

**ABBAY NATIONAL AMERICAN
INVESTMENTS LIMITED**

**ANNUAL REPORT AND ACCOUNTS
YEAR ENDED 31 DECEMBER 2007**

**Registered in England and Wales
No. 3053574**

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ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the accounts for the year ended 31 December 2007

Principal Activity and Enhanced Business Review

The principal activity of the Company is that of an investment company

The Company's primary source of income is interest income earned on receivables held with related group entities. Details of these receivables are included in note 5. The Company's revenue of £15,735,517 (2006 £12,119,541) has increased from the previous year due to interest being charged on the cumulative capitalised intercompany receivable in the 2007 year. Retained earnings have also increased in line with revenue from the previous financial year.

The Abbey National plc group manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performances of the divisions of Abbey National plc, which include the Company, are discussed in the group's Annual Report which does not form part of this Report.

The purpose of this Report is to provide information to the members of the Company and as such it is only addressed to those members. The Report may contain certain forward-looking statements with respect to the operations, performance and financial condition of the Company. By their nature, these statements involve inherent risks and uncertainties since future events, circumstances and other factors can cause results and developments to differ materially from the plans, objectives, expectations and intentions expressed in such forward-looking statements. Members should consider this when relying on any forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of preparation of this Report and the Company undertakes no obligation to update any forward-looking statement during the year. Nothing in this Report should be construed as a profit forecast.

The directors of the Company are considering further investment opportunities which may change the Company's role within the Abbey National plc group of companies.

Results and Dividend

The profit for the year on ordinary activities after taxation amounted to £10,987,876 (2006 £8,483,679). The directors do not recommend the payment of a dividend (2006 £ nil).

Directors

The directors who served throughout the year, except as noted, were

D M Green
M C Jackson
R C Truelove

Financial Instruments

The Company's risks are managed on a group level by the ultimate UK parent company, Abbey National plc.

The financial risk management objectives of and policies of the Company and the exposure of the Company to credit risk, liquidity risk and market risk are outlined in note 2 of the financial statements.

Third Party Indemnities

During 2006, Abbey National plc applied the provisions of the Companies (Audit, Investigations and Community Enterprise) Act 2004 to provide enhanced indemnities to the directors of the Company against liabilities and associated costs which they could incur in the course of their duties to the Company. The indemnities remain in force as at the date of this Annual Report & Accounts. A copy of each of the indemnities is kept at the registered office address of Abbey National plc.

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

REPORT OF THE DIRECTORS (continued)

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In the case of each of the persons who are directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in s234ZA of the Companies Act 1985) of which the Company's auditors are unaware, and
- each of the directors has taken all steps that he ought to have taken as director to make himself aware of any relevant audit information (as defined in s234ZA of the Companies Act 1985) and to establish that the Company's auditors are aware of that information.

In accordance with Section 485 and 487 of the Companies Act 2006, Deloitte & Touche LLP are deemed to have been re-appointed as auditors of the Company.

By Order of the Board



For and on behalf of
Abbey National Secretariat Services Limited
Secretary

15th February 2008

Registered Office
Abbey National House
2 Triton Square
Regent's Place
London
NW1 3AN

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

We have audited the financial statements of Abbey National American Investments Limited for the year ended 31 December 2007 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Cash Flow Statement, the Balance Sheet, and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein. This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

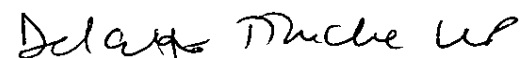
In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Separate opinion in relation to IFRSs

As explained in Note 1 to the financial statements, the company in addition to complying with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

15 February 2008

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2007

Income Statement

For the year ended 31 December 2007

	Notes	2007 £	2006 £
Continuing operations			
Interest income		15,735,517	12,119,541
Interest expense		(53,672)	-
Profit before tax	3	15,681,845	12,119,541
Tax	4	(4,693,969)	(3,635,862)
Net profit attributable to equity holders of the parent		10,987,876	8,483,679

All activities of the Company are classified as continuing

Statement of Recognised Income and Expense

For the year ended 31 December 2007

	2007 £	2006 £
Profit for the year	10,987,876	8,483,679
Total recognised income and expense for the year	10,987,876	8,483,679
Attributable to		
Equity holders of the parent	10,987,876	8,483,679

Cash Flow Statement

For the year ended 31 December 2007

	Notes	2007 £	2006 £
Net cash flows used in operating activities	9	(72,278)	-
Net cash flows from investing activities		-	-
Net cash flows from financing activities		-	-
Net decrease in cash and cash equivalents		(72,278)	-
Cash and cash equivalents at beginning of the year		72,278	72,278
Cash and cash equivalents at end of the year		-	72,278

