



Annual Report



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General information

REGISTERED OFFICES AND ADMINISTRATION:	Via Nizza 262, 10126 TURIN Tel: 011/63.19.111 - Fax 011/63.19.119
SHAREHOLDER:	Santander Consumer Finance S.A. (Grupo Santander) 100%
COMPANY BOARDS:	
Board of Directors	
Chairman	*Ettore Gotti Tedeschi
Deputy Chairman	*José Manuel Varela Uña
Directors	Pedro Guijarro Zubizarreta Natale Farinetti *Piero Antonio Rumignani 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	Giorgio Ferrino (until 27/04/2006) Alessandro Braja (from 28/04/2006)
Standing Auditors	Alessandro Braja (until 27/04/2006) Giorgio Ferrino (from 28/04/2006) Roberto Mignanego
Alternate Auditors	Marco Bosca (until 27/04/2006) Aschieri Edoardo (from 28/04/2006) Francesco Maria Spano
Independent auditors	Deloitte & Touche S.p.A.



Letter from the Chairman

Shareholders,

In financial 2006, Italy was beset by one of the most difficult economic climates in the last ten years. Signs of a recovery, more evident in other countries of the Euro zone, tended to be weaker and more uncertain in Italy, with sporadic symptoms of improvement, more evident only in the last quarter. 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 general backdrop, the results posted by Santander Consumer Bank, also forged by close, effective cooperation with the Santander Group, were aligned with expectations, both as regards sales and earnings.

Main market trends in 2006 are discussed below.

- The main factors that contributed to curbing household consumption included continuous downscaling of disposable income and the general decline in purchasing power. Banca d'Italia data reveal a modest upswing in disposable income, unchanged in real terms, and an alternating trend in households' willingness to spend.
- Despite the difficult economic situation, the banking sector continued to benefit from gradual alignment of the Italian financial system with European standards, also spurred by the ever more significant penetration of competitors belonging to International Groups.
- The Italian consumer finance market, which benefited from the historically low level of borrowing of Italian households compared with other countries, maintained a very positive growth trend with a 12% year-on-year increase in terms of new loans.
- Considering all the business segments in which the Bank operates, the most dynamic at overall market level were those of personal loans (+37%) and credit cards (+29%), thus confirming operators' growing interest in developing direct loans (i.e. not intermediated by the sales-point).
- The special-purpose loans sector, impacted more than others by the general drop in consumption, reported a short-fall of 3%, while the car loans sector closed the year with an upswing of 9.8%, benefiting in the second half of the year from the more or less general recovery of the car market.
- As regards loan quality, the market started to bear the brunt of the difficult economic situation and, despite continuous tuning of selection criteria in the disbursement phase, operators' statistical data started to reveal a tendency to deteriorate, albeit not yet to an alarming extent.

Performance of Santander Consumer Bank in the same period 2006.

- Seven new branches were added to the sales network, reaching a total of 59 direct operating desks at year end.
- On an ever more competitive market that continues to evolve in terms of product and operating solution innovation, sales results were basically aligned with the Bank's ambitious growth targets, while new loans moved up 16.5% over the previous year to 3.104 billion euro. According to data provided by Assofin (Italian Consumer Finance and Real Estate Association), subsequently reprocessed in house, for the first time in its history, the Bank ranked third on its reference market, with a share of 6.61%.
- The Bank reinforced its leadership in the car loans sector (+9.78% with a market share of 8.5%), also considerably boosting volumes in the personal loans (+36.6%) and credit cards (+28.9%) segments, to which major strategic investments have been steered.
- The results of the project for direct collection of customers' deposits, launched in the Autumn of 2005, were well above expectations: even without major investments in communication, the extremely valid contents and simplicity of the product made it possible to reach a maximum peak of deposits of more than one billion euro, with excellent perception by customers of the quality of the service.
- Following the acquisition by the Santander Consumer Finance S.A. controlling company of a 70% stake in Unifin S.p.A., a Bologna-based company that operates on the market of loans secured by one fifth of the borrower's salary or delegation of payment, the Bank started to operate in these segments of business, characterised by interesting development prospects.

Other facts worth mentioning:

- In May, the share capital was increased by a further 28 million euro and is now equal to 100 million euro, thus



confirming the Shareholder's commitment to adequately sustain the considerable increase in Bank dimensions.

- In order to forge ever tighter integration within the Santander Group and to enhance the international renown of the brand, the Bank changed its company style from "Finconsumo Banca S.p.A." to "Santander Consumer Bank S.p.A." The logo has also been redesigned accordingly.
- The Bank's attention to constant innovation and extension of its offer was reflected in the setting up in 2006 of "Santander Consumer Finance Media S.r.l.", a joint-venture with the aim of financing sales of publishing works forming part of the catalogues of the renowned DeAgostini Group.

Outlook for 2007

- In the first quarter 2007, there was an upswing in industrial output, in particular in the car sector which, in February, reported a year-on-year increase of 5.7% in new registrations. Overall, strong growth is on the books in 2007, also sustained by the incentives envisaged by the Finance Bill for the scrapping of end-of-life vehicles.
- In view of the confirmed prospects of economic growth in the Euro area, there is a certain degree of optimism regarding a more or less generalised recovery of private spending, to which consumer finance is traditionally linked.
- The consumer finance sector is still characterised by excellent growth potential, underpinned also by wider diffusion amongst households of a more modern financial culture; the market maintained high levels of growth in the opening months of 2007.
- The interest rate policy adopted by the ECB, which upped its benchmark rate by a further 25 basis points, will probably trigger a general upswing in funding costs and therefore, on a highly competitive market, a further trimming of expected financial margins.
- In a context of this type, attention to curbing 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 can be considered crucial factors.



History and shareholders

Santander Consumer Bank S.p.A. was set up in November 1988 with the name Finconsumo Banca 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 specialized entity.

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

- in 1993, Istituto Bancario San Paolo di Torino (now Banca Intesa Sanpaolo S.p.A.) purchased 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 Banca S.p.A.;
- in September 2003, Banca Sanpaolo IMI S.p.A. (now Banca Intesa Sanpaolo S.p.A.) sold 20% of its holding to Santander Consumer Finance S.A., Grupo Santander, lead company of all Group holdings in the European consumer finance segment;
- at the end of 2003, the 50% interest in the bank, owned until then by CC-Holding GmbH, was allocated to Santander Consumer Finance S.A.;
- in January 2004, Banca San Paolo IMI S.p.A. (now Banca Intesa Sanpaolo S.p.A.) sold the remaining stake of 30% still in its possession to Santander Consumer Finance S.A.;
- in May 2006, Finconsumo Banca 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., a joint venture with DeAgostini Publishing Group, was set up (with a 65% interest).



Rating

In 2006, according to improvements in the Bank's market positioning and financial solidity and also considering its ever closer integration in the Santander Group, Moody's Investors Services increased Santander Consumer Bank S.p.A.'s rating on long-term deposits from A1 to Aa3. For the third year running, Moody's Investors Services confirmed the Bank's rating on short-term deposits (P-1), Financial Strength (C-) and Outlook (Stable), thus confirming that the noteworthy expansion of the Bank on the market is accompanied by steady economic growth and a stable financial structure.

Ratings Santander Consumer Bank S.p.A.

Long-term deposits	Aa3
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 and, last but not least, the Asset & Liability Management Committee.

A constant flow of information from and to the 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 the Independent Auditors as of September 2004.

The Board of Directors

At the moment, the Board of Directors which, according to art. 14 of the Articles of Association, consists of from five to thirteen Directors, has seven members:

- Ettore Gotti Tedeschi (Chairman)
- Josè Manuel Varela Uña (Deputy Chairman)
- Natale Farinetti (Director)
- Piero Antonio Sergio Rumignani (Director)
- Paul Adrian Verburgt (Director)
- Mauro Viotto (Managing Director/General Manager)
- Pedro Guijarro Zubizarreta (Director)

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

The Board of Directors also comprises representatives of the top management of the Santander Group, extremely effective in facilitating relationships between the Parent Bank/Subsidiary as it shortens the information transmission chain in carrying out strategic tasks and 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., Fc Factor S.r.l. and Santander Consumer Finance Media S.r.l. It exercises all the functions pertaining to complex 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 carrying out its mandate, 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 accept various types of risk according to 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 incapacity 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 with the frequency established by the Articles of Association.

In 2006, seven Board Meetings were held with a participation of 78%.

The Executive Committee

The Executive Committee, set up according to art. 21 of the Articles of Association, with a resolution of the Meeting of May 11 2006, comprises four members:

- Josè Manuel Varela Uña (Chairman)
- Ettore Gotti Tedeschi (Deputy Chairman)
- Piero Antonio Sergio Rumignani (member)
- Mauro Viotto (member)

The Committee remains in office for three years and its mandate expires with the approval of the Accounts at December 31 2008 by the Shareholders' Meeting.

The Executive Committee is vested with broad ordinary and extraordinary management powers, excluding the following:

- definition of Group and Bank strategic policies;
- 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, sale of real property, transactions on equity) - on this point, the Committee may put forward proposals.

The Executive Committee meets with the frequency required to fully exercise the powers delegated thereto.

In 2006, five meetings of the Committee were held with 100% attendance.

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 organizational regulations which attribute a fundamental role to this function in managing the Group and also a regards liaising between the Board of Directors/Executive Committee and operating functions and between the Bank and its 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 Organization), Pietro Vailati (Sales) and Maurizio Valfrè (Administration and Finance).

The members of General Management directly supervise all 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. controlling company in drafting operating plans that are subsequently submitted to the approval of the competent bodies 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 organizational resources and empowerment of personnel;
- identification and definition, according to the strategic guidelines defined by the Board of Directors, of repositioning of the organizational 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 Banca d'Italia, 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 three standing and two alternate auditors, appointed with a resolution of the Meeting on April 28 2006:

- Alessandro Braja - Standing Auditor until April 27 2006 and Chairman from April 28 2006;
- Giorgio Ferrino - Chairman until April 27 2006 and Standing Auditor from April 28 2006;
- Roberto Mignanego - Standing Auditor;
- Marco Bosca - Alternate Auditor until April 27 2006;
- Edoardo Aschieri - Alternate Auditor from April 28 2006;
- Francesco Maria Spano - Alternate Auditor.

The Statutory Auditors remain in office for three years and their mandate expires with the approval of the Annual Accounts at December 31 2008.

According to the Articles of Association, the main tasks 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 Supervisory Authorities and the Independent Auditors. At the moment, the Board of Statutory Auditors performs its functions through direct audits and also acquiring information from members of the 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 organization model, in particular as regards efficiency and correct functioning of the internal control system;
- investigating major problems and issues highlighted during auditing and monitoring 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 with 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, interfunctional 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 the 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 and the Deputy General Managers and meetings are usually held every two weeks.

In 2006, the Committee held twenty meetings with an attendance of 88%.

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 counterparty risk and businesses with agreements, adopting predefined methods of leverage.

The Committee comprises the Managing Director, the Deputy General Manager Planning and Control, the Deputy General Manager Credit Recovery and the Head of the Credit Department. Meetings of the Committee are usually attended also by the Deputy General Manager Sales, the Deputy General Manager Systems and Organisation, the Deputy General Manager Credit Recovery, the Head of the Processing Department, the Head of the Auditing and Operating Controls Department and the Head of the Direct Channel, who provide consulting and support.

The main tasks of the Committee include:

- definition of lending policies and assessment of the effectiveness/efficiency of IT and operating procedures with impacts on credit risk;
- continuous monitoring of the Bank's credit risk;
- analysis and evaluation of the results of sales network audits and monitoring of application of any corrective actions proposed.

In 2006, five meetings were held with 93% 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 body of the same name of the Santander Group.

It comprises the Managing Director/General Manager (Chairman of the Committee) 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 2006, 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.

The Committee comprises the Managing Director/General Manager, the Deputy General Manager Systems and Organization and the Head of the Systems Department.

It usually meets every three months and its activities also include approval of the Business Continuity Plan and periodic testing of its efficiency.

In 2006, the Committee met four times with a percentage 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 to be taken to improve the balance between risk/return.

Members of the Committee include the Managing Director/General Manager, the Deputy General Manager Administration and Finance, the Deputy General Manager 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 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 2006 the Committee held eight meetings, attended by 100% of its members.

The Consumer Protection Committee

The Committee, set up in the Autumn of 2006 at the initiative of the Santander Group, 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 2006, the Committee drew up one quarterly and two monthly reports, sending these to the Spanish Parent Company.



