

ANNUAL REPORT  
2010

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# VISION

To be one of the leading Nordic companies within car – leisure – and consumer finance.

# VALUES

## **Leadership**

We strive to be leaders in all the markets where we are present, by having the best teams and constantly focusing on our customers and results.

## **Innovation**

An ongoing search for products and services that meet our customers' needs and allow us to outperform our competitors.

## **Dynamism**

We take the initiative and are always alert, moving in on new business opportunities before our competitors. We also have the flexibility to move with market changes.

## **Strength**

Our solid balance sheet and careful risk management are the best guarantees of our capacity to grow and create long-term value for our shareholders.

## **Sales focus**

The customer is the focal point of our strategy. We strive to improve the way we engage and satisfy our customers continually, as well as earning their loyalty by providing a wide range of products and services, and offering the best quality service.

## **Professional ethics**

Beyond merely complying with legal requirements, Codes of Conduct and internal rules, we expect all Santander employees do their job with the utmost honesty and transparency, always putting the Group's interests before personal considerations.

# SANTANDER CONSUMER BANK

## BUSINESS AREAS

### CAR AND LEISURE – NORWAY

- Financing
  - Car
  - Caravan
  - MC
  - Boat
  - ATV
  - Snow Scooter
- Cooperation with more than 1.200 dealers
- Approximately 130.000 customers

### CREDIT CARDS – NORWAY

- Credit cards (gebyrfri.no)
- Approximately 280.000 customers

### CONSUMER LOANS – NORWAY

- Consumer loans
- Approximately 7.300 customers

### CAR AND LEISURE – DENMARK

- Financing
  - Car
- Cooperation with more than 500 dealers
- Approximately 25.000 customers

### CAR AND LEISURE – SWEDEN

- Financing
  - Car
  - Caravan
  - MC
  - Boat
  - ATV
  - Snow Scooter
- Cooperation with more than 600 dealers
- Approximately 80.000 customers

### CAR AND LEISURE / CONSUMER LOANS – FINLAND

- Financing
  - Car
  - Caravan
  - MC
  - Boat
- Cooperation with more than 500 dealers
- Approximately 78.600 car and leisure customers and 40.400 consumer loans customers

# REPORT OF THE BOARD OF DIRECTORS 2010

**2010 has been a very good year for Santander Consumer Bank (SCB). Despite adverse financial and economic developments during most of the year, ordinary profit before taxes (PBT) for the group increased from NOK 618 M in 2009 to NOK 973 M in 2010. PBT represents a Return on net earning Assets (ROA) of 2,09 %. Total assets of the Nordic group amounted to NOK 51,0 MM year-end against NOK 46,4 MM in 2009. In the area of Auto finance Santander is the market leader in the Nordic countries, a position that has been reinforced during the year.**

## **Company situation**

Santander Consumer Bank is a wholly-owned subsidiary of Santander Consumer Finance S.A. which is part of Grupo Santander, one of the world's leading banking groups. At the end of 2010, Santander Consumer Bank had branches in Sweden and Denmark, as well as a wholly-owned subsidiary in Finland. Santander Consumer Bank's head office is in Lysaker, Norway. SCB is organised as a Nordic cluster with central staff functions and 5 Business units i.e.

- Norway
- Sweden
- Denmark
- Finland
- Credit Cards

## **Business**

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

The international financial turmoil and the following worsening in the economic climate during 2008-10 has had a strong impact on the company, in particular in the area of loan loss provisioning although the level has declined in 2010. For all the Nordic countries there has been a strong rebound in new car sales whereas used car sales have grown moderately, on average there has been a market growth of 15 % except for Finland with 5 %.

The credit card (Norway) business has grown 6 % which is in line with the market growth.

Consumer loans (Finland and Norway) still suffer from adverse market conditions and tighter credit policies.

## **Norway**

The market for sale of new and second hand cars increased by 15 % in 2010 reflecting the increase in consumer confidence. The business unit has performed well in 2010 concluding a number of new vendor agreements. SCB is market leader with a market share of 30 %.

New business volumes in the area of Consumer loans have decreased compared to previous year. The portfolio quality is good and with an improvement in the economy the business is positioned well to grow.

