Santander
CONSUMER BANK

Summery of annual report 2005

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Report of the Board of Directors 2005

2005 has been an eventful year. Following the acquisition by Santander Consumer Finance SA of ELCON Finans in March 2004 there has been a major and extensive restructuring process involving the demerger of parts of the business, the purchase of and merger with Bankia Bank, and a change of name. In spite of this the company achieved a profit of NOK 276 million, before tax, after charging extraordinary costs of NOK 21 million. Total assets amount to NOK 22.4 billion.

Corporate situation

Santander Consumer Bank AS is a wholly-owned subsidiary of Santander Consumer Finance SA which forms part of Grupo Santander, Spain, one of the world's largest banking groups.

As part of the acquisition of ELCON Finans in 2004 an agreement was signed with Société Général on the separation, through a demerger, of the factoring and equipment leasing business. The demerger was completed on 2 May 2005, with effect from 1 January 2005. The remaining business, motor finance, was continued in ELCON Finans.

In May 2005 Bankia Bank was acquired by Santander Consumer Finance for amalgamation with ELCON. Consent to the merger of the companies was given by the Ministry of Finance in 20th of December 2005. At the same time as the merger the name of the company was changed to Santander Consumer Bank AS .

Business

Santander Consumer Finance is one of the leading companies in Europe in motor and consumer finance. The goal of Santander Consumer Bank is to realise Santander's vision in the Nordic market. This means that the business will gradually be expanded with new products and geographic areas. The company's main products will be motor and leisure finance, as well as credit cards and consumer loans.

In addition to the business in Norway, motor finance has been provided in Sweden since 2000 with emphasis on sales through motor dealers. In 2006 Santander Consumer Bank will launch consumer loans as a new product in Norway. In addition consideration will be given to expanding the business in Sweden to also include credit card finance. There will also be work on establishing operations in the other Nordic markets.

Market conditions

The Norwegian and the Swedish economy developed favourably in 2005 with interest rates at historic low levels. It is expected that 2006 will be a good year characterised by good demand growth and continued low interest rates, although slightly rising.

The company's business in 2005 reflected the general market development. Overall there has been growth in sales of around 15%. Estimated market shares at year end are:

Motor finance, Norway	28.5 %
Motor finance, Sweden	7 - 8 %
Credit cards, Norway	4 - 5 %

Official market data is available for the business areas in Norway, but not in Sweden where the figures are estimated.

As a result of the change in name the motor business in Norway will be marketed using the name "ELCON" as a separate brand, while credit cards will be sold under the brand "Gebyrfri.no", both being well known brands in Norway. Other products and geographic areas will use the Santander brand.

Annual accounts

In the opinion of the Board the annual accounts provide an accurate presentation of the company's result for 2005 and the company's financial position as at 31.12.05 in line with generally accepted accounting principles.

The profit before tax for 2005 was NOK 276 million and the profit after tax NOK 196 million. The result has been charged with extraordinary costs of NOK 21 million, mainly relating to the demerger of ELCON and acquisition/merger with Bankia Bank. The result of Bankia Bank is included with effect from May 2005 which was the date of the actual takeover of the company. The result of Bankia Bank for the period 01.01. – 30.04. , amount NOK 14,5 mill., has been charged directly against equity. The result for 2005 is not comparable with 2004, since the 2004 figures include Elcon before the demerger and separation of parts of the business and do not include Bankia Bank.

It is proposed that the profit for the year is added to Other equity. Under § 8-1 of the Companies Act the company is in a position to distribute a dividend. Net cashflow from operations was NOK 1,377 million in 2005. Total assets at the year end amounted to NOK 22.4 billion.

In light of the result achieved the board confirms that there is a basis for continued operation and the accounts have been prepared on this basis.

Changes in accounting principles

The company's parent company reports in accordance with IFRS. In order to reduce the dissimilarities between the internal reporting policies and the company's financial statements as regards the accounting principles, some accounting principles have been changed.
The effect of these changes is booked towards the company's equity, and has resulted in a reduction of the equity capital by NOK 14.8 mill. Please refer to the financial statements' notes for more information.