Consolidation of the Santander Consumer Bank Group



Consolidation of the Santander Consumer Bank Group

Pursuant to art. 29, 1st paragraph Decree Law No. 87 of January 27 1992 (referring to cases of exclusion from the scope of consolidation), the consolidated financial statements were not prepared until financial 2005 insofar as consolidation of the FC Factor S.r.l. subsidiary would have been irrelevant for the propose of true and fair representation of the financial position and operating result of the Santander Consumer Bank S.p.a. Group. Following the setting up of Santander Consumer Finance Media S.r.l. during financial 2006, it has been considered that the aforementioned irrelevance requirement is no longer applicable, such conclusion being reinforced by the obligation of also including separate securitization assets on hand in the consolidation (as prescribed by IAS 27 and related interpretation document SIC 12).

Area and basis of consolidation Equity investments in joint/wholly-owned subsidiaries

Table B.5.5

Name of the companies	Registered offices	Type of relationship (a)	Participation ratio		% Voting rights (b)
			Participation company	% interest	
A. Companies					
A.1 Consolidated line by line					
1 Fc Factor Srl	Turin	1	Santander Consumer Bank S.p.A.	100%	
2 Santander Consumer Finance Media S.r.l.	Turin	1	Santander Consumer Bank S.p.A.	65%	

(a) Type of relationship

1= majority of voting rights at Ordinary Shareholders' Meeting

(b) Voting rights at Ordinary Shareholders' Meeting. Voting rights are indicated only if they differ from percentage interest

There are no potential voting rights

The Consolidated Financial Statements comprise Santander Consumer Bank and the companies directly controlled thereby. The scope of consolidation - as specifically required by IAS/IFRS (SIC 12 and IAS 27) - also comprises separate assets of the Golden Bar s.r.l. vehicle company.

Therefore, the consolidation area comprises Fc Factor S.r.l, wholly owned, Santander Consumer Finance Media S.r.l. (set up during 2006 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, with assignment to the Bank of a controlling interest of 65%), and also the separate assets of the vehicle company Golden Bar S.r.l. (Securitisation), denominated Golden Bar I and Golden Bar Securitisation Programme.

The details of separate assets included in the consolidation area are set forth below:

Company name	Registered offices
A. Companies	
1 Golden Bar (Securitisation) S.r.l.	Turin

Basis of consolidation Line-by-line consolidation

The Consolidated Financial Statements have been prepared according to the line-by-line method which consists in "line by line" acquisition of the Balance Sheet and Income Statement aggregates of the subsidiary companies. After setting forth separately minority interest in shareholders' equity and in the operating result, the value of the investment is written off against the underlying shareholders' equity of the subsidiary.

Positive differences are stated - after any posting to assets and liabilities of the subsidiary - as goodwill under Intangible assets. Negative differences are taken to shareholders' equity as consolidation reserve.

Assets, liabilities, income and expenses between consolidated companies are eliminated in full.

The financial statements of the Parent Company and related subsidiaries have been prepared on the same balance sheet date.

Adoption of IAS/IFRS new accounting principles

Foreword

To keep pace with the evolution and ever more sweeping globalization of financial markets, the European Commission has launched a Community-wide process of convergence of the rules on preparation of financial statements and financial disclosure by companies.

The European regulatory framework

To this end, in 2002, the European Commission issued a Regulation (No. 1606/02 of July 19 2002) aimed at harmonizing accounting practices starting from 2005 and at application by listed companies in the European Union of IAS/IFRS international accounting standards when preparing their consolidated financial statements. This process was directed towards obliging listed companies to provide comparable, high quality accounting information such as to promote development of competition and market growth, while also guaranteeing more effective protection of investors.

International Accounting Standards are issued by the IASB (International Accounting Standards Board(r)), an independent body responsible for developing, in the interest of the public, high quality accounting standards. The aforementioned Community Regulation No. 1606/02 established that, to be applicable, such principles must be endorsed by the European Commission and published in the Official Gazette of the European Union. The process of approval of the new International Accounting Standards was completed at the end of 2004 with endorsement of IAS 39 (financial instruments) which, in view of the major innovations introduced compared with the principles adopted previously in most European countries, required attentive analysis by the Community and national bodies prior to approval.

The Italian regulatory framework

With Regulation 1606/02 of July 19 2002 endorsing the application of International Accounting Standards to the consolidated financial statements of listed companies starting from financial 2005, the European Commission took a decisive step towards Community-wide harmonization of the rules on financial statements. The standards issued by the IASB (International Accounting Standard Board) are therefore legally applicable at Community level, following publication in the Official Gazette of the European Union after endorsement by the Commission, as established by the aforementioned regulation.

The regulatory approach adopted by the Community was subsequently enforced in Italy with issue by the Government of Decree Law No. 38 of February 28 2005 which extended application of IAS/IFRS, on a facultative basis for 2005 and on a compulsory basis for 2006, also to the statutory and consolidated financial statements of banks and financial companies subject to surveillance (art. 2, indent c), with the option of applying such principles to the statutory financial statements of companies required to prepare the consolidated financial statements and also to their subsidiary companies (art. 2, indent e).

The same Decree also defines suitable rules regarding the distribution of income and reserves arising on first-time adoption of the new standards (art. 6 and 7), regulating inevitable fiscal repercussions (art. 11 - 13) in order to guarantee, on the one hand, consistency and harmonization with current legal provisions and, on the other, fiscal neutrality in relation to the ordinary criteria adopted when preparing the annual accounts and consequent calculation of taxable income.

Reaffirming the provisions of art. 6 and art. 83 of Decree law 87/92, Decree Law No. 38 (art. 9) confirmed Banca d'Italia's powers regarding the preparation of accounting schedules and definition of the contents of the Notes to the financial statements of banks and of financial companies subject to supervision; with Circular 262 of December 22 2005 and the subsequent Circular of February 14 2006, the supervisory authority effectively formalized the instructions for preparation of the statutory and consolidated financial statements of banks and



financial companies respectively.

On the Supervisory front and in line with the provisions of the aforementioned circulars, in the first half of 2006, Banca d'Italia aligned the provisions regarding regulatory capital and prudential ratios with the new rules regarding the presentation of financial statements according to international accounting standards (Note 155/1991 - 11th update). Such harmonization is followed in Note No 345201 of April 7 2005 (subsequently reaffirmed by Note No. 445436 of April 20 2006) with which, preliminarily, the supervisory authority requested, albeit in an informal manner, information regarding the impacts of first-time adoption of IAS.

First-time adoption of International Accounting Standards

In accordance with the aforementioned Decree Law 38/2005, Group companies have complied with the new regulations on financial statements, aligning their rules of accounting representation of operations with the requirements of the new international accounting standards starting from financial 2006. To this end, suitable preliminary analyses have been made, with also the assistance of external consultants, in order to determine the effects of First-Time Adoption on re-opening of the accounts on the transition date of January 1 2005, in accordance with IFRS No. 1.

Such effects have therefore been suitably reflected in the accounting records of the Group companies concerned, aligning the opening accounting balances at January 1 2006 as set forth in the accounts drawn up according to current provisions under Decree Law 87/92.

As regards Santander Consumer Finance Media S.r.l., no effects of First-Time Adoption have been recorded insofar as the company was set up during 2006, therefore already complying with IAS/IFRS.

According to instructions notified by Banca d'Italia with the aforementioned Circulars of December 22 2005 for banks and of February 14 2006 for financial companies, all general accounts have been suitably reclassified in the new accounting schedules, with far-reaching modifications in relation to those envisaged by Decree law 87/92, in order to comply with the new accounting standards regarding measurement and classification.

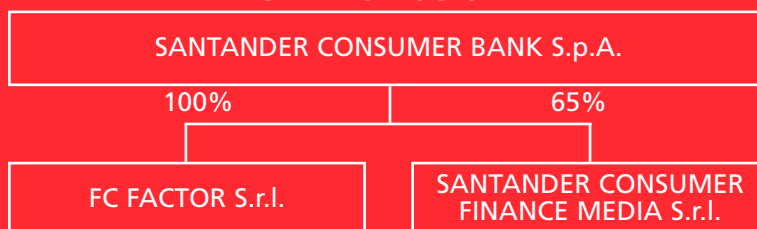
Events after the reference date of the financial statements

In the period between the end of financial 2006 and the date of approval of these financial statements, no events occurred with a significant effect on business and on the operating results of the Group.

Consolidated financial statements of the Santander Consumer Bank Group

- Report on Operations
- Balance Sheet
- Income Statement
- Cash Flow Statement
- Notes to the Financial Statements
- Annex I - IAS Consolidated Package

SHARE STRUCTURE





Consolidated Report on Operations

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

The macro-economic scenario

In financial 2006, the world economy was beset by many different problems, including in particular unrelenting political tension, soaring energy costs (in particular, of oil) and increasingly perturbed climatic conditions.

Nonetheless, there was a 5.6% year-on-year upswing in world GDP, albeit with very different growth rates in the various areas of the world.

Once again, the most dynamic economies were those outside the Euro and Dollar area.

Despite soaring oil prices, internal demand continued to expand in Asian countries, also characterised by persistently high growth rates. In China and India in particular, with an anticipated growth rate in 2006 of 10.5% (in relation to 9.9% in the previous year) and of 9% (in relation to 7.5% in 2005) respectively, economic prospects held up well in a context of moderate inflationary pressure.

The long-lasting crisis that has hit Japan showed signs of letting up (GDP+ 4.8% in relation to the previous year).

Despite the damage caused by bad weather conditions, the United States reported sturdy economic growth, although lower than in previous year (GDP equal to 2.2% compared with 3.5% in 2005). Growth was driven mainly by private consumption, business investments and Government spending.

The Federal Reserve maintained a tight monetary policy, upping the benchmark rate to 5.25%, an increase of 100 basis points, during the year.

Despite spiralling energy prices, growth picked up in the Euro area, with an estimated 2.7% increase in GDP in 2006, compared with 1.5% in 2005, spurred in particular by good performance in the second half of the year. Throughout 2006, business confidence improved, with a 2.5% upswing in industrial output in December in relation to the same month of 2005, driven by strong demand from Asia which contributed to sustaining Euro area exports.

Household consumption tended to lag behind, on a level with the 2005 data.

Investments grew at a rate of 3.8%, spurred once again by advantageous financing conditions and the noteworthy upswing in company earnings.

However, uncertainties persist regarding the effective strength of the recovery, tied mainly to fluctuations in the prices of oil and raw materials and also fears of general imbalance on a world-wide scale.

Turning to prices, the inflation rate (2.3%) was affected by the increase in the costs of raw materials and oil but, despite the trepidation expressed on several occasions by the Central European Bank, no particular risks are expected in this area, at least in the short term, even though effects of the aforesaid increases may be transmitted with a cascade effect to other production sectors.

As regards monetary policy, the Euro area was once again characterised by strong liquidity. Household spending moved forward 1.8%, while there was a further year-on-year upswing in loans to the private sector, in particular mortgages, despite less favourable financing conditions in the second half of the year.

During the year, in the months of March, June, August and December, the Central European Bank upped the benchmark rate from 2.25% to 3.50% with a total increase of 125 basis points, in order to keep expected inflation in the Euro area firmly pegged to a level consistent with economic growth.

As regards the Italian economy, the only year with a higher growth rate than that of 2006, promoted by a general upswing in consumption, investments and exports, was 2000.

After getting off to a slow start, followed by a slight drop in the Summer, industrial output switched into high gear in the last quarter of the year. ISTAT provisional data for the twelve months of the year highlight a minor recovery in production activities, with an increase of 2%.

Industrial output showed initial signs of recovery in sectors impacted in the past by major downturns, such as electronics, transportation, textiles-clothing and the production of metals and rubber. The order backlog picked

up, in particular in the last quarter, after a Summer of almost zero growth.

ISTAT data regarding GDP indicate a growth of 1.9% for 2006, an improvement on the zero growth of the previous year.

Consumption moved up by a meagre 0.2%, on a level with the upswing in household spending, whereas investments in fixed assets picked up starting from the third quarter. In particular, household consumption was characterised by a period of expansion in the demand for durable goods, mainly transportation (+7.3%) and electronic products (+7.7%).

Sector performance

Despite the difficult economic situation, with household consumption at a standstill, the consumer finance market continued to expand in 2006.

Although still well below the average of other EU countries, there was a steady increase in loans to households, sustained mainly by evolution of financial culture and also by a more or less generalised decline in purchasing power.

Financial institutions and specialist banks, more than generalist banks, played a major role in stimulating market expansion, and the ever more specialist nature of the sector is clearly reflected in the market share managed by specialist operators, who cornered more than 75% of the total stock of consumer finance.