### Sweden

The Business Unit started up in 2000 as a branch of SCB and has been exclusively engaged in car finance activities. In 2010 there has been a strong recovery in the Swedish economy and sales of new and used vehicles increased by 15 %. SCB has grown strongly and increased its market position with a market share of 16 %. During the year, SCB has concluded new agreements with large car importers and general agents.

### Denmark

The Business Unit started as a branch of SCB in 2007 and has expanded strongly since then, partly through acquisition of portfolios. The car market in Denmark rebounded significantly in 2010 and for SCB a number of new dealer agreements were concluded. SCB is market leader with a market share of 20 %.

### Finland

The Business Unit started up early 2007 as a fully owned subsidiary. In January 2009 GE Money Oy was acquired and thereby strongly increasing Santanders market presence in car finance and adding a large new business area through consumer loans. In december 2010 the two companies were merged.

The business climate has been suffering during the financial crises with a high level of unemployment but has gradually picked up during the second half of 2010. The car market increased by 4 % measured in number of units sold. SCB is market leader in car finance with a market share of 26 %.

The Consumer loans business has contracted strongly as a result of the general macro-economic environments.

### Credit cards

The credit card business operates only in Norway. The business has approx 255.000 cards and has experienced a 6 % growth in its lending portfolio during the last 12 months. In 2010 it was carried out a full launch of the new credit card "Flexi Visa" together with a re-launch of the stands channel. The year has been characterized by adjustments in sales, processes and systems due to Basel requirements and to new EU regulations. The market share has been stable around 5 % the last year.

### Funding

The company is predominantly financed through loans and drawing rights from the parent company and companies within Grupo Santander. These loans are priced at market prices. The turmoil in the financial markets over the last years has had considerable impact on credit spreads. Credit spreads now seem to have stabilized at levels well above what was normal before the financial crisis. The cost increases have to a large extent been forwarded to our loan customers. The access to liquidity has not been hindered by the turmoil, but liquidity risk is receiving increased attention. The bank has during 2010 established itself as an issuer of debt in the Norwegian market and plan to continue using the capital markets in the countries it operates as a source of financing also going forward. The bank is taking further steps to diversify its funding sources by securitizing parts of the assets base in 2011 and onwards. The securitization is strictly a financing operation, and is not intended to give any change in risk exposure or give any capital relief for the bank.

The board of Directors considers the liquidity and funding needs to have been adequately met throughout the year.

### Solvency

At group level, the net equity and subordinated capital amounted to NOK 4.354 M as of 31.12.2010, which gives a capital ratio of 9,80 %. Core capital was NOK 3.699 M, which gives a core capital ratio of 8,33 %. The net equity and subordinated capital for Santander Consumer Bank amounted to NOK 4.775 M, which gives a capital ratio of 12,90 %. Core capital amounted to NOK 4.120 M, which gives a core capital ratio of 11,13 %.

The ICAAP (internal capital adequacy assessment process) is integrated in the company's planning and budgeting processes as well as the risk assessment processes under the internal control regulations. In addition to Credit risk, Market risk and Operational risk the ICAAP also covers business risk and other risk, not covered in other solvency reporting. A report based on the ICAAP is annually prepared and presented to the FSA.

### Annual accounts

In the opinion of the Board, the annual accounts provide a true and fair view of the company's result for 2010 and its financial position as at 31.12.10. The profit before tax for SCB in 2010 was NOK 771 M, and the group profit before tax was NOK 973 M.

Under § 8-1 of the Companies Act. As of December 31st 2010 the company has distributable equity of NOK 566,3 M for 2010. It is proposed to transfer the profit for the year to other equity.

Total assets at the year end amounted to NOK 41,6 MM for SCB, and the corresponding figure for the Nordic group was NOK 51,0 MM.

In 2010 net cash flow from operations amounted to NOK 1 015 M in SCB and NOK 1 384 M in the Nordic group.

In accordance with § 3-3a of the Accounting Act. we confirm that the accounts have been prepared under the going concern assumption and this also corresponds with the Board's opinion.

### Risk management

SCB AS uses a credit score system as the basis for its credit decisions where credit models are adapted to the different products and continuously monitored.