Risk management

Santander Consumer Bank mainly uses "credit-score" systems as a basis for its credit decisions. The models have been adapted to various products.

Booked losses in 2005 totalled NOK 44.6 million – this corresponds to 0.26% of average loans. Credit losses in motor finance were 0.17%, a figure somewhat lower than the 0.25 - 0.30% that can be expected over time. The risk profile on motor finance is low since the facilities are secured by a charge over the vehicle and advance lease payments. Booked losses for credit cards were 2.74%, with an expected normal level of 2.50 – 3.0%. Since credit card finance does not involve security in the form of a charge over assets, the risk profile will be higher than for motor finance. This is reflected in the product's pricing.

Following implementation of the lending regulations the rules on loss write-downs have been changed in 2005. Total loss write-downs as at 31.12.05 amounted to NOK 169 million.

Net delinquencies (after deducting loss provisions) amounted to NOK 46.3 million. Gross delinquencies corresponding to 1.01% of gross loans. Repossessed assets, as a result of defaults, totalled NOK 8.9 million at the year end.

The Board considers the risk situation and the provisions made to be satisfactory.

Santander Consumer Bank is exposed to currency risk to only a limited extent. The company's liquidity is covered through drawing facilities with the parent company and the group on market terms. Interest risk is hedged on an ongoing basis.

Internal controls are considered to be satisfactory.

Solvency

The company's primary capital amounted to NOK 2,107 million as at 31.12.05, which gives a capital ratio of 10.12%.

Core capital amounts to NOK 1,775 million, corresponding to 8.54% of weighted total assets.

Organisation and environment

At the year end 269 people were employed in the company, of whom 50 worked in Sweden. 2,425 days of sick leave were registered in 2005, corresponding to 4.07%. The Board is not aware of any personal injuries occurring in the workplace in 2005. The working environment is considered to be good.

The company has a working environment committee, a co-operation committee and an equal opportunities committee.

Santander Consumer Bank is concerned that employees consider that there is equality between the sexes. Measures to create the conditions for this will be continued in 2006. The company has employment and remuneration policies that do not discriminate between the sexes. At the year end the employees were divided between 150 women (56%) and 119 men (44%).

The Board wishes to express its thanks to staff for their efforts in 2005 – a demanding year.

Santander Consumer Bank's business does not pollute the external environment, although the vehicle leasing product could be polluting in its operation.

Outlook

Strong growth in profits is budgeted for 2006, partly as a result of income improving measures as well as a focus on cost. A continued favourable development in the market, low interest rate levels and good personal debt service capacity are expected.

Emphasis will be placed in 2006 on the introduction of new products and services as well as preparing for expansion in new geographic areas.

The company’s vision is to be one of the leading companies in the Nordic region in motor, leisure and consumer finance.

Lysaker, 2 March 2006

Josè Manuel Varela	Pierantonio Rumignani	Odd Lunde
Bjørn Elvestad	Vidar Skinnes	Erik Kongelf