According to an analysis of the various sectors, the most dynamic were the so-called direct loans, including in this category personal loans, revolving credit cards and loans secured by one fifth of the borrower's salary or delegation of payment.

On the other hand, there was a total increase in special purpose loans of only 3.4%.

After a brisk start in the first half of the year, stimulated by the launching of new models and manufacturers' massive promotional campaigns, there was a marked shrinkage in car loans in the last six months of 2006, with however an annual growth of 3.7%.

In 2006, the Italian registrations market reported a growth of 3.7% after a good start in the first two quarters, followed by a drop of 5.5% in the third quarter, immediately offset, at least in part, by an upswing of 1.9% in the last quarter. Forecasts for 2007 are imbued with a certain optimism, also considering the effects of the incentives offered for replacement of old, polluting vehicles.

Value of lending operations in 2006

Type of financing	Value lending operations (€m)		
	Jan-Dec 2006	Breakdown	Change
- Direct loans	14,130	26.7%	25.7%
- Car and motorcycle	20,257	38.4%	3.7%
- Industrial vehicles	203	0.4%	-6.8%
- Other goods	5,762	10.9%	3.4%
- Credit Cards	8,668	16.4%	12.4%
- Transfer 5th of salary	3,826	7.2%	30.5%
Total Consumer finance	52,847	100.0%	11.9%

Source: Assofin Survey Dec. 31 2006

In 2006, net disbursements in the sector topped 52.8 billion euro, for more than 83 million operations, of which 76.3 million transactions with credit cards.

The market share of the Santander Consumer Bank Group, in the sector of specialist operators assessed by Assofin and excluding sectors of businesses in which it does not operate, was equal to 6.6%, with an increase of 16.6% in relation to year-end 2005. The Group is currently third for business generated in its sector of operation, having moved forward one position in relation to the same period of 2005.

Strategic guidelines

Santander Consumer Bank S.p.A. adopts a strategic policy steered towards confirming and consolidating, with ever greater momentum and determination, the increased dimensions of the Bank with the aim of achieving a higher critical mass able to boost its market share, exploiting gradually more and more significant economies of scale.

Also in 2006, this approach was suitably sustained by the Santander Group shareholder which provided the necessary resources to reinforce and establish a capital and financial structure able to sustain strong growth, also confirming its intention to make further significant investments in future strategic plans that may also take into account solutions able to promote the growth of external lines.



The Italian consumer finance market is still characterised by 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 emphasises the need to pursue further increases in size able to promote economies of scale.

The results reported are fully aligned with the strategies defined for the three-year period 2004-2006 and perfectly consistent with the declared general objectives of:

- reinforcing the sales network;
- modifying the portfolio mix, increasing the proportion of products with higher earnings and the possibility of retaining direct and indirect customers;
- sustaining and improving the high standard of services towards counterparties using more modern, sophisticated technological instruments;
- completing the product range in order to gear ever more effectively to customers' requirements.

Achievement of such widespread market growth implies the need for continuous monitoring of relationships with the various distribution channels, and the allocation of suitable resources.

The entire structure of Santander Consumer Bank is fully committed to this process, aware that success and achievement of objectives require constant upgrading of all existing Areas/Departments.

In this area, the most significant actions were directed towards:

- optimising business management (attentive monitoring of the various items of expense and of objectives to reduce these in relative terms);
- technological innovation, in order to improve efficiency and the level of service provided to Dealers and end customers;
- promoting an increase in the implicit value of customers by extending the number of products sold to the same customer (financing, insurance product, deposit, transfer of one fifth of the borrower's salary, etc.) in order to guarantee improved, complete satisfaction of customers' needs;
- developing and updating company professional competencies in order to gear more effectively to continuing modifications to regulations, to an ever more competitive market and Santander Group strategies;
- a constant search to identify opportunities for acquisitions, focussing in particular on those operators that, 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 regularly and 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 teams to members of the Group.

The Sales network

At the end of 2006, it was evident that all the main strategic objectives of the 2004/2006 industrial plan had been achieved.

Extension of the sales structure (with 7 new branches) played a major role in forging the 16.6% year-on-year upswing in lending volumes, earning the Group third position in the Assofin general classification (restricted to the sectors in which the Group operates) and first position in the sector of car loans amongst companies not tied to auto-makers.

Direct loans reported the best performance in terms of growth. As regards the personal loan product (6.6% up in relation to 2005 volumes), attention was focussed on product innovation while in the credit card product sector (+28.9% year-on-year), the Company reinforced its leadership in the insurance sector, also launching a major joint-venture with the De Agostini Group for the financing of works published by De Agostini Diffusione del Libro and Utet.

Marketing

Following modification of the Company's name in May, financial 2006 marked the definitive changeover to the new Santander Consumer Bank trademark.

All Group communication has been aligned with the new regulations of the Parent Bank, communication

campaigns for promotion of the personal loan product have continued and there has been an increase in investments in the on-line channel both in terms of promotional messages and easier access by the user. Direct marketing on the customer portfolio stemming from the indirect channel continued during the year, directed towards attentive modulation of the personal loan offer, increasingly characterised by higher levels of customisation and flexibility. To this end, a specific activity, based on a number of selected nationwide sales agreements, has been launched in order to propose “tailor-made” products to customers acquired. “SoloSantander”, the special-purpose debt consolidation loan proposed from the end of the year to a small section of the customer portfolio was well received by customers.

The process of computerisation of access and use of sales data (Sales Force Automation), launched in 2005, was completed across the entire sales network. Using this tool, all levels of the sales network are able to monitor, using different levels of aggregation, all activities carried out at branch level and by geographical area. 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) and those introduced and sold more recently such as Theft Fire and All-In-One insurance.

Nationwide Agreements and Credit Cards

2006 marked the complete coming on stream of the new organisational and operating structure introduced in 2005, also reinforcing external branch support activities.

This approach has gradually reinforced relationships with Top Dealers linked by existing national agreements, also promoting stipulation of a significant number of new agreements.

In terms of volumes, 2006 production in this area was more or less unchanged (-0.54% in relation to 2005), due mainly to the general crisis affecting the segments in which certain partners of primary standing operate.

On the other hand, it is worth noting the excellent performance of the motor vehicle sector, with an upswing of 42% driven by new and consolidated agreements.

The only sector that, despite a growth of 10.5%, failed to achieve expected results was the furnishing sector.

The Credit Cards product developed both inside and outside.

Dispatch of more than 150,000 credit cards to bank customers made it possible to consolidate a critical mass of active positions during 2006, which topped the 120,000 units mark.

- The Bank also stepped up its leadership in loans tied to the insurance market.

All-round growth in this sector generated volumes of more than 60 million euro, with a year-on-year increase of 260%.

The main events as regards external development included:

- the agreement with the Olio Carli company for development of a co-branded card project that will make it possible to reach more than 800,000 customer profiles, also proposing cross-selling of other products managed by the Company;
- the setting up of Santander Consumer Finance Media srl, a JV with the De Agostini Group for issue of a revolving payment instrument for instalment payment of works sold by the network. In the start-up phase (initiated in July 2006), this project consolidated more than 35 million euro financed, a result also forged by integration of agency (DeAgostini) and card issue processes.

The overall result, in terms of lending volumes, was aligned with forecasts, consolidating a year-on-year increase of 5.9%, net of the contribution of De Agostini production. This result can be considered positive also in view of the significant decrease in potential volumes due to the termination of strategic relations in the large scale retailing area.

This different portfolio mix and the effect of two tax manoeuvres triggered an increase in the interest margin, a very important factor in view of the rising trend of funding rates.

Direct Loans Department

In 2006, personal loans business reported a year-on-year increase in lending volumes of 36.6%, moving up from 384 to 524 million euro. The considerable upswing in volumes did not have far-reaching negative effects on product earnings (around 11%), despite the highly aggressive rates proposed to end customers on the Internet and a generally brisk, highly competitive Italian market.

As regards lending volumes, the results of the Multimedia Branch on the web channel, through both the



www.santanderconsumer.it site and cooperation with Creditonline, were particularly worthy of note. In financial 2006, the Multimedia Branch posted total turnover of around 76 million euro, equal to 15% of the Company's total turnover in the Personal Loans sector, with a more than twofold increase in relation to flows generated in the previous year (34 million euro).

These figures confirm that the Internet channel, if addressed correctly also with regard to attention to credit risk, guarantees interesting results also in terms of acquisition of new customers.

The positive result of the Direct Channel was also driven by an ever more efficient customer service, effectively-structured campaigns, increasing attention dedicated to direct marketing strategies and the development of new synergies with third parties.

During the year, this Department was involved in a large suite of projects:

- new synergies were developed, in particular cooperation with Unifin S.p.A., an Italian associate of Santander Consumer Finance S.A. which markets and manages loans secured by one fifth of the borrower's salary through its own agency network. In fact, placement of Bank personal loans also through 25 Unifin agents started in the second half of 2006. This cooperation contributed to achieving more than 3% of the total lending volume of the Direct Channel;
- the project to open branches with road-front financial store characteristics continued, with allocation of resources permanently dedicated to personal loans;
- further improvements were made to the so-called "online agenda" dedicated to managing branch appointments, in order to enhance efficiency and compliance with the commercial requirements of the Direct Channel; a manual dedicated to this application was drawn up and distributed in order to provide end users with all the information necessary for correct use;
- Branch telemarketing activities on a portfolio of customers already acquired were further reinforced and upgraded, with more than satisfactory results;
- in cooperation with the Legal Department, Credit and Auditing, personal loan product management procedures were completely overhauled, also publishing a set of circulars in the specific area reserved for the Direct Channel on the Company Intranet, accessible to all employees;
- the sales training cycle of Branch resources was completed, focussing in particular on the main communication and sales techniques for efficient telemarketing. In combination with the telemarketing course, resources also participated in a training session held by the Direct Department intended to illustrate and examine the main operating and commercial procedures, which can also be consulted via the Company intranet;
- to further improve the efficiency of operations and to promote more attentive management of the network, two new Supervisors were inserted, also increasing the number of territorial areas from 6 to 8.

Particular attention was also dedicated to sharing topics regarding the quality and profitability of the personal loan portfolio with the sales network. A fully-fledged system of production monitoring was set up at two levels: Direct Business Department (Registered offices) and Supervisor. The reports make it possible to reach a level of detail down to the individual resource, product or asset.

As regards the sale of personal loan accessory products, extremely positive results were achieved in 2006 with a penetration index (at amount financed level) of the Credit Life insurance cover of 86% and with 77% penetration of the All-in-One product.

Banking Products Department

As part of the project launched on a European scale in the Autumn of 2005, marketing of the "Santander Consumer Account", a high-yield deposit account, continued in 2006. The Bank's presence on the market was further reinforced, with also excellent response from the public.

At December 31 2006, there were around 13,000 open accounts with total deposits of 466 million euro, after a maximum peak of more than 1 billion euro reached during the promotional campaign.

Opening of current accounts for franchised sales points continued, as preferred instruments for the settlement of directed workflows and short-term management of cash, and also as settlement accounts for Stock Financing product operations (financing of stocks of goods - new vehicles and motorbikes - reserved for Top Dealers) which, during the year, contributed to sustaining and integrating the Bank's core business. At year-end, with regard to Stock Financing, there were 89 active positions, and credit lines granted reached 16.5 million euro, with average draw-down during the year of around 9.1 million euro.

Other projects planned in the short term include the so-called Advances Account according to which funds are advanced to certain specifically selected dealers for the issue of new consumer finance contracts, and the so-called Fixed-term Deposit which offers particularly interesting returns to customers who make deposits for a pre-established period of time.

Processing Department

During financial 2006, the Processing Department managed the loading, investigation and approval of around 365,000 applications for loans, including all the financial products sold by the Bank (consumer finance, credit cards, leasing and renting).

2006 marked the migration of all production generated previously on the Dotto platform to the Internet channel; the platform was therefore definitively abandoned. Development of the product on the web promoted further expansion of the telematic channel, increasingly popular with the network of franchised retailers as it reduces operating problems compared with the old platform.

The “fax-server” software, designed to optimise loan application processing, came on stream during the year. This tool permits display and digital filing of all the documentation transmitted by the Dealers. All Department operators have been equipped with a double screen in order to facilitate consultation of the documentation. The workforce remained more or less unchanged, making it possible to manage an around 20% upswing in volumes, including business generated through Unifin S.p.A. and the newly-established Santander Consumer Finance Media S.r.l.

In mid 2006, a team specialised in managing “attempted frauds” was set up at the Department.