In 2010 credit losses in the Nordic group level come to NOK 524 M and for SCB NOK 325 M. At group level this corresponds to 1,03 % of average gross loans, compared to 1,79 % in 2009. The decrease in credit losses is mainly driven by the recovery in the macroeconomic environment in the Nordic countries and improved collection processes in all business units

Good performance on repossession and remarketing of assets together with improvements at early collection processes contributed to a decrease of gross non-performing loans from 2,18 % in 2009 to 2,14 % in 2010 at group level and from 2,42 % to 2,25 % for SCB.

The level of write-downs decreased to NOK 958,2 M for the group. Finland's write downs decrease is driven by portfolio developments, while increase of write-downs in Norway, Sweden and Denmark portfolios is driven by rise in volumes and portfolios.

The board considers the risk situation and the provisions to be satisfactory for the risk profile of the portfolio.

SCB is exposed to foreign exchange risk to a limited extent as the balance sheet is composed to minimise currency risk by ensuring that assets, liabilities and incoming and outgoing cash flows are, to a large extent, denominated in the same currency. The company's liquidity requirements are principally met through drawing facilities with the parent company and the group on market terms. The interest rate risk is covered on an outgoing basis by balancing the interest terms for assets and liabilities.

Internal controls are considered to be satisfactory.

### Organisation

At year end, the company had 576 employees, of which 84 worked in Sweden, 54 in Denmark, 153 in Finland and 285 in Norway. In 2010, a total of 4.775 sick leave days were registered, which is equivalent to an absence rate of 3,66 %. The Board is not aware of any personal injuries in the workplace in 2010.

The working environment in the company is considered to be good, and is assessed yearly through an employee opinion survey that can show a > 90 % response rate.

The company has a working environment committee and liaison committee. Statutory meetings are held.

SCB is proactive in ensuring that employees perceive a policy of gender equality, and that no discrimination occurs. The company has participated actively in revising Grupo Santander's worldwide Gender Diversity Policy. A Gender Diversity Policy contact person has been appointed who will be part of a worldwide network for the entire group. At 2010 year end 55 % of employees were women and 45 % were men.

2010 has been characterised as a challenging year with a high level of activity in all parts of the company. The Board wishes to thank all employees for a good effort and good results in 2010.

Santander Consumer Bank's business does not pollute the external environment.

### Outlook for 2011

The financial crises has hit the Nordic economies far less than most other western contries. The outlook for 2011 is good with increasing optimism both for consumers and corporates.

In the area of car finance 2010 was a good year and we expect similarly a good growth for 2011. Competition is expected to increase as competitors are coming back to the market. Margins will be under pressure both as a result of increased competition and increased liquidity spreads.

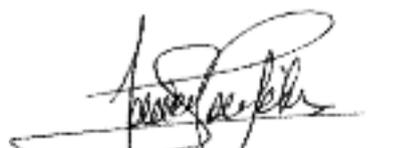
The credit card market has grown modestly during the economic crises and we expect a more vigorous growth in 2011.

The market for consumer loans has been hard hit the last 2 years. We expect the market to gradually pick up but at modest growth levels.

During the last years funding and liquidity markets have undergone great changes with increased focus on more stable funding with longer durations. As a consequence credit spreads have gone up sharply. With new international liquidity regulations gradually being implemented, we expect that cost of money will further increase. SCB plans for an increased level of self funding over the next years with emphasize on assets backed funding and commercial paper programs.

For 2011 there will be strong focus on risk management, control of pricing and margins. Santander Nordic plans for another year of strong growth in volumes and net earnings.