Profit and loss account 01.01-31.12.05

		31.12.05	31.12.04
Interest income and similar income			
Interest and similar income on loans to and receivables from credit institutions		11,176	25,716
Interest and similar income on loans to and receivables from customers		1,086,032	1,649,583
Total interest income and similar income		**1,097,208**	**1,675,299**
Interest expenses and similar expenses			
Interest and similar expenses on debt to credit institutions		353,996	639,986
Interest and similar expenses on deposits from and debt to customers		16,379	6,906
Interest on subordinated loan capital		12,360	10,842
Other interest expenses and similar expenses		7,387	24,885
Total interest expenses and similar expenses		**390,123**	**682,619**
Net interest and credit commission income		**707,085**	**992,680**
Commission income			
Guarantee commissions		55	125
Other commissions and fees		17,646	70,523
Total commission income and income from banking services		**17.701**	**70.648**
Commission expenses			
Other fees and commission expenses		87,448	117,812
Total commission expenses and expenses from banking services		**87,448**	**117,812**
Net value change and gain/loss on foreign exchange			
Net value change and gain/loss on foreign exchange		-73	471
Total value change and gain/loss on foreign exchange		**-73**	**471**
Other operating income			
Other operating income		23,496	64,736
Total other operating income		**23.496**	**64.736**
Other operating expenses			
Salaries, fees and other personnel expenses		165.601	323.626
Of which:	- Salaries	116.270	223.636
	- Pensions	17.022	26.287
	- Social costs	32.310	73.703
Administration expenses		106.155	122.700
Rent and other operating costs leased properties		14.409	32.380
Ordinary depreciation		15.478	25.016
Other operating expenses		39.007	31.387
Total other operating expenses		**340.650**	**535.109**
Losses on loans, guarantees etc			
Loan losses		44.583	122.917
Total losses on loans, guarantees etc		**44.583**	**122.917**
Operating result		**275.529**	**352.991**
Tax charge			
Taxes		79.030	102.593
Total tax		**79.030**	**102.593**
Profit after tax		**196.499**	**250.398**
Allocations			
Allocated to dividend			
Transferred to other earned equity		196,499	250,398
Total allocations		**196.499**	**250.398**

(Thousands)

Balance sheet – Assets

	31.12.05	31.12.04
Cash and receivables on central banks		
Cash and receivables on central banks	1.300.966	10
Total cash and receivables on central banks	**1.300.966**	**10**
Deposits with and receivables on financial institutions		
Deposits with Norwegian financial institutions	159.285	338.213
Total deposits with and loans to financial institutions	**159.285**	**338.213**
Loans to customers		
Credit cards	794.748	0
Instalment loans	13.565.609	12.958.113
Receivables and loans factoring	0	762.815
Draft facilities	0	1.082.899
Financial leasing	6.324.724	18.181.699
Other loans	1.701	318.986
Total loans before specified and unspecified loss provisions	**20.686.782**	**33.304.512**
- individual provisions	42.033	81.734
- group provisions	127.035	205.404
Net loans	**20.517.714**	**33.017.374**
Repossessed assets	**8.919**	**91.747**
Intangible assets		
Other intangible assets	31.466	54.509
Total intangible assets	**31.466**	**54.509**
Fixed assets		
Machinery, fittings and vehicles	12.724	18.865
Total fixed assets	**12.724**	**18.865**
Other assets		
Other assets	**315.969**	**84.570**
Prepayments and earned income		
Earned income not received and prepaid expenses not incurred	67.782	85.270
Over-funding of pension liabilities	0	25.043
Total prepayments and earned income	**67.782**	**110.311**
Total assets	**22.414.825**	**33.715.600**

(Thousands)

Balance sheet – Liabilities and equity

	31.12.05	31.12.04
Debt to credit institutions		
Loans and deposits from credit institutions with an agreed term	19.032.632	29.270.101
Total loans and deposits from financial institutions	**19.032.632**	**29.270.101**
Deposits from and debt to customers		
Deposits from and debt to customers repayable on notice	606.486	300.109
Total deposits from and debt to customers	**606.486**	**300.109**
Other debt		
Other debt	258.427	336.332
Total other debt	**258.427**	**336.332**
Allocations for expenses incurred and liabilities		
Expenses incurred and earned income not received	239.370	303.444
Pension liabilities	49.985	23.379
Deferred tax	95.792	10.789
Total allocations for liabilities	**385.147**	**337.612**
Subordinated loan capital		
Other subordinated loan capital	370.000	350.000
Total subordinated loan capital	**370.000**	**350.000**
Equity capital		
Paid-in equity		
Share capital	334.084	2.095.011
Share premium capital	891.314	0
Total paid-in equity	**1.225.398**	**2.095.011**
Earned equity		
Other equity	536.735	1.026.435
Total earned equity	**536.735**	**1.026.435**
Total equity	**1.762.134**	**3.121.446**
Total liabilities and equity	**22.414.825**	**33.715.600**
Conditional liabilities		
Guarantee liabilities	14.691	125.822