The 4-member team is responsible for checking consistency of Dealers’ income and identify documents in order to streamline approval in both on-line and quick load mode. The results obtained in terms of intercepting false documentation intended to defraud confirm the validity and potential of the project: in the second half of the year, 572 contracts were rejected for suspected fraud for an equivalent value of more than 7 million euro.

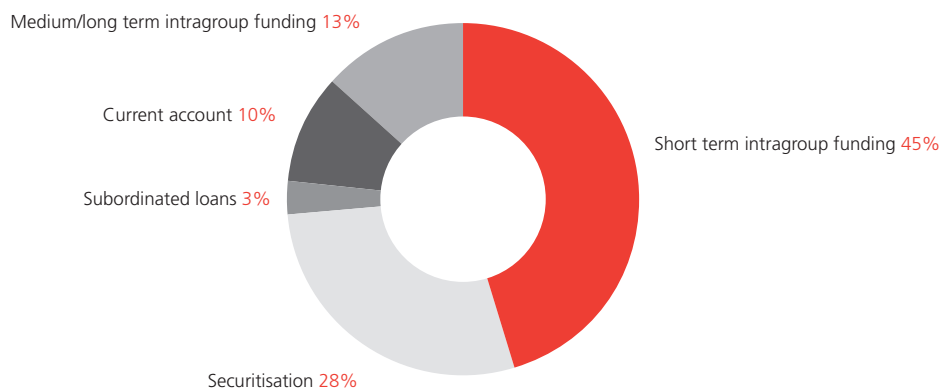
Financial management

During the year, the Central European Bank continued to apply the restrictive monetary policy launched in December 2005, with five subsequent interventions on the benchmark rate between March and December. Financial management was particularly delicate due to the upswing in the average cost of funding and difficulties encountered in prompt transfer of the increased costs promptly to the lending side, in a constant, ever more attentive search to achieve the best compromise between maximising short-term results and risk management.

At year-end, total indebtedness, direct and indirect (securitisation), reached 4,895 million euro, moving up 30.8% in relation to the 3,742 million of the previous year.

The breakdown of indebtedness according to sources of funds 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 45% of total exposure) in terms of amount.

At the end of the year, funding via customers’ current accounts represented 10% of the total, in relation to 14% at year-end 2005, even without the related supporting communication campaign.

In the medium/long-term segment, 65 million euro of other subordinated “Upper Tier II” and “Lower Tier II” loans were disbursed by the Shareholder, with an increase from 100 to 165 million euro. The characteristics of these loans comply with the requirements of the Regulatory Authorities for calculation of the Bank’s Regulatory Capital.



Reimbursement of the securities issued as part of the first securitisation transaction (Golden Bar I), effected through the Golden Bar vehicle in 2000, was completed in October, with concurrent repurchase of the remaining portfolio by the Bank.

As part of the Securitisation Programme launched in 2004, a third tranche of securities for 700 million euro was issued in February; subsequently, in November, a new transaction, which envisages a fourth issue of securities, placed on the market at the end of January 2007, was launched through transfer of a new portfolio of 700 million euro to the Golden Bar (Securitisation) srl vehicle-company, as follows:

Title	Amount	Rating (S&P and Moody's)	Coupon
Class A	658,000,000	AAA/Aaa	EURIBOR 3 months + 14 bps
Class B	28,000,000	A/A2	EURIBOR 3 months + 26 bps
Class C	10,500,000	BBB/ Baa2	EURIBOR 3 months + 55 bps
Class D	3,500,000	Not rated	

During the year, the Bank also repaid the remaining 178.5 million euro of securities issued under the Euro Medium Term Note Programme launched in June 2002.

Financial risk management policies

With a portfolio of fixed-rate loans with an approximate duration of 19 months and funding with variable- or fixed-rate contracts of shorter duration, the Bank is inevitably exposed to rate risk, which is managed adopting Group-wide macro-strategies and according to precise, formally-defined limits of exposure.

Such risk is managed through trading in financial instruments (mainly Interest Rate Swaps), principally with the Parent Bank.

Through these swap contracts, with usually a duration of between two and four years, and with EURIBOR at 3 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 the effects, on both Net Present Value of the portfolio and on the interest margin, deriving from an instantaneous increase in market rate curves of 100 basis points), to liquidity risk and counterparty credit risk, the latter restricted to operations on financial instruments (derivatives), are defined in accordance with the Group.

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

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

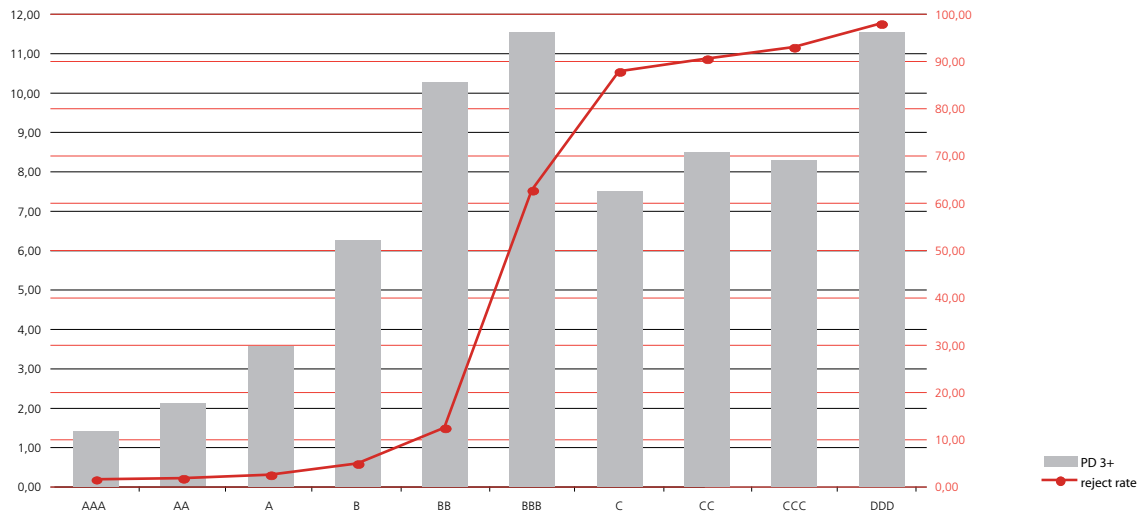
Credit policy

As far as credit risk is concerned, constant attention is dedicated to maintaining and upgrading the automated decision-making process, sustaining the constant discriminating power of the internal rating system during assessment of loan applications. Constant commitment to improving management of the operating process and customer analysis in the acceptance phase is reflected in the development of a new scoring system based on neural networks. This statistical method permits construction of a non-linear customer assessment model, i.e. a model based on statistical algorithms able to learn from past experience. 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.

As regards analysis of customer behaviour, the existing portfolio management system (dubbed "Stratagem V2") was reinforced, activating a model for assessment of customers managed by the litigation department, in addition to scoring grids for determination of pre- and post-default PD and LGD at account and customer level.

The intense activity of control and cataloguing of frauds (suffered and averted) continued during the year, with also the contribution furnished within the framework of the Assofin and ABI work group that cooperates with the MEF - UCAMP (Italian Ministry of Economy and Finance - Central Office for Means of Payment Fraud) with the aim of setting up an Italian consumer finance fraud control and prevention system.

Performances and denials (reject rate) by rating segments



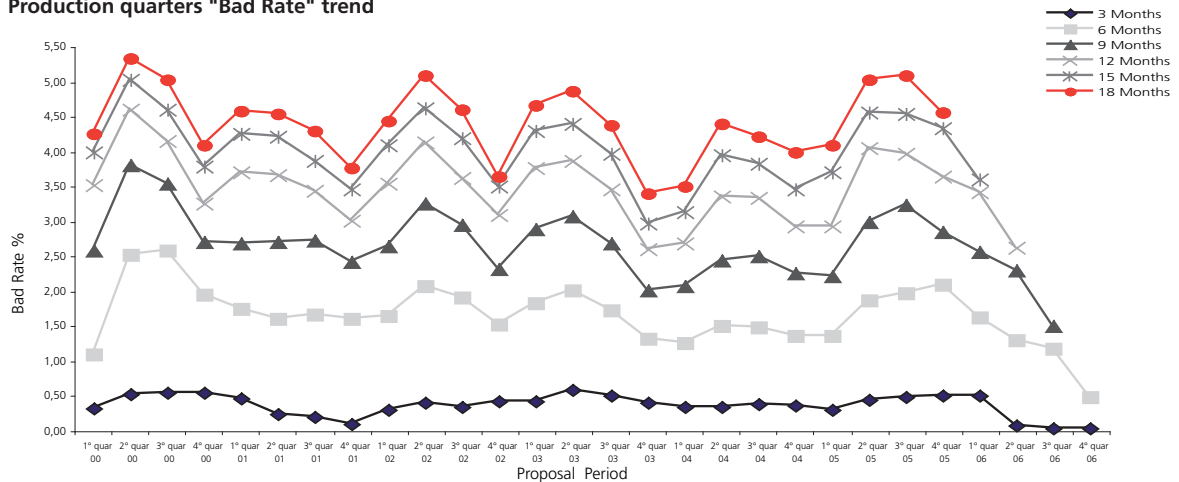
The graph illustrates the expected litigation rate, generated in 2006, expressed as percentage (histograms) for each individual rating segment and the related reject rate (line).

Quality of the Portfolio

The following graph highlights a substantial levelling out of the bad rate lines. The time axis of observation starts from 2000 in order to emphasize the stable, cyclical nature (reflected graphically in the repeated “waves”) of the medium/long term results obtained introducing the “NBSM” operating platform and by the statistics-based scoring systems (credit scoring).

Considering the general outline of the Bank, whose dimensions have increased considerably in the last three years, the data is undeniably positive although attention must be drawn to the short-term phenomenon which, for maturity at six months, coinciding with the second quarter 2005 of production, starts to reveal an inversion of trend in relation to the downwards trend evident in 2004.

Production quarters “Bad Rate” trend



Call Center

During the year, the Customer Service completed the projects launched at the end of 2005 and initiated new activities.

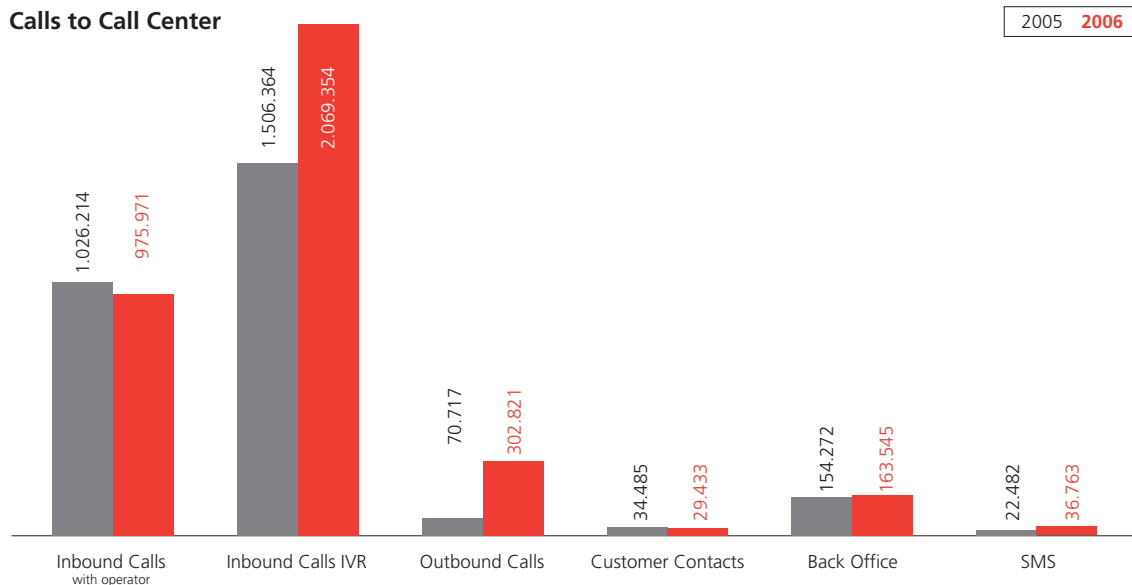
Overall, volumes of both front-office and back-office activities increased by 27%; outsourced activities, which include inbound and back-office calls, are now well consolidated and account for 85% of the total. The overall level of service, which represents the percentage calls that must be managed by the outsourcer in relation to total calls received, was equal to 94%.