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2007

Balance Sheet

At 31 December 2007

	Notes	2007 £	2006 £
Current Assets			
Cash and cash equivalents	-	-	72,278
Trade and other receivables	5	291,190,545	277,675,253
Total assets		291,190,545	277,747,531
Current liabilities			
Tax liabilities	-	(2,424,553)	(1,817,931)
Trade and other payables	6	(3,666,447)	(1,817,931)
Total liabilities		(6,091,000)	(3,635,862)
Net current assets		285,099,545	274,111,669
Net assets		285,099,545	274,111,669
Equity			
Share capital	7	253,005,000	253,005,000
Retained earnings	8	32,094,545	21,106,669
Total equity attributable to equity holders of the parent		285,099,545	274,111,669

The financial statements were approved by the board of directors and authorised for issue on 15th February 2008

They were signed on its behalf by *M Jackson*

M.L. Jackson

Director

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2007

1 Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union that are effective or available for early adoption at the company's reporting date. The Company, in addition to complying with its legal obligation to comply with IFRSs as adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention.

In 2007, the Company adopted the following new or revised IFRS:

- The amendments to IAS 1 "Capital Management" which requires that certain disclosures are made regarding the entity's objectives, policies and processes for managing capital. The Company's capital management disclosures may be found in note 11 to the accounts.

Interest

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities is determined using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument but not future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

Financial assets

The Company classifies its financial assets as loans and receivables. Management determines the classification of its investments at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments and which are not classified as available for sale. They arise when the entity provides money or services directly to a customer with no intention of trading the loan. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method. They are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all of the risks and rewards of ownership.

At each balance sheet date, the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets classified as available for sale or loans and receivables have become impaired. Evidence of impairment may include indications that the borrower or group of borrowers have defaulted or are experiencing significant financial difficulty.

Financial liabilities

Financial liabilities are initially recognised when the entity becomes contractually bound to transfer economic benefits in the future and are measured at amortised cost. Financial liabilities are only derecognised once the liability has been extinguished. A liability is only extinguished when either the liability is discharged by payment, or there is a legal release (by law or by the creditor).

Income taxes, including deferred income taxes

Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1 Accounting Policies (continued)

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and non restricted balances with central banks, treasury bills and other eligible bills, net loans and advances to banks, amounts due from other banks and short term investments in securities

Share capital

Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes

Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are declared

2 Financial Risk Management

The Company's risk management focuses on the major areas of credit risk, liquidity risk and market risk. Risk management is carried out by the central risk management function of the Abbey Group. Abbey's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Abbey Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Abbey Group's business activities will not be adversely impacted by risks that could have been reasonably foreseen. This in turn reduces the uncertainty of achieving the Abbey Group's strategic objectives. Authority flows from the Abbey National plc Board to the Chief Executive Officer and from him to his direct reports. Delegation of authority is to individuals. Formal standing committees are maintained for effective management of oversight.

The Abbey Group has three tiers of risk governance

The first is provided by the Abbey Board which approves Abbey's Risk Appetite for each of the risks below, in consultation with Santander as appropriate, and approves the strategy for managing risk and is responsible for the Abbey Group's system of internal control. Within this tier, there is a process for transaction review and approval within certain thresholds, discharged by the Risk Approval Committee. Transactions reviewed which exceed the threshold limits set are subject to prior review by Santander Risk before final approval by the Risk Approval Committee.

The second comprises the Abbey Board and is supported by the Risk Division. The role of the Chief Risk Officers and Risk Division include development of risk measurement methodologies, risk approval, risk monitoring, risk reporting and escalation of risk issues in line with the relevant risk policies for all risks in the Abbey Group. The Abbey Group's central risk function provides services to the Company, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which ensure compliance with Group policies and limits, including risk policies, limits and parameters, an approval process relating to transactions that exceed local limits and the systematic review of exposures to large clients, sectors, geographical areas and different risk types.

The third tier comprises Risk Assurance, who provide independent objective assurance on the effectiveness of the management and control of risk across all of the Abbey Group. This is provided through the Non-Executive Directors, Internal Audit function and the Audit and Risk Committee.

Credit risk

Credit risk is the risk that counterparties will not meet their financial obligations and may result in the Company losing the principal amount lent, the interest accrued and any unrealised gains, less any security held. It occurs in intercompany assets held by the Company.

Maximum exposure to credit risk without taking into account collateral or credit enhancements can be found in note 5 to the financial statements.