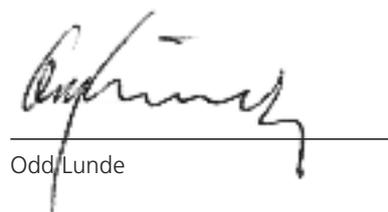
*Lysaker, March 23<sup>th</sup> 2011*



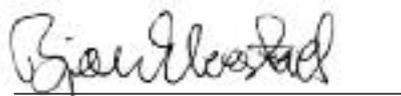
Javier San Felix Garcia  
(Chairman)



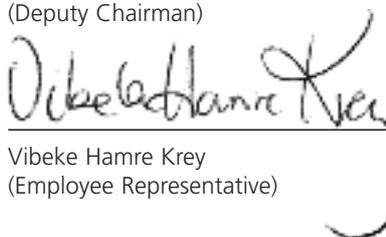
Eduardo Garcia Arroyo  
(Deputy Chairman)



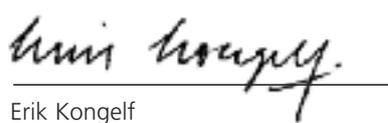
Odd Lunde



Bjørn Elvestad



Vibeke Hamre Krey  
(Employee Representative)



Erik Kongelf  
(Chief Executive Officer)

# PROFIT AND LOSS ACCOUNT

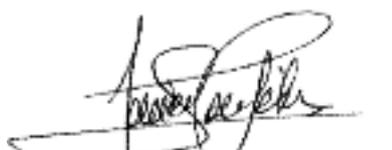
Group		Santander Consumer Bank AS			
2010	2009	All amounts in thousands of NOK	Note	2010	2009
		<b>Interest income and similar income</b>			
9 311	9 831	Interest and similar income on loans to and receivables from credit institutions		7 785	8 632
3 406 400	3 469 400	Interest and similar income on loans to and receivables from customers		2 595 602	2 471 062
<b>3 415 711</b>	<b>3 479 231</b>	<b>Total interest income and similar income</b>		<b>2 603 387</b>	<b>2 479 694</b>
		<b>Interest expenses and similar expenses</b>			
1 084 127	1 137 772	Interest and similar expenses on debt to credit institutions	18	843 628	784 677
8 210	17 451	Interest and similar expenses on deposits from and debt to customers	18	8 210	17 451
12 175	0	Interest and similar expenses on issued commercial papers and bonds	18	12 175	0
29 952	28 448	Interest on subordinated loan capital	15	29 952	28 448
24 236	18 623	Other interest expenses and similar expenses		23 938	18 636
<b>1 158 700</b>	<b>1 202 294</b>	<b>Total interest expenses and similar expenses</b>		<b>917 903</b>	<b>849 212</b>
<b>2 257 011</b>	<b>2 276 937</b>	<b>Net interest and credit commission income</b>		<b>1 685 484</b>	<b>1 630 482</b>
		<b>Commission income</b>			
2 035	687	Guarantee commissions		1 053	687
139 883	145 464	Other commissions and fees		135 096	137 335
<b>141 918</b>	<b>146 151</b>	<b>Total commission income and income from banking services</b>		<b>136 148</b>	<b>138 022</b>
		<b>Commission expenses</b>			
127 470	138 231	Other fees and commission expenses		122 185	134 338
<b>127 470</b>	<b>138 231</b>	<b>Total commission expenses and expenses from banking services</b>		<b>122 185</b>	<b>134 338</b>
		<b>Net value change and gain/loss on foreign exchange and securities</b>			
-2 247	1 801	Net value change and gain/loss on foreign exchange and securities		3 178	3 116
<b>-2 247</b>	<b>1 801</b>	<b>Total value change and gain/loss on foreign exchange and securities</b>		<b>3 178</b>	<b>3 116</b>
		<b>Other operating income</b>			
28 604	24 133	Other operating income		20 188	22 433
<b>28 604</b>	<b>24 133</b>	<b>Total other operating income</b>		<b>20 188</b>	<b>22 433</b>
		<b>Salaries and administration expenses</b>			
434 732	386 909	Salaries, fees and other personnel expenses		334 791	308 708
334 010	276 012	Of which: - Salaries	1	251 715	225 069
51 814	48 945	- Pensions	13	43 841	38 587
48 908	61 952	- Social costs		39 235	45 052
254 824	246 801	Administration expenses		202 396	172 391
<b>689 556</b>	<b>633 710</b>	<b>Total salaries and administration expenses</b>		<b>537 187</b>	<b>481 099</b>
		<b>Ordinary depreciation</b>			
46 106	35 988	Ordinary depreciation	7	41 864	32 957
103 636	94 268	Ordinary depreciation operational leasing		0	0
<b>149 742</b>	<b>130 256</b>	<b>Sum ordinary depreciation</b>		<b>41 864</b>	<b>32 957</b>
<b>84 334</b>	<b>101 307</b>	<b>Other operating expenses</b>		<b>48 054</b>	<b>39 567</b>
		<b>Losses on loans, guarantees etc</b>			
400 936	827 353	Loan losses	2	324 652	449 704
<b>400 936</b>	<b>827 353</b>	<b>Total losses on loans, guarantees etc</b>		<b>324 652</b>	<b>449 704</b>
<b>973 248</b>	<b>618 164</b>	<b>Operating result</b>		<b>771 057</b>	<b>656 389</b>
270 719	174 096	Taxes charge	6	217 815	183 138
<b>702 529</b>	<b>444 068</b>	<b>Profit after tax</b>		<b>553 242</b>	<b>473 250</b>
		<b>Allocation of profit after tax</b>			
702 529	444 068	Transferred to other earned equity	14	553 242	473 250
<b>702 529</b>	<b>444 068</b>	<b>Total allocations</b>		<b>553 242</b>	<b>473 250</b>
		<b>Statement of comprehensive income</b>			
5 491	-6 111	Net exchange differences on translating foreign operations		-575	-9 115
702 529	444 068	Profit after tax for the period		553 242	473 250
<b>708 020</b>	<b>437 957</b>	<b>Total comprehensive income for the period</b>		<b>552 667</b>	<b>464 135</b>