The Outsourcers quality project was completed; the portal dedicated to external operators now includes various training and response assistance tools, with sections regarding procedures, others concerning "on-line help" with the operators, managed via a forum where users can insert their doubts/requests and receive a fast reply; and also: document galleries; newsletters; e-training; tests.

Controls based on "mystery calls" were also stepped up during the year; these calls permit direct checking of external operators' replies to our customers with also the possibility, if necessary, of intervening with specific methods on a topic or specific group of operators; this activity was also accompanied by spot checks on back-office activities in order to guarantee an excellent level of quality on all the channels used to contact customers.

Last but not least, attention was dedicated to upgrading the SMS (text messaging) channel, particular popular with customers; there was a 63% increase in outbound SMS, and inbound SMS were also introduced during the closing months of the year: customers can forward requests to our Customer Service sending an SMS and receiving an SMS in reply. Plans for 2007 include further development of the level of automation of the replies, with a consequent improvement in speed and a higher level of efficiency.



IT Systems

In addition to constant commitment to system maintenance and to providing other departments with support, in 2006 IT Systems was involved in various projects directed towards standardising internal procedures and offering Bank business partners and customers improved products and services.

Projects worth noting included the coming on stream of IAS procedures and all those projects that promoted improvement of internal procedures and operations such as: standardisation of profile data; integration of the new product for management of loans secured by one fifth of the borrower's salary and delegation of payment through automatic acquisition of contracts via an IT procedure; completion of the acquisition of "credit card" contracts directly from the dealer via the web platform; complete management of operators in outsourcing.

Actions of wider scope included the coming on stream of the Santander Consumer Finance Media management system and the management of credit cards with microchip, where development of the application has been completed while awaiting future use.

Lastly, technological support was provided for the start-up of the new "anti-fraud" unit.

Legal Department Privacy

As regards privacy, the Bank has implemented the directives of the Shareholder, also introducing a new procedure intended to reinforce protection of the data of the Bank and of its customers/franchisees/suppliers in the case of outsourcing contracts.

Prevention of money laundering

With regard to the prevention of money laundering, the Bank has implemented the measures issued in February 2006 by the Ministry of the Economy and Finance and by the Italian Exchange Office; in particular, the Company money laundering prevention manual and contract forms have been updated (for the contracts: the part relating to the consent and customer identification clauses; for the agreements: the part referring to obligations of identification of customers by franchisees) and operating procedures (recording of incoming and outgoing payment orders of an amount exceeding the legal limit also for the Fc Factor S.r.l. and Santander Consumer Finance Media S.r.l. subsidiaries).

Transparency

The Bank has revised its various forms (contracts, information sheets, main warnings, rules on transparency) following the coming into force of Decree Law No. 223 of 4/7/2006 ("Bersani Decree") converted into Law 248/06 which has introduced various significant innovations as regards consumer finance business and loans in general.

This review was also made necessary by various observations and requests received during the year from Banca d'Italia, Supervisory Office.

Organisation

During the year, the Organisation Department, together with other company departments, was involved in various strategic projects directed towards extending and reinforcing the position acquired on the Bank's reference market.

In cooperation with the Processing and Credit Departments, new fraud prevention procedures were drafted, drawing on the extensive in-field experience of the departments concerned to develop a suite of automatic and manual controls intended to verify the documents of applicants for loans and other data; the system is able to block the contracts, which are then managed manually, in the case in which particular parameterisable occurrences are detected. After manual management, the fraud prevention unit issues its opinion of the contract which is absolutely final and binding.

The Department also cooperated effectively in the setting up and organisation of Santander Consumer Finance Media S.r.l., also following up its start of business.

In cooperation with the Systems Department, the Organisation Department took steps to improve security procedures, aligning these with the stringent policies of the Parent Bank. To this end, a new area dedicated to this topic was created on the Company intranet, accompanied by far-reaching update and review of the official documentation published on the site. The recording and preservation of personal access credentials was also automated, introducing a specific IT procedure.

On the Company intranet, the areas dedicated to personnel training were upgraded, inserting new courses and practical exercises, freely accessible to employees.

Lastly, the plan to open new branches, defined by the Management as part of its commercial expansion strategy, was completed. The following branches were opened: Mantova, Prato, Cesena, Frosinone, Novara and, as Factor agencies, Monza and Turin.

Human Resources

New resources hired during the year brought the Bank workforce to 738 employees, of which 12 directors, 138 managers and 588 staff members, with an increase of 3% in relation to the 2005 figures.

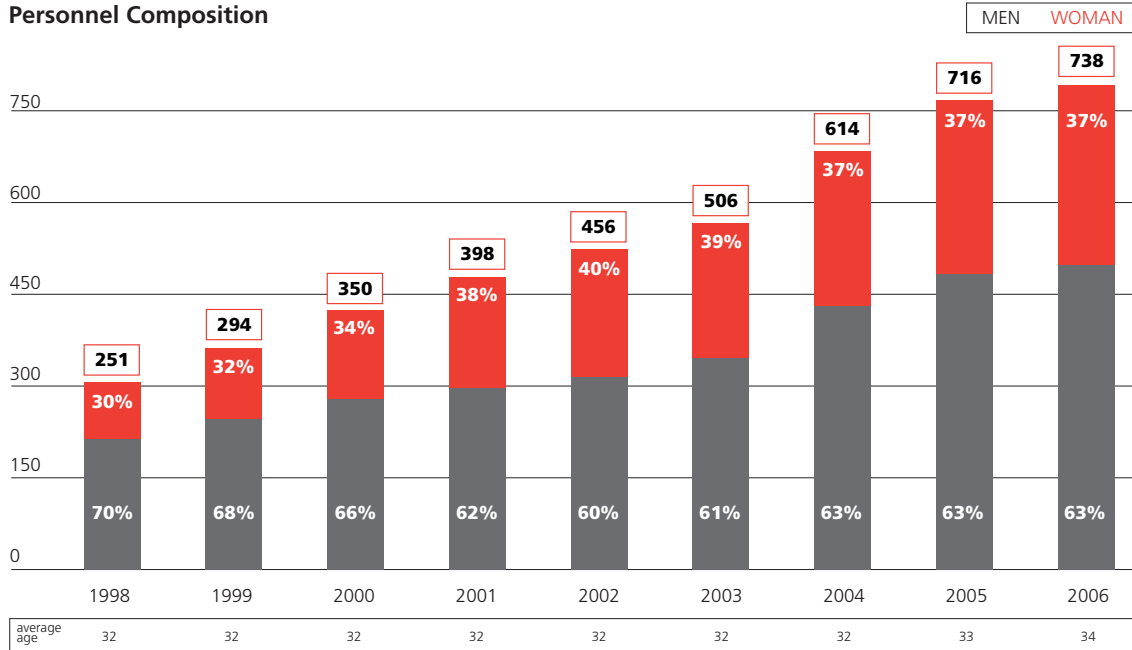
Fifty staff members were hired with integration contracts. At year-end, 24 resources were involved in post-graduate periods of training.

Resources were allocated for 64% to the sales area and the remaining 36% to various General Management functions.

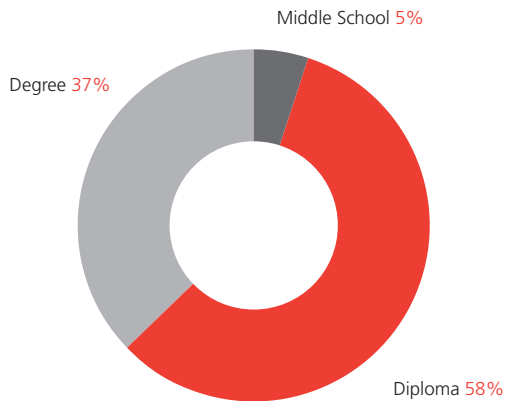
Compared with 2005, average age increased from 33 to 34, while the percentage of female personnel (37%) remained unchanged.



Personnel Composition



Qualification



Training activities contributed to enhancing and consolidating sales skills with around 9000 hours of training. Attention was also focused on managerial skills such as leadership, communication and management of resources, with more than 600 hours of training. Once again, on-line training played a major role, guaranteeing complete coverage of all the various "areas" and also including language courses.

The Bank also provided an excellent contribution to the "Future Executives" international project, launched at world-wide level by the Parent Bank. Eight colleagues were selected (of which one chosen) with the possibility of spending a period of work and training of at least 3 years abroad at another company of the Santander Consumer Finance Group.

Cooperation with leading Italian Universities continued with excellent results, involving 42 new graduates in training periods, most of whom were subsequently hired.

As usual, relationships with the Trade Unions were inspired by transparency, correctness and respect of reciprocal roles. The main events in this context included the agreement on the new Health Policy and the introduction of social security for employees' children and benefits for the families of differently-abled persons.

As in previous years, the results achieved in 2006 were also forged by the active participation, professional maturity and dedication of all Group personnel to whom I express my sincerest thanks.

Credit Recovery

The repercussions of the increased dimension of the Bank and the effects of the difficult socio-economic climate were offset to some extent by the evolution of the recovery structure.

The structure has evolved mainly in the direction of increasingly personalised contacts with customers, with the aim of identifying solutions that are reasonably suitable for the Bank and compatible with customers' contingent problems.

This flexible, fully-consolidated structure, which operated mainly through Phone Collection, was reinforced, creating a Home Collection organisation distributed all over Italy and able to meet customers directly in order to provide a prompt response in the most complex cases.

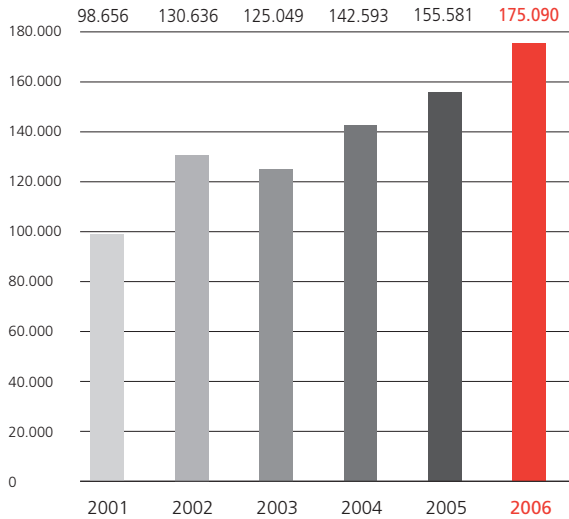
The expected value added lies in continuous improvement of the quality of contacts, always characterised by high level professionalism of External Recovery Entities which are carefully selected and constantly monitored.

There was a significant increase in the number of inbound contracts involved in litigation and in average unitary amount.

Far-reaching improvements to organisation and procedures forged equally significant improvements in the times involved and in the effectiveness of recovery.

In 2006, 175,090 contracts were involved in credit recovery procedures with a year-on-year increase of 12.5%.

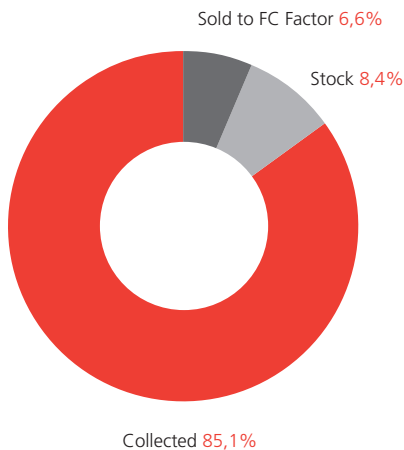
Phone collection



The percentage of actions with positive outcome referring to new entries as close on 88%.

The results of recovery activities in terms of value, as highlighted in the graph below, were positive for 85.1% of the contracts managed during 2006, with a residual backlog under management at year-end of 8.4%.

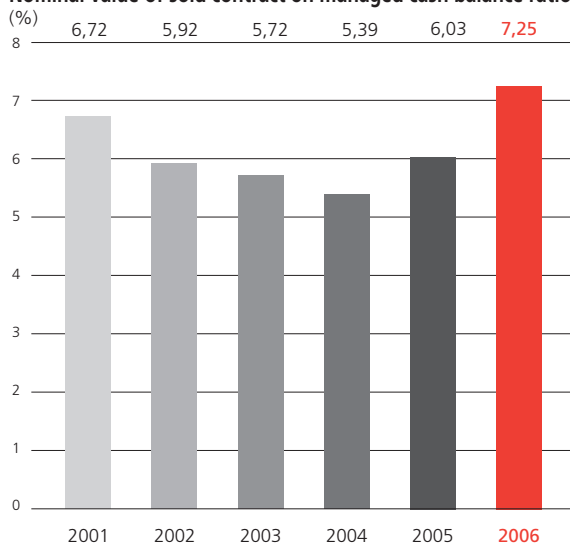
Performance Nominal Value



Loans transferred during the year to the Fc Factor S.r.l. subsidiary corresponded to 6.6% of the risk managed; the percentage ratio between the value of contracts not collected and that of contracts involved in recovery procedures, in the reference month, was 7.25%.