(Thousands)

Lysaker, 2 March 2006

Jose Manuel Varela
(Chairman)

Pierantonio Rumignani
(Deputy Chairman)

Odd Lunde

Bjørn Elvestad

Erik Kongelf
(Manging Director)

Vidar Skinnes
(Employee Representative)

Cashflow statement

	2005	2004
Operations		
Interest receipts	2.240.334	1.422.804
Interest payments	-408.899	-683.559
Other receipts	-89.207	14.993
Operating payments	-389.214	-557.891
Recovered on previously recognised losses	35.512	23.638
Taxes paid	-11.341	-60.028
Net cashflow from operations	**1.377.185**	**159.957**
Financial activities		
Increase in lending	12.105.356	-5.507.945
Increase in other receivables	-168.566	311.023
Increase in prepayments	35.237	-18.083
Net cashflow from financial activities	**11.972.027**	**-5.215.005**
Investments		
Increase in real assets	-11.798	-24.077
Increase in other operating assets	24.991	6.072
Net cashflow from investment activities	**13.193**	**-18.005**
Long-term financing		
Increase in deposits from customers	-405.228	17.323
Increase in share capital	-935.975	200.000
Increase in equity capital	718.391	400.754
Increase in loans from credit institutions	-10.127.469	4.762.749
Increase in debt	-227.458	-457.373
Expenses incurred	-5.367	194.077
Group transfers/dividends	-24.745	0
Net cashflow from long-term financing activities	**-12.444.634**	**5.117.530**
Net cashflow for the period	**917.771**	**44.477**
Net change in cash and cash equivalents		
Holding of cash and cash equivalents at start of period	542.481	293.745
Holding of cash and cash equivalents at end of period	1.460.251	338.222

Thousands

Accounting principles

The annual accounts of Santander Consumer Bank AS have been presented in accordance with the provisions of the Accounting Act, the regulations of the Banking, Insurance and Securities Commission and generally accepted accounting principles. The accounts have been prepared on a going concern basis.

Elcon Finans AS was demerged with accounting effect from 01.01.2005. The business areas motor loans and motor leasing were retained in Elcon Finans AS, while factoring and equipment leasing were separated out.
The company subsequently merged with Bankia Bank AS on 20 December 2005 and changed its name at the same time to Santander Consumer Bank AS. Accounting and tax continuity was maintained, since the merger in reality was a reorganisation under unchanged ownership. The merger took effect for accounting purposes from 1 May and the results of Bankia Bank have been incorporated from the same date. The results of Bankia Bank for the period 01.01 – 30.04.05 have been charged directly against equity.

Comparative figures for 2004 have not been prepared. The figures in the accounts for 2004 are therefore the same as the accounts presented for Elcon Finans AS in the same year.

Changes in accounting principles

The accounting effect of changes in accounting principles is charged directly against equity, while changes as a result of changes in accounting estimates are posted to the profit and loss account. During the year the company has changed several accounting principles, including implementing the lending regulations of 21 December 2004. The reason for changing accounting principles is a desire to reduce the differences between accounting principles under IFRS, which are used for reporting to the company's owner and the accounting principles used for the annual accounts.

Branches

Separate accounts are maintained for the branch in Sweden. The branch's accounts are included in the company's accounts. In translating exchange rates the mid-price as at 31.12. is used for all balance sheet items. Income and costs are translated at the average transaction rate. The branches are treated as independent units in relation to NAS and translation differences are posted against equity.

Accrual of interest, commissions and fees

As a result of the implementation of the lending regulations, loans are accounted for (loans and financial leasing) at amortised cost using the effective interest rate method, commissions and fees and similar paid and received are included in the calculation of the effective interest rate. The expected term of the contracts is used in calculating the effective interest rate.

Loans, defaulted loans and loss provisions

Loans are valued at nominal values with the exception of at risk and defaulted loans where there are objective indications that a fall in value has occurred.