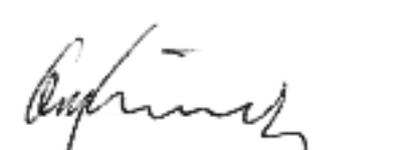
## BALANCE SHEET – ASSETS

Group		Santander Consumer Bank AS			
31.12.10	31.12.09		Note	31.12.10	31.12.09
All amounts in thousands of NOK					
<b>Cash and receivables on central banks</b>					
0	0	Cash and receivables on central banks		0	0
<b>0</b>	<b>0</b>	<b>Total cash and receivables on central banks</b>		<b>0</b>	<b>0</b>
<b>Deposits with and receivables on financial institutions</b>					
88 433	170 478	Deposits with Norwegian financial institutions		85 429	102 018
<b>88 433</b>	<b>170 478</b>	<b>Total deposits with and loans to financial institutions</b>		<b>85 429</b>	<b>102 018</b>
<b>Loans to customers</b>					
1 647 403	1 535 428	Credit cards		1 647 403	1 535 428
39 196 694	35 808 354	Installment loans		29 981 090	24 920 897
8 970 074	8 025 046	Financial leasing	7	8 455 394	7 503 381
<b>49 814 171</b>	<b>45 368 828</b>	<b>Total loans before individual and group write-downs</b>		<b>40 083 887</b>	<b>33 959 706</b>
96 286	141 329	- Individual write-downs	2,3,5	44 845	141 329
861 899	891 595	- Group write-downs	2,3,5	487 591	309 435
<b>48 855 986</b>	<b>44 335 904</b>	<b>Net loans</b>		<b>39 551 451</b>	<b>33 508 942</b>
<b>33 865</b>	<b>50 742</b>	<b>Repossessed assets</b>	4	<b>13 268</b>	<b>31 423</b>
<b>Ownership interests in group companies</b>					
0	0	Ownership interest in credit institutions	20	1 223 501	1 101 226
<b>0</b>	<b>0</b>	<b>Sum ownership interest in group companies</b>		<b>1 223 501</b>	<b>1 101 226</b>
<b>Intangible assets</b>					
443 153	459 665	Goodwill	7	106 343	113 335
158 523	183 288	Deferred tax assets	6	0	0
177 296	134 908	Other intangible assets	7	161 923	129 400
<b>778 972</b>	<b>777 861</b>	<b>Total intangible assets</b>		<b>268 266</b>	<b>242 735</b>
<b>Fixed assets</b>					
26 934	21 628	Machinery, fittings and vehicles	7	22 353	18 957
395 877	383 144	Operational leasing		0	0
<b>422 811</b>	<b>404 772</b>	<b>Total fixed assets</b>		<b>22 353</b>	<b>18 957</b>
<b>Other assets</b>					
581 159	466 476	Consignment		278 421	225 569
125 939	72 253	Other assets		88 302	44 603
<b>707 098</b>	<b>538 729</b>	<b>Total other assets</b>		<b>366 723</b>	<b>270 172</b>
<b>Prepayments and earned income</b>					
80 674	91 104	Earned income not received and prepaid expenses not incurred		81 663	66 749
<b>80 674</b>	<b>91 104</b>	<b>Total prepayments and earned income</b>		<b>81 663</b>	<b>66 749</b>
<b>50 967 840</b>	<b>46 369 591</b>	<b>Total assets</b>		<b>41 612 654</b>	<b>35 342 222</b>