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

2 Financial Risk Management (continued)

Liquidity risk

Liquidity risk is the potential that, although remaining solvent, the Company does not have sufficient liquid financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost

The Company manages liquidity risk by maintaining sufficient liquid resources to ensure it can meet its obligations as they fall due

Maturities of financial liabilities can be found in note 6 to the financial statements

Market risk

Market risk is the potential for loss of income or decrease in the value of net assets caused by movements in the levels and prices of financial instruments. The majority of market risk arises as a result of interest rates. The Company's income is exposed to movements in the LIBOR interest rate on receivables relating to amounts due by group companies

Sensitivity analysis

A 50 basis point adverse movement in interest rates would result in a reduction in operating profit of £1,373,730 (2006 £1,265,025) and a corresponding reduction in net assets. A 50 basis point positive movement in interest rates would result in an increase in operating profit of £1,347,673 (2006 £1,265,025) and a corresponding increase in net assets

3 Profit from operations

No directors were remunerated for their services to the Company. Directors' emoluments are borne by the ultimate UK parent company, Abbey National plc. No emoluments were paid by the Company to the directors during the year (2006 £nil)

The Company had no employees in the current or previous financial year

The audit fee for the current and prior year has been paid on the Company's behalf by its ultimate UK parent company, Abbey National plc, in accordance with company policy, for which no recharge has been made. The audit fee for the current year is £15,000 (2006 £15,000)

4 Tax

	2007 £	2006 £
Current tax		
UK corporation tax		
Current year	(4,704,553)	(3,635,862)
Prior year	10,584	-
	(4,693,969)	(3,635,862)

Corporation tax is calculated at 30% (2006 30%) of the estimated assessable profit for the year

The charge for the year can be reconciled to the profit per the income statement as follows

	2007 £	2006 £
Profit before tax	15,681,845	12,119,541
Tax at the UK corporation tax rate of 30% (2006 30%)	(4,704,553)	(3,635,862)
Adjustment in respect of prior year	10,584	-
Tax expense for the year	(4,693,969)	(3,635,862)

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

5 Trade and other receivables

	2007 £	2006 £
Amounts due by group companies	291,190,545	277,675,253

The directors consider that the carrying amount of receivables approximates to their fair value

Amounts due by group companies are repayable on demand. Interest is charged daily at LIBOR and capitalised to the loan balance on a quarterly basis. (2006 - interest was charged on the principal amount of £253,005,000 at a weighted variable rate of 4.77%.)

6 Trade and other payables

	2007 £	2006 £
Amounts due to group companies	(3,666,367)	-
Amounts due to group companies in respect of group payment arrangements	-	(1,817,931)
Other	(80)	-
	(3,666,447)	(1,817,931)

The directors consider that the carrying amount of payables approximates to their fair value

The amounts due to group companies have a short term maturity of less than 3 months and bear a fixed interest rate of 6.27%

7 Share capital

	2007 £	2006 £
Ordinary Share Capital		
Authorised		
253,005,000 ordinary shares of £1 each	253,005,000	253,005,000
Issued and fully paid		
253,005,000 ordinary shares of £1 each	253,005,000	253,005,000

8 Retained earnings

	£
Balance at 1 January 2006	12,622,990
Net profit for the year	8,483,679
Balance at 31 December 2006	21,106,669
Balance at 1 January 2007	21,106,669
Net profit for the year	10,987,876
Balance at 31 December 2007	32,094,545

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

9 Cash Flow Statement

Reconciliation of profit before tax to net cash outflow from operating activities

	2007 £	2006 £
Profit before tax	15,681,845	12,119,541
Adjustments for		
Changes in operating assets and liabilities		
Change in receivables	(13,515,292)	(8,456,259)
Change in payables	3,666,447	-
Cash generated from operations	5,833,000	3,663,282
Income tax paid	(5,905,278)	(3,663,282)
Cash flows used in operating activities	(72,278)	-

10 Related party transactions

Trading transactions

The trading transactions with related parties relate to interest received and paid on amounts due by and due to related group entities

Related party transactions at balance date are as follows

	Income		Expenditure		Amounts owed by related parties		Amounts owed to related parties	
	2007 £	2006 £	2007 £	2006 £	2007 £	2006 £	2007 £	2006 £
Immediate UK parent company	15,735,517	12,119,541	(53,592)	-	291,190,545	277,675,253	(3,666,367)	(1,817,931)

No director or management personnel received any remuneration (2006 £nil)

There were no related party transactions during the year, or existing at the balance sheet date, with the Company's or parent company's key management personnel

11 Capital management and resources

The Company's parent, Abbey National plc ("Abbey"), adopts a centralised capital management approach, based on an assessment of both regulatory requirements and the economic capital impacts of businesses in the Abbey group. The Company has no non-centralised process for managing its own capital. Disclosures relating to the Abbey group's capital management can be found in the Abbey Annual Report and Accounts.

Capital held by the Company and managed centrally as part of the Abbey group, comprises share capital and reserves which can be found in the Balance Sheet on page 5.

12 Parent undertaking and controlling party

The Company's immediate parent company is Abbey National Treasury Services plc, a company incorporated in the United Kingdom.

The Company's ultimate parent undertaking and controlling party is Banco Santander S A, a company incorporated in Spain. Banco Santander S A is the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. Abbey National Treasury Services plc is the immediate parent undertaking of the smallest group of undertakings for which the group accounts are drawn up and of which the Company is a member.

Copies of all sets of group accounts, which include the results of the Company, are available from Abbey Secretariat, Abbey National House, 2 Triton Square, Regents Place, London, NW1 3AN.