In the motor business loans are defined as in default when payment has been delayed for more than 90 days and the delay is not due to an accidental situation with the customer. For the credit card business loans are regarded as in default and at risk when the customer has missed three payment dates. If a customer has several contracts but only one is in default, the whole engagement with the customer is reported as in default. At risk loans are not necessarily in default but the customer's financial situation and the value of the security involves a risk of loss.

If there are objective indications that a loss on a fall in value has occurred, the loss is measured as the difference between the asset's balance sheet value and the present value of estimated future cashflows (excluding future credit losses that have not occurred), discounted by the financial asset's original effective interest rate (i.e. the effective interest rate calculated at the time of first payment). The asset's balance sheet value is reduced through the use of a provision account. The loss amount is included in the result.

The company writes down loans on both an individual and group basis.

Losses that are expected as a result of future events, irrespective of the degree of likelihood, are not included.
Realised losses and recoveries on previous realised losses are posted to the result as they occur. Loans that are fully written down as a result of a loss being realised are removed from the balance sheet and are not included in gross loans.

Leasing

Financial leasing is classified as lease financing and treated for accounting purposes as lending. Contracts with a residual value are depreciated to this residual value over their term. The interest portion of the lease payment is posted as interest income in accordance with the principles described under the section on loans, while the repayment portion reduces the leasing loan. For tax purposes leased assets are depreciated using the declining balance method. Sales gains on leasing are posted under other operating income.

Pension liabilities

Pensions are recorded using the Norwegian accounting standard for pensions. The branch in Sweden only has defined contribution schemes. A distinction is made between insured and uninsured schemes. The company has used the transition rule in NAS 6A, which means that unamortised estimate differences are set at zero at the start of the year. The background to this is that the company forms part of a group that prepares consolidated accounts in accordance with IFRS.

The starting point for calculating pension costs is a linear allocation of pension earnings against the likely accumulated liability at the date of retirement. Pension liabilities are calculated as the present value of future probable payments. The assumptions used in the calculation are assessed continuously and may be changed over time. Such changes may be:

- Changes in pension plans
- Changes in financial assumptions
- Changes in actuarial assumptions
- Differences between the expected and actual return on pension funds

The financial consequences of changes in pension plans are accrued over the remaining term. Other changes or differences are accrued in the profit and loss account over the average remaining term or valued together against the amount of the highest value of aggregate pension liabilities and aggregate pension funds at the start of the accounting year. For cases where the difference represents more than 10% of this base, the excess is accrued in the profit and loss account over the average remaining earning period in the scheme.

Tax

The year's tax charge consists of tax payable for the income year and changes in deferred tax and deferred tax allowances. Any changes in deferred tax and deferred tax allowances are shown as the year's tax charge in the profit and loss account together with tax payable for the income year.

Deferred tax is calculated at 28 per cent on the basis of temporary differences between accounting and tax values at the end of the accounting year. Deferred tax allowances are entered as an asset in the balance sheet when it is likely that the tax-reducing element can be utilised.

Software

Capitalised software is entered under intangible assets and depreciated on a linear basis over an estimated life of 3-7 years. Capitalisation takes place if the conditions set out in the preliminary Norwegian Accounting Standard are present. The cost of maintaining the financial value of computer systems is expensed directly.

Fixed assets

The company's operating assets are recorded at acquisition cost less linear depreciation.
The following depreciation rates are used:

Fittings:	10 %
Vehicles:	20-25 %
Machines and computer equipment:	25 %

Deloitte.