## BALANCE SHEET – LIABILITIES AND EQUITY

Group		Santander Consumer Bank AS			
31.12.10	31.12.09	(All amounts in thousands)	Note	31.12.10	31.12.09
<b>Debt to credit institutions</b>					
42 725 355	40 083 073	Loans and deposits from credit institutions with an agreed term	1,15,18	33 750 584	29 272 496
42 725 355	40 083 073	<b>Total loans and deposits from financial institutions</b>		<b>33 750 584</b>	<b>29 272 496</b>
<b>Deposits from and debt to customers</b>					
284 968	446 488	Deposits from and debt to customers repayable on notice	18	284 968	446 488
284 968	446 488	<b>Total deposits from customers</b>		<b>284 968</b>	<b>446 488</b>
<b>Debt established by issuing securities</b>					
504 833	0	Certificates and other short term loan raising	22	504 833	0
776 910	0	Bonds and other long term loan raising	22	776 910	0
1 281 743	0	<b>Total debt established by issuing securities</b>		<b>1 281 743</b>	<b>0</b>
<b>Other debt</b>					
438 778	451 783	Other debt		377 790	365 050
438 778	451 783	<b>Total other debt</b>		<b>377 790</b>	<b>365 050</b>
<b>Allocations for expenses incurred and liabilities</b>					
626 864	498 668	Expenses incurred and earned income not received		405 414	311 755
71 080	60 371	Pension liabilities	13	71 080	60 371
405 658	259 019	Deferred tax	6	397 495	250 333
1 103 602	818 057	<b>Total allocations for liabilities</b>		<b>873 989</b>	<b>622 459</b>
<b>Subordinated loan capital</b>					
655 183	750 000	Other subordinated loan capital	15	655 183	750 000
655 183	750 000	<b>Total subordinated loan capital</b>		<b>655 183</b>	<b>750 000</b>
46 489 630	42 549 401	<b>Total liabilities</b>		<b>37 224 258</b>	<b>31 456 493</b>
<b>Equity</b>					
<b>Paid-in equity</b>					
2 662 469	1 512 469	Share capital	16	2 662 469	1 512 469
891 314	891 314	Share premium capital		891 314	891 314
3 553 783	2 403 783	<b>Total paid-in equity</b>		<b>3 553 783</b>	<b>2 403 783</b>
<b>Earned equity</b>					
924 427	1 416 407	Other equity		834 613	1 481 946
924 427	1 416 407	<b>Total earned equity</b>		<b>834 613</b>	<b>1 481 946</b>
4 478 210	3 820 190	<b>Total equity</b>	14	<b>4 388 396</b>	<b>3 885 729</b>
50 967 840	46 369 591	<b>Total liabilities and equity</b>		<b>41 612 654</b>	<b>35 342 222</b>
<b>Conditional liabilities</b>					
124 726	108 532	Guarantee liabilities	19	124 726	108 532

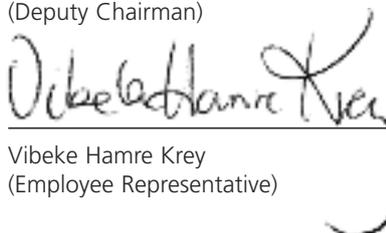
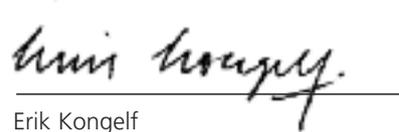
Lysaker, March 23<sup>th</sup> 2011