Nominal value of sold contract on managed cash balance ratio



During financial 2006, recovery staff remained stable with an in-house recovery structure of resources increasingly specialised in the product and type of risk managed, and increasingly focussed on monitoring, coordination and control of decentralised activities.

The use of increasingly sophisticated technology and constant improvement of IT procedures make it possible to maintain the positive costs/benefits ratio of the activities carried out, with the main aim of improving the speed, efficiency and profitability of contacts with customers.

FC Factor S.r.l.

In its seventh year of business, the Company concluded the pro-soluto purchase of 23,380 non-performing loans for a nominal value of 87.971 million euro, in addition to arrears interest of 1.733 million euro, against payment of 22.010 million euro.

Proceeds from management of loans acquired totalled 15.141 million euro.

The main income from operations in 2006 referred for 8.627 million euro to gains on the portfolio purchased and for 0.959 million euro to arrears interest charged during the year to customers transferred and paid by these.

Operating expenses for the year amounted to 5.253 million euro, net of losses on loans of 2.978 million euro, and adjustments to loans of 1.539 million euro.

At December 31 2006, total residual loans amounted to a 195.765 million euro, for a stated residual purchase cost of 40.384 million euro.

During the year, steps were taken to gear the recovery structure to the expansion of the portfolio. Noteworthy reorganisation actions included more rational segmentation by product, which contributed to a further increase in the speed and efficiency of collection.

On December 31 2006, the Company workforce comprised 29 persons of which 1 director, 5 managers, 23 members of staff.

Financial 2006 closed with a net income of 0.051 million euro.

Santander Consumer Finance Media S.r.l.

Santander Consumer Finance Media S.r.l., set up on May 11 2006 with a share capital of 1,000,000 euro, fully subscribed by the Shareholders according to their respective interests, was registered on June 14 2006 in the general list of intermediaries operating in the financial sector, as regulated by article 106 et seq. of Decree Law No. 385/93.

Following registration in the general list held by the U.I.C., the Company started operations and, in accordance with the provisions that regulate the granting of loans through the issue and management of credit cards connected to these, immediately submitted an application to Banca d'Italia for inclusion in the special list set forth in article 107 of Decree Law No. 385/93. Following the preliminary inquiry phase based on the documentation presented, Banca d'Italia inserted the company in the aforesaid special list with a specific procedure on August 28 2006.

Following such registration and as established by the Shareholders in specific contractual covenants, during the Extraordinary General Meeting of October 18 2006, the share capital was increased by a further 6,000,0000 euro. At the moment, the share capital, fully paid in and subscribed by the Shareholders according to their respective interests, amounts to 7,000,000 euro.

The Company operates on the basis of two commercial cooperation agreements, sealed with De Agostini

Diffusione del Libro S.p.A. and Utet S.p.A., which envisage financing of instalment sales of De Agostini Diffusione del Libro S.p.A. and Utet S.p.A. publishing products channelled through their respective sales networks. Alongside such agreements and also to promote complete, correct management of operations, the Company has sealed a specific "servicing" agreement with the Parent Bank Santander Consumer Bank S.p.A. Prior to setting up of the Company, 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 large sales network of many agents, who were paid commissions on sales concluded.

The Joint Venture between Santander Consumer Bank S.p.A. and De Agostini Editore S.p.A. has resulted in 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, 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 operating model adopted is, therefore, based on a "privative" credit card (without circulation on banking circuits) with payment function, on which the credit line granted to the customer is based. The fact that the financing 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 financing 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 adopted by Santander Consumer Bank and 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.

The highly satisfactory sales results achieved in the year just ended confirm that the aforementioned two sales networks of the De Agostini Group have responded particularly well to the new businesses model, introduced in July last.

In the second half of 2006, some 19,600 loans were assessed, of which around 16,600 were granted, with a total lending volume of around 36.2 million euro. Against this general backdrop, the performance of the two sales networks differed with regard to the new method of selling financed through Santander Consumer Finance Media s.r.l.: Utet S.p.A. achieved a financed quota equal to around 35% of works ordered, whereas for De Agostini Diffusione del Libro S.p.A. this value was equal to around 75%. During the periodic meetings with De Agostini Group Sales Management (in order to analyse results and to discuss/define new actions to further improve mutual expectations), general satisfaction was expressed regarding the work carried out, also confirming the intention of the two sales networks to further extend, where possible, recourse to the sale of publishing works financed by Santander Consumer Finance Media.

The aforesaid commercial transactions generated receivables from customers of approx. 35,014 thousand euro at December 31 2006, with corresponding contributions by Utet S.p.A. and di De Agostini Diffusione del Libro S.p.A. for a total of approx. 6,620 thousand euro, of which around 530 thousand euro ascribable to financial 2006. Operating expenses for the year came to 245 thousand euro, while value adjustments to receivables were equal to 167 thousand euro.

Financial 2006 closed with a net income of 10 thousand euro, net of income taxes for the year of around 17 thousand euro.

As indicated above, it should be noted that the Company outsources all corporate functions from the Santander Consumer Bank S.p.A. controlling company; the Parent Bank therefore furnishes the services required according to the aforementioned services agreement and the specific company functions chart. In the year under review, the Company paid the controlling company approximately 135 thousand euro for services received. According to the above, the Company does not resort to own employees.





Consolidated accounting schedules



Consolidated Balance Sheet

ASSETS	31/12/06	31/12/05	Change	
			absolute	%
10 Cash and cash equivalents	10,145	17,499	(7,354)	-42.0
20 Financial assets held for trading	2,617,874	3,444,274	(826,400)	-24.0
30 Financial assets carried at <i>fair value</i>				
40 Available for-sale financial assets	20,790	18,295	2,495	13.6
50 Held-to-expiry financial assets				
60 Due from banks	176,032,407	92,124,532	83,907,875	91.1
70 Due from customers	4,963,982,751	3,842,383,295	1,121,599,456	29.2
80 Derivatives used for hedging	29,887,032	4,427,945	25,459,087	575.0
90 Value alignment of financial assets subject to generic coverage (+/-)				
100 Equity investments				
110 Reinsurers' share of technical provisions				
120 Tangible assets	7,673,124	9,079,897	(1,406,773)	-15.5
130 Intangible assets	5,297,931	4,141,141	1,156,790	27.9
of which:				
- goodwill				
140 Tax assets	65,861,406	51,910,693	13,950,713	26.9
a) current	31,339,202	24,253,157	7,086,045	29.2
b) prepaid	34,522,204	27,657,536	6,864,668	24.8
150 Non-current assets of a disposal group				
160 Other assets	67,726,304	40,450,400	27,275,904	67.4
TOTAL ASSETS	5,319,109,764	4,047,997,971	1,271,111,793	31.4

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/06	31/12/05	Change	
			absolute	%
10 Due to banks	3,101,399,046	2,234,261,547	867,137,499	38.8
20 Due to customers	489,823,352	541,358,611	(51,535,259)	-9.5
30 Securities issued	1,398,981,147	995,663,455	403,317,692	40.5
40 Financial liabilities held for trading	5,742,901	3,017,020	2,725,881	90.4
50 Financial liabilities carried at <i>fair value</i>				
60 Derivatives used for hedging				
70 Value alignment of financial liabilities subject to generic coverage (+/-)				
80 Tax liabilities	44,370,996	37,573,651	6,797,345	18.1
a) current	33,273,599	34,955,203	(1,681,604)	-4.8
b) deferred	11,097,397	2,618,448	8,478,949	323.8
90 Financial liabilities of a disposal group				
100 Other liabilities	66,933,016	61,327,332	5,605,684	9.1
110 Provision for termination benefits	6,936,297	6,283,122	653,175	10.4
120 Provisions for risks and charges				
a) pension funds and similar obligations				
b) other provisions				
130 Technical provisions				
140 Valuation reserves	17,832,337	3,830,476	14,001,861	365.5
150 Redeemable shares				
160 Capital instruments				
170 Reserves	64,109,523	65,366,224	(1,256,701)	-1.9
180 Additional paid-in capital				
190 Capital	100,000,000	72,000,000	28,000,000	38.9
200 Own shares (-)				
210 Minority interest in Shareholders' equity (+/-)	2,453,553		2,453,553	
220 Net income (loss) for the year (+/-)	20,527,596	27,316,533	(6,788,937)	-24.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,319,109,764	4,047,997,971	1,271,111,793	31.4



Consolidated Income Statement

ITEMS	31/12/06	31/12/05	Change	
			absolute	%
10 Interest earned and similar income	256,399,187	206,082,509	50,316,678	24.4
20 Interest expense and similar charges	(151,722,174)	(97,516,858)	54,205,316	55.6
30 Interest margin	104,677,013	108,565,651	(3,888,638)	-3.6
40 Commissions receivable	101,305,355	73,440,280	27,865,075	37.9
50 Commissions payable	(9,047,025)	(7,212,189)	1,834,836	25.4
60 Net commissions	92,258,330	66,228,091	26,030,239	39.3
70 Dividends and similar income				
80 Net result of trading activity	(2,992,609)	(231,834)	2,760,775	1,190.8
90 Net result of coverage activity				
100 Income (loss) on transfer or repurchase of:	30,447	18,295	12,152	66.4
a) credits				
b) financial assets available for sale	30,447	18,295	12,152	66.4
c) financial assets held to maturity				
d) other financial operations				
110 Net result of financial assets and liabilities carried at <i>fair value</i>				
120 Contribution margin	193,973,181	174,580,203	19,392,978	11.1
130 Net adjustments/re-adjustments of value for impairment of:	(76,383,835)	(55,026,304)	21,357,531	38.8
a) credits	(76,383,835)	(55,026,304)	21,357,531	38.8
b) financial assets available for sale				
c) financial assets held to maturity				
d) other financial operations				
140 Net result of financial management	117,589,346	119,553,899	(1,964,553)	-1.6
150 Net premiums				
160 Balance of other income/charges arising on insurance operations				
170 Net result of financial and insurance operations	117,589,346	119,553,899	(1,964,553)	-1.6
180 Administrative expenses:	(78,677,651)	(74,142,338)	4,535,313	6.1
a) personnel costs	(33,146,606)	(32,656,930)	489,676	1.5
b) other administrative expenses	(45,531,044)	(41,485,407)	4,045,637	9.8
190 Net provisions to reserves for risks and charges				
200 Net adjustments/re-adjustments to tangible assets	(4,615,014)	(4,425,654)	189,360	4.3
210 Net adjustments/re-adjustments to intangible assets	(3,160,094)	(3,533,806)	(373,712)	-10.6
220 Other operating income/expense	13,068,611	13,063,336	5,275	0.0
230 Operating expenses	(73,384,148)	(69,038,462)	4,345,686	6.3
240 Gain (losses) on equity investments				
250 Net result of <i>fair value</i> measurement of tangible and intangible assets				
260 Value adjustments to goodwill				
270 Income (loss) on disposal of investments				
280 Income (loss) on current operations before taxes	44,205,198	50,515,437	(6,310,239)	-12.5
290 Income taxes for the year on current operations	(23,674,049)	(23,198,904)	475,145	2.0
300 Income (loss) on current operations net of taxes	20,531,149	27,316,533	(6,785,384)	-24.8
310 Income (loss) of disposal groups net of taxes				
320 Net income (loss) for the year	20,531,149	27,316,533	(6,785,384)	-24.8
330 Minority interest in net income (loss) for the year	3,553		3,553	
340 Parent company interest in net income (loss) for the year	20,527,596	27,316,533	(6,788,937)	-24.9