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Santander Consumer Bank AS

AUDITOR'S REPORT FOR 2005

We have audited the annual financial statements of Santander Consumer Bank AS as of 31 December 2005, showing a profit of TNOK 196,499. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to produce the financial statements. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

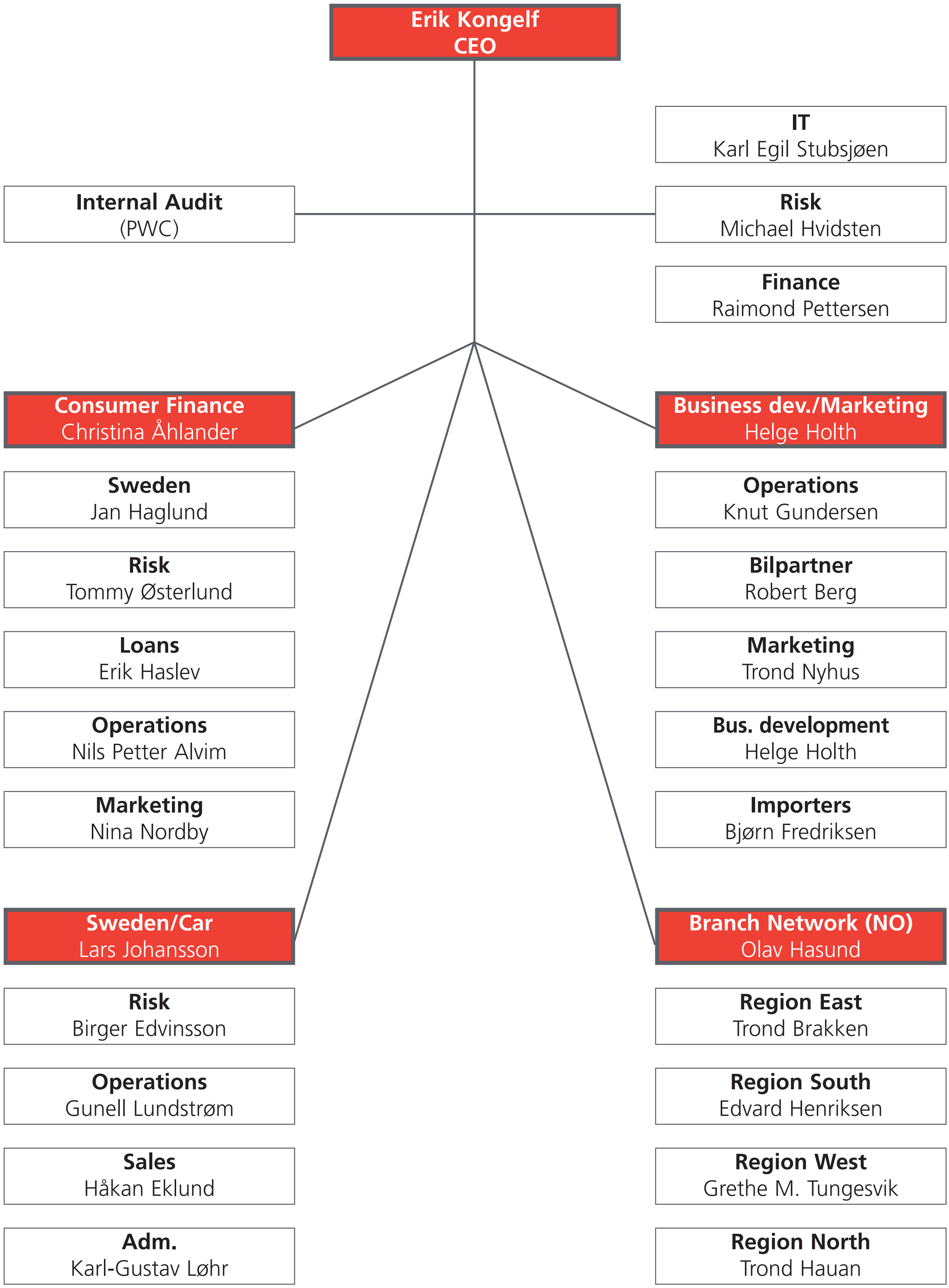
- the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company as of 31 December 2005, and the results of its operations and its cash flows for the year then ended, in accordance with good accounting practice in Norway
- the Company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Oslo, 2 March 2006
Deloitte

Terje Boasson

Terje Boasson
State Authorised Public Accountant (Norway)

Santander Consumer Bank AS





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