long-Term Incentive Plan (audited)

In 2008, two Executive Directors (2007: three) were granted conditional awards of shares in Banco Santander, S.A. under the Santander Long-Term Incentive Plan for a total fair value of £702,952 (2007: £1,444,058) based on the closing share price on 20 June 2008 of Euro 11.96 (2007: Euro 14.79). Under the Santander Long-Term Incentive Plans granted on 21 June 2008 and 31 December 2007, certain Executive Directors, Key Management Personnel (as defined in Note 44 to the Consolidated Financial Statements) and other nominated individuals were granted conditional awards of shares in Banco Santander, S.A.. The amount of shares participants will receive throughout a three-year period (2007: a three-year period) depends on the performance of Banco Santander, S.A. during this period. All awards under the Santander Long-Term Incentive Plan will depend on Santander's Total Shareholder Return and Earnings Per Share performance against a competitor benchmark group. Provided the performance conditions are met, 100% of the 2008 conditional award of shares will vest in 2011. 40% of the 2007 conditional award of shares will vest in July 2009 with the remaining 60% vesting in July 2010.

Remuneration of Highest Paid Director (audited)

In 2008, the remuneration, excluding pension contributions, of the highest paid Director was £3,563,784 (2007: £3,292,207) of which £2,742,908 (2007: £2,496,331) was performance related. There was no accrued pension benefit for the highest paid Director (2007: nil), other than that accrued by, or treated to be accrued by a Spanish subsidiary of Banco Santander, S.A.. A conditional award of shares was made to the highest paid Director under the Long-Term Incentive Plan during the year.

Retirement Benefits (audited)

Defined benefit pension plans are provided to certain of Abbey's employees. See Note 36 to the Consolidated Financial Statements for a description of the plans and the related costs and obligations. Retirement benefits are accruing for one director under a defined benefit scheme (2007: one) in respect of their qualifying services to Abbey.

In July 2008, as part of the Group's periodic review of its pension schemes, updated funding arrangements were agreed with the pension scheme Trustees of four schemes.

Non-Executive Directors (audited)

Fees were paid to Non-Executive Directors in 2008 totalling £390,710 (2007: £310,000); this amount is included above in the table of Directors' remuneration and excludes emoluments received by Jane Barker and Roy Brown, which are shown aggregated in the Annual Report and Accounts of Alliance & Leicester plc.

Directors' Interests and Related Party Transactions

In 2008, loans were made to two members of Abbey's Key Management Personnel, with a principal amount of £647,199 outstanding at 31 December 2008. No Directors had any loans in 2008. See Notes 43 and 44 to the Consolidated Financial Statements included elsewhere in this Annual Report and Accounts for disclosures of deposits and investments made and insurance policies entered into by the Directors, Key Management Personnel and their connected persons with Abbey at 31 December 2008. Note 44 to the Consolidated Financial Statements also includes details of other related party transactions.

In 2008, there were no other transactions, arrangements or agreements with the Group in which Directors or Key Management Personnel or persons connected with them had a material interest. No Director had a material interest in any contract of significance other than a service contract with Abbey at any time during the year.