Schedule of Changes in Consolidated Shareholders' Equity

	Capital			Reserves		Valuation reserves			Capital instruments	Own shares	Net income (loss) for the year	Shareholders' equity
	ordinary shares	other shares	Additional paid-in capital	profit	other	Available for sale	Cash flow hedge	other				
Balance at 31.12.2004 Group interest (under Decree Law 87/92)	22,000			49,782	1,394		(4,337)				28,090	96,929
Balance at 31.12.2004 Minority interest (under Decree Law 87/92)												
Modification of opening balances												
Balance at 1.1.2005 Group interest (IAS/IFRS)	22,000			49,782	1,394		(4,337)				28,090	96,929
Balance at 1.1.2005 Minority interest (IAS/IFRS)												
Allocation of the net income (loss) of the previous year												
- Group interest in reserves				14,373							(14,190)	183
- Minority interest in reserves												
- Dividends and other allocations											(13,900)	(13,900)
Changes during the year												
Changes in Group interest in reserves					(183)		8,167					7,984
Changes in Minority interest in reserves												
Operations on Shareholders' equity												
- Issue of new shares of the Group	50,000											50,000
- Issue of new shares of Minority interests												
- Purchase of own shares of the Group												
- Purchase of own shares of Minority interests												
- Distribution of extraordinary dividends												
- Change in capital instruments												
- Derivatives on own shares												
- Stock options												
Net income (loss) for the year 31.12.2005 Group interest											27,317	27,317
Net income (loss) for the year 31.12.2005 Minority interest												
Shareholders' equity at 31.12.2005 Group interest	72,000			64,156	1,211		3,830				27,317	168,513
Shareholders' equity at 31.12.2005 Minority interest												



Schedule of Changes in Consolidated Shareholders' Equity

	Capital			Reserves		Valuation reserves			Capital instruments	Own shares	Net income (loss) for the year	Shareholders' equity
	ordinary shares	other shares	Additional paid-in capital	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	31/12/06	31/12/05
1. Operating activity	73,976	86,758
- net income for the year (+/-)	20,528	27,317
- capital gains/losses on financial assets held for trading and on assets/liabilities carried at <i>fair value</i> (+/-)	3,324	258
- capital gains/losses on hedges (+/-)		
- net adjustments/re-adjustments of value for impairment (+/-)	76,384	55,026
- net adjustments/re-adjustments of value on tangible and intangible assets (+/-)	7,775	7,959
- net provisions to reserves for risks and charges and other costs/revenues (+/-)		
- net premiums not collected (-)		
- other unrealised insurance income/charges (+/-)		
- taxes not paid (+)	(15,461)	(7,734)
- net adjustments/re-adjustments on disposal groups net of tax effect (-/+)		
- other adjustments (+/-)	(18,574)	3,932
2. Net cash flow generated (absorbed) by financial assets	(1,283,228)	(1,108,425)
- financial assets held for trading	228	(228)
- financial assets measured at <i>fair value</i>		
- financial assets available for sale	5	(18)
- due from banks: repayable on demand	(83,094)	(21,360)
- due from banks: other loans	(2,383)	(360)
- loans to customers	(1,197,984)	(1,086,459)
3. Net cash flow generated (absorbed) by financial liabilities	1,217,343	997,193
- due to banks: repayable on demand	35,638	15,000
- due to banks: other deposits	829,921	747,959
- due to customers	(51,534)	483,538
- securities issued	403,318	(249,304)
- trading financial liabilities		
- financial liabilities carried at <i>fair value</i>		
- other liabilities		
Net cash flow generated (absorbed) by operations	8,091	(24,474)
B. INVESTING ACTIVITY		
1. Cash flow generated by	27	163
- sale of equity investments		
- dividends on equity investments		
- sale of financial assets held to maturity		
- sale of tangible assets	27	146
- sale of intangible assets		17
- sale of subsidiaries and of business units		
2. Cash flow absorbed by	(7,552)	(11,790)
- purchase of equity investments		
- purchase of financial assets held to maturity		
- purchase of tangible assets	(3,235)	(7,186)
- purchase of intangible assets	(4,317)	(4,604)
- purchase of subsidiaries and of business units		
Net cash flow generated (absorbed) by investing activity	(7,525)	(11,627)
C. FUNDING ACTIVITY		
- issue/purchase of own shares	28,000	50,000
- issue/purchase of capital instruments		
- distribution of dividends and other uses	(28,573)	(13,900)
Net cash flow generated (absorbed) by funding	(573)	36,100
NET CASH FLOW GENERATED (ABSORBED) DURING THE YEAR	(7)	(1)



Reconciliation

CAPTIONS	31/12/06	31/12/05
Cash and cash equivalents at start of year	17	18
Total net cash flow generated (absorbed) during the year	(7)	(1)
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at end of year	10	17



Individual Financial Statements of Santander Consumer Bank

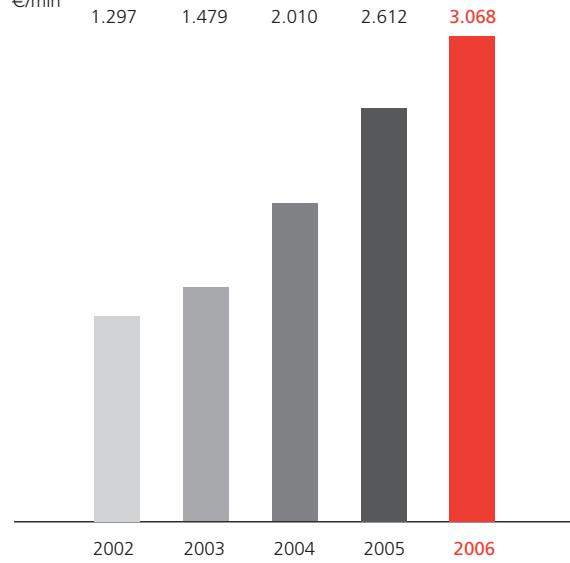
- Report on Operations
- Balance Sheet
- Income Statement
- Schedule of Changes in Shareholders' Equity
- Cash Flow Statement



Key figures

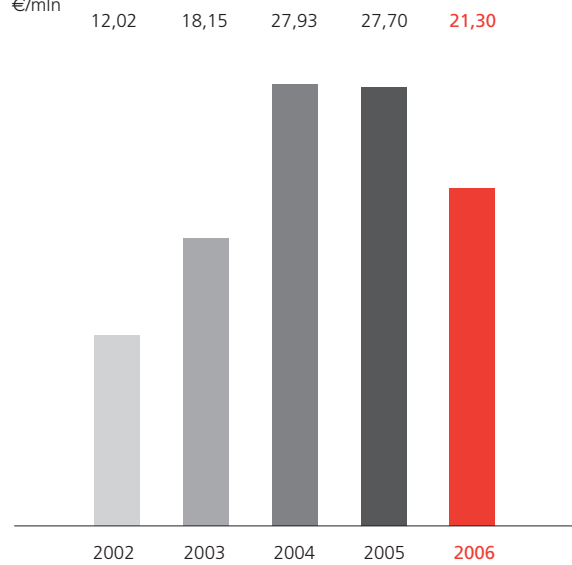
New business

€/mln



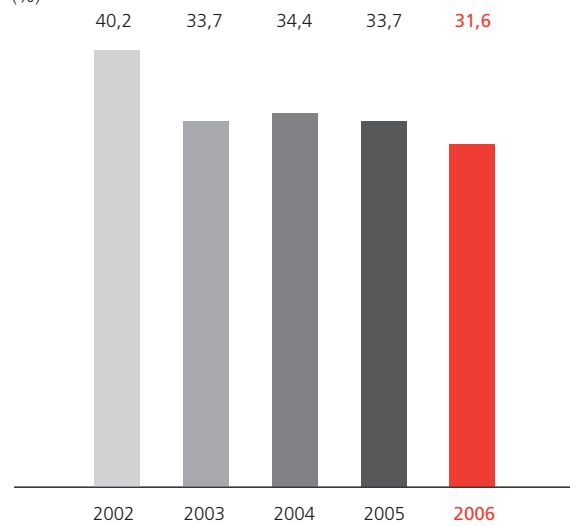
Net income

€/mln



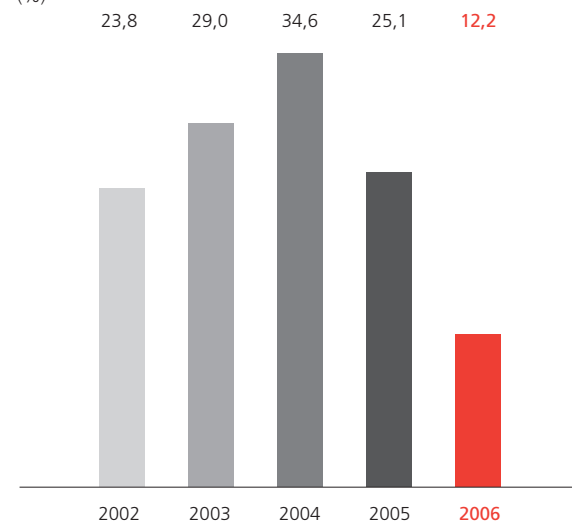
Cost/Income

(%)



Roe

(%)



	2002	2003	2004	2005	2006
Employees	456	478	584	670	738
Branches	24	24	39	52	59
Loan mediators	14	17	7	8	21

Adoption of IAS/IFRS new accounting principles

The adoption of International Accounting Principles has had far-reaching effects also on the individual accounts of Santander Consumer Bank S.p.A.

The new principles, the method of application by Santander Consumer Bank S.p.A. have been illustrated, also analyzing differences in relation to the previous rules adopted to prepare the Accounts, in the specific section that precedes the Report on Operations to the Consolidated Financial Statements to which reference should be made.

For the reconciliation schedules and related notes, required in accordance with IFRS 1, reference should be made to the specific Annex (Annex I) to these Notes.



Management and Coordination Activities

The Company operates completely autonomously in accordance with the general strategic and business guidelines indicated by the Parent Bank Santander Consumer Finance S.A. with registered offices in Madrid (Spain) which carries out management and coordination activities pursuant to art. 2497 *bis* Civil Code.

Transactions with related parties

All operations with related parties are transacted on an arm's length basis. The detail is as follows (amounts in thousand euro):

	Receivables	Payables	Guarantees and/or commitments	Derivate contracts	Charges	Income
Santander Central Hispano	1,353	897	n.a	1,918,745	7,775	3,380
Santander Consumer Finacne		2,207,135	n.a		42,991	
Fc Factor	1,605	108	n.a.	n.a.	283	816
Santander Consumer Finance Media	23,759	40	n.a.	n.a.	17	272

In particular, receivables and payables relating to Santander Central Hispano, equal to 1,353 thousand and 897 thousand euro respectively, refer to accruals and deferrals on *IRS* differences at December 31 2006. Charges relating to the same company reflect negative differences on *IRS* (5,049 thousand euro) and negative *NPV* on the *Call Spread Option* (2,726 thousand euro) at December 31 2006, while income refers to positive differences on *IRS* (3,309 thousand euro) and to positive *NPV* on *Call Spread Options* (71 thousand euro).

At December 31 2006, the notional amount of derivative contracts stipulated with Santander Central Hispano was equal to 1,918.745 thousand euro.

Payables to Santander Consumer Finance refer to short-medium term credit lines towards the controlling company and the related accrued income (2,207,135 thousand euro), while charges referring to the same reflect interest expense on such credit lines (40,886 thousand euro), interest expense on subordinated loans (with a nominal value of 100 million euro) repaid in full during the year, for 1,833 thousand euro, and on the time deposit (for a nominal value of 25.2 million euro), also repaid during the year, for 272 thousand euro.

Payables to Fc Factor stem from collection of loan contracts by the controlling company on behalf of the Company, while receivables reflect considerations for pro-soluto purchase of non-performing loans (1,567 thousand euro) and considerations due for expenses incurred by the controlling company on behalf of the Company (38 thousand euro).

The charges refer to commissions that Santander Consumer Bank pays to Fc Factor for management of the agent network, a service furnished by Factor on the basis of a specific contract stipulated during the year (283 thousand euro).

Income from Fc Factor mainly reflects interest income deriving from commercial credit policies (fully reimbursed at year end) (772 thousand euro), and also 44 thousand euro of reallocation of rental fees of sublet real property.

With regard to relations with Santander Consumer Finance Media, as established by the services contract stipulated between the two companies, Santander Consumer Bank acts as Servicer undertaking to provide, in the name and on behalf of, or only on behalf of as the case may be, legal and general secretarial, administration and finance, management control and internal auditing, personnel management, ICT, credit management, administration and collection services.

In particular, payables to Santander Consumer Finance Media refer to the balance of the subsidiary's bank c/a at Santander Consumer Bank (39 thousand euro) and also the outstanding debt for collections from customers recorded at Santander Consumer Bank and to be transferred to the subsidiary (1,000 euro), while receivables mainly reflect the balance of commercial credit policies, used by Santander Consumer Finance Media as financing instrument, including the related interest accrued but not yet paid (23,455 thousand euro), RID collection commissions not yet settled at year end (8 thousand euro) and the balance of the servicing fee, including VAT, to be received in the opening months of 2007 (116 thousand euro).

The economic part reflects interest income on the aforementioned commercial credit polices for 128 thousand euro, servicing fee income of 135 thousand euro, commissions receivable for RID collections for 9 thousand euro and also interest expense on the current account for 17 thousand euro.

Notice of meeting

The Shareholders' Meeting is called on April 27 2007 at 9 a.m. at Santander Consumer Bank S.p.A., with registered offices in Turin, Via Nizza 262, at first call and, if necessary, on April 28 2007, same time and place, at second call, to discuss and resolve on the following

AGENDA

- 1) Report on of the Board of Directors and Report of the Board of Statutory Auditors on operations in 2006;
- 2) Annual Accounts at December 31 2006 and related motions;
- 3) Appointment of a new Director;
- 4) Renewal of the audit appointment for the three-year period 2007-2009 pursuant to art. 2409 *quater* C.C. and of auditing of the Annual Accounts to the company "Deloitte & Touche.

To attend the Meeting, Shareholders must have deposited the representative certificate of the shares issued by Intesa Sanpaolo, the Bank at which the related share certificate has been deposited, at the registered offices of the Company at least two days prior to the meeting.

Turin, March 27 2007

THE CHAIRMAN
OF THE BOARD OF DIRECTORS



Proposals to the Meeting
Proposed allocation of the net income for the year

Shareholders,

after posting the provisions for the year to the Income Statement as detailed in the Notes to the Financial Statements, the year closes with a net income of which we propose be allocated to the Legal Reserve for Using the remaining to pay a dividend to the Shareholders

Euro	21,297,085.63
Euro	(1,064,854.28)
Euro	20,232,231.35
Euro	<u>(20,232,231.35)</u>

Turin, March 27 2007

THE BOARD OF DIRECTORS

Accounting Schedules

Balance Sheet

ASSETS	31/12/06	31/12/05	Change	
			absolute	%
10 Cash and cash equivalents	8,714	15,385	(6,671)	-43.4
20 Financial assets held for trading	2,617,874	3,444,274	(826,400)	-24.0
30 Financial assets carried at <i>fair value</i>				
40 Financial assets available for sale	20,790	18,295	2,495	13.6
50 Financial assets held to maturity				
60 Due from banks	6,504,359	6,880,937	(376,578)	-5.5
70 Due from customers	4,925,488,132	3,822,051,746	1,103,436,386	28.9
80 Derivatives used for hedging	29,887,032	4,729,819	25,157,213	531.9
90 Alignment of value of financial assets subject to general coverage (+/-)				
100 Equity investments	5,789,497	1,239,497	4,550,000	367.1
110 Tangible assets	7,394,496	8,855,631	(1,461,135)	-16.5
120 Intangible assets	5,223,281	4,137,741	1,085,540	26.2
of which:				
- goodwill				
130 Tax assets	60,298,870	46,747,446	13,551,424	29.0
a) current	30,313,994	23,009,354	7,304,640	31.7
b) prepaid	29,984,876	23,738,091	6,246,785	26.3
140 Non-current assets and disposal groups				
150 Other assets	59,896,727	35,617,101	24,279,626	68.2
TOTAL ASSETS	5,103,129,772	3,933,737,871	1,169,391,901	29.7



LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/06	31/12/05	Change	
			absolute	%
10 Due to banks	3.069.992.542	2.247.898.015	822.094.527	36,6
20 Due to customers	1.719.376.789	1.239.372.646	180.004.143	38,7
30 Securities issued		179.439.587	(179.439.587)	-100,0
40 Financial liabilities held for trading	5.742.901	3.017.020	2.725.881	90,4
50 Financial liabilities carried at <i>fair value</i>				
60 Derivatives used for hedging				
70 Value alignment of financial liabilities subject to generic coverage (+/-)				
80 Tax liabilities	43.157.811	36.468.560	6.689.251	18,3
a) current	32.074.774	33.871.895	(1.797.121)	-5,3
b) deferred	11.083.037	2.596.665	8.486.372	326,8
90 Financial liabilities of a disposal group				
100 Other liabilities	55.891.178	53.928.892	1.962.286	3,6
110 Provisions for termination benefits	6.559.096	5.929.409	629.687	10,6
120 Provisions for risks and charges				
a) pension funds and similar obligations				
b) other provisions				
130 Valuation reserves	17.832.337	3.830.476	14.001.861	365,5
140 Redeemable shares				
150 Capital instruments				
160 Reserves	63.280.032	64.154.981	(874.949)	-1,4
170 Additional paid-in capital				
180 Capital	100.000.000	72.000.000	28.000.000	38,9
190 Own shares (-)				
200 Net income (loss) for the year (+/-)	21.297.086	27.698.285	(6.401.199)	-23,1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5.103.129.772	3.933.737.871	1.169.391.901	29,7

Income Statement

VOCI		31/12/06	31/12/05	Change	
				absolute	%
10	Interest earned and similar income	250,064,798	203,090,470	46,974,328	23.1
20	Interest expense and similar charges	(160,068,127)	(103,262,242)	56,805,885	55.0
30	Interest margin	89,996,671	99,828,228	(9,831,557)	-9.8
40	Commissions receivable	101,788,987	73,844,197	27,944,790	37.8
50	Commissions payable	(8,723,680)	(6,943,110)	1,780,570	25.6
60	Net commissions	93,065,307	66,901,087	26,164,220	39.1
70	Dividends and similar income				
80	Net result of trading activity	(2,992,609)	(231,834)	2,760,775	1,190.8
90	Net result of coverage activity				
100	Income (loss) on transfer or repurchase of:	30,447	18,295	12,152	66.4
	a) credits				
	b) financial assets available for sale	30,447	18,295	12,152	66.4
	c) financial assets held to maturity				
	d) other financial operations				
110	Net result of financial assets and liabilities carried at <i>fair value</i>				
120	Contribution margin	180,099,816	166,515,776	13,584,040	8.2
130	Net adjustments/re-adjustments of value for impairment of:	(58,779,719)	(43,925,064)	14,854,655	33.8
	a) credits	(58,779,719)	(43,925,064)	14,854,655	33.8
	b) financial assets available for sale				
	c) financial assets held to maturity				
	d) other financial operations				
140	Not result of financial management	121,320,097	122,590,712	(1,270,615)	-1.0
150	Administrative expenses:	(75,595,908)	(71,158,784)	4,437,124	6.2
	a) personnel costs	(31,759,773)	(31,090,369)	669,404	2.2
	b) other administrative expenses	(43,836,135)	(40,068,415)	3,767,720	9.4
160	Net provisions to reserves for risks and charges				
170	Net adjustments/re-adjustments on tangible assets	(4,489,566)	(4,297,670)	191,896	4.5
180	Net adjustments/re-adjustments on intangible assets	(3,155,983)	(3,529,615)	(373,632)	-10.6
190	Other operating income/expense	6,377,041	7,120,332	(743,291)	-10.4
200	Operating expenses	(76,864,416)	(71,865,737)	4,998,679	7.0
210	Gain (losses) on equity investments				
220	Net result of <i>fair value</i> measurement of tangible and intangible assets				
230	Value adjustments to goodwill				
240	Gains (loss) on disposal of investments				
250	Net income (loss) on current operations before taxes	44,455,681	50,724,975	(6,269,294)	-12.4
260	Income taxes for the year on current operations	(23,158,595)	(23,026,690)	131,905	0.6
270	Net income (loss) on current operations net of taxes	21,297,086	27,698,285	(6,401,199)	-23.1
280	Net income (loss) on disposal groups net of taxes				
290	Net income (loss) for the year	21,297,086	27,698,285	(6,401,199)	-23.1



Schedule of Changes in Shareholders' Equity

	Capital			Reserves		Valuation reserves			Capital instruments	own shares	Net income (loss) for the year	Shareholders' equity
	ordinary shares	other shares	Additional paid-in capital	profits	other	Available for sale	Cash flow hedge	other				
Balances at 31.12.2004 (under Decree Law 87/92)	22,000			50,121			(4,337)				27,934	95,718
Modification of opening balances												
Balances at 1.1.2005 (IAS/IFRS)	22,000			50,121			(4,337)				27,934	95,718
Allocation of the result of the previous year												
- Reserves				14,034							(14,034)	
- Dividends and other allocations											(13,900)	(13,900)
Changes during the year												
Changes in reserves							8,167					8,167
Operations on shareholders' equity												
- Issue of new shares	50,000											50,000
- Purchase of own shares												
- Distribution of extraordinary dividends												
- Change in capital instruments												
- Derivatives on own shares												
- Stock options												
Net income (loss) for the year 31.12.2005											27,698	27,698
Shareholders' equity at 31.12.2005	72,000			64,155			3,830				27,698	167,683

Schedule of Changes in Shareholders' Equity

	Capital			Reserves		Valuation reserves			Capital instruments	own shares	Net income (loss) for the year	Shareholders' equity
	ordinary shares	other shares	Additional paid- in capital	profits	other	Available for sale	Cash flow hedge	other				
Balances at 31.12.2005 (under Decree Law 87/92)	72,000			64,155			3,830				27,698	167,683
Modification of opening balances												
Balances at 1.1.2006 (IAS/IFRS)	72,000			64,155			3,830				27,698	167,683
Allocation of the result of the previous year												
- Reserves				(875)							875	
- Dividends and other allocations											(28,573)	(28,573)
Changes during the year												
Changes in reserves						7	13,995					14,002
Operations on shareholders' equity												
- Issue of new shares	28,000											28,000
- Purchase of own shares												
- Distribution of extraordinary dividends												
- Change in capital instruments												
- Derivatives on own shares												
- Stock options												
Net income (loss) for the year 31.12.2006											21,297	21,297
Shareholders' equity at 31.12.2006	100,000			63,280		7	17,825				21,297	202,409



Cash Flow Statement

A. OPERATIONS	Amount	Amount
	31/12/06	31/12/05
1. Operating activity	54,190	85,446
- net income for the year (+/-)	21,297	27,698
- capital gains/losses on financial assets held for trading and on asset/liabilities carried at <i>fair value</i> (+/-)	3,324	258
- capital gains/losses on hedging activities (+/-)		
- net adjustments/re-adjustments of value for impairment (+/-)	58,780	43,925
- net adjustments/re-adjustments of value on tangible and intangible assets (+/-)	7,646	7,827
- net provisions to reserves for risks and charges and other costs/revenues (+/-)		
- taxes not paid (+)	(15,170)	(6,695)
- net adjustments/re-adjustments of disposal groups net of tax effect (-/+)		
- other adjustments (+/-)	(21,687)	12,433
2. Net cash flow generated (absorbed) by financial assets	(1,163,177)	(1,071,910)
- financial assets held for trading	228	(228)
- financial assets measured at <i>fair value</i>		
- financial assets available for sale	5	(18)
- due from banks: repayable on demand	47	(2,419)
- due from banks: other loans	(1,240)	(360)
- loans to customers	(1,162,217)	(1,068,885)
3. Net cash flow generated (absorbed) by financial liabilities	1,121,373	961,815
- due to banks: repayable on demand	23,714	7,121
- due to banks: other deposits	797,094	669,753
- due to customers	480,005	290,001
- securities issued	(179,440)	(5,060)
- trading financial liabilities		
- financial liabilities measured at <i>fair value</i>		
- other liabilities		
Net cash flow generated (absorbed) by operations	12,386	(24,649)
B. INVESTING ACTIVITY		
1. Cash flow generated by	29	163
- sale of equity investments		
- dividends on equity investments		
- sale of financial assets held to maturity		
- sale of tangible assets	29	146
- sale of intangible assets		17
- sale of subsidiaries and of business units		
2. Cash flow absorbed by	(11,848)	(11,616)
- purchase of equity investments	(4,550)	
- purchase of financial assets held to maturity		
- purchase of tangible assets	(3,057)	(7,015)
- purchase of intangible assets	(4,241)	(4,601)
- purchase of subsidiaries and of business units		
Net cash flow generated (absorbed) by investing activity	(11,819)	(11,453)
C. FUNDING ACTIVITIES		
- issue/purchase of own shares	28,000	50,000
- issue/purchase of capital instruments		
- distribution of dividends and other uses	(28,573)	(13,900)
Net cash flow generated (absorbed) by funding activities	(573)	36,100
NET CASH FLOW GENERATED (ABSORBED) DURING THE YEAR	(6)	(2)

Reconciliation

CAPTIONS	Amount	Amount
	31/12/06	31/12/05
Cash and cash equivalents at start of year	15	17
Total net cash flow generated (absorbed) during the year	(6)	(2)
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at end of year	9	15