Javier San Felix Garcia  
(Chairman)

Eduardo Garcia Arroyo  
(Deputy Chairman)


Odd Lunde



Bjørn Elvestad


Vibeke Hamre Krey  
(Employee Representative)

Erik Kongelf  
(Chief Executive Officer)

# NOTES SANTANDER CONSUMER BANK GROUP

## Note 1 – Information on connected parties

### Salaries and fees to officers and Chief Executive Officer

The company is 100 % owned by Santander Consumer Finance S.A. The chairman and the deputy chairman of the board have central positions in Madrid and are, together with the Chief Executive Officer, considered to be central management in the company. The management team has been evaluated towards the Norwegian accounting act § 7-31b and is not considered to be central management according to this paragraph.

All amounts in thousands of NOK	Salary	Bonus	Pension	Other remuneration	Total 2010	Total 2009
Chief Executive Officer	1 815	986	348	497	3 646	4 488

### Board of directors

		Fees 2010	Fees 2009
Javier San Felix Garcia	Chairman	-	-
Eduardo Garcia Arroyo	Deputy chairman	-	-
Bjørn Elvestad	Member	125 000	125 000
Odd Lunde	Member	125 000	125 000
Vibeke Hamre Krey	Employee representative	125 000	125 000
Nina Lind	Deputy employee representative	62 500	62 500

The board of directors will present a statement regarding salary and other remuneration for central officers, cf. The Public Limited Liability Companies Act (Allmennaksjeloven) § 6-1 in the annual shareholders meeting.

### Supervisory Board

	Fees 2010	Fees 2009
Total	45 000	45 000

Torkel Ernø, the chairman of the supervisory board, has received 25 000 both in 2009 and 2010. Other representatives has received 2 500 each per meeting. This rate has been unchanged in 2010.

### Control committee

		Fees 2010	Fees 2009
Finn Myhre	Chairman	125 000	65 000
Egil Dalviken	Deputy chairman	20 000	25 000
Steinar Ouren	Member	-	5 000
Tone Bjørnov	Member	20 000	-
Terje Sommer	Deputy member	65 000	-

### Audit fees and advisory services without VAT

All amounts in thousands of NOK	2010	2009
Audit services	1 707	2 384
Other certification services	195	-
Tax advice	387	208
Other non-audit services	534	435

### Staff

	2010		2009	
	Norway	Abroad	Norway	Abroad
Number of employees as of 31.12.	285	291	267	203
Man-labour year as of 31.12.	261	245	244	187

# NOTES SANTANDER CONSUMER BANK GROUP

## Note 2 – Losses and write-downs

### Loan losses expenses

All amounts in thousands of NOK	2010	2009
Write-downs 31.12.	958 185	787 435
+/- Rate adjustment opening balance	18 167	36 879
Adjustment purchase of portfolio	-245 489	306 130
- Write-downs 01.01.	787 435	251 474
+ Total recognised losses	579 502	655 001
- Recoveries on recognised losses	121 994	94 359
<b>= Loan losses</b>	<b>400 936</b>	<b>827 353</b>

### Individual- and by group write-downs

All amounts in thousands of NOK	31.12.10	31.12.09
Individual write-downs 01.01.	141 329	27 847
+/- Rate adjustment opening balance	-5 046	-1 607
Reclassification between individual to group write-downs	-24 589	-
- Recognised losses covered by earlier write-downs	-	-
- Reversal of earlier individual write-downs	-	-
+ Individual write-downs for the period	-15 409	115 089
<b>= Individual write-downs 31.12.</b>	<b>96 286</b>	<b>141 329</b>

	2010	2009
Group write-downs 01.01.	891 595	529 757
+/- Rate adjustment opening balance	-13 120	-35 272
Reclassification between individual to group write-downs	24 589	-
Adjustment in purchase of portfolio	-	245 489
+/- Write-downs for the year	-41 165	151 621
<b>= Group write-downs 31.12.</b>	<b>861 899</b>	<b>891 595</b>

## Note 3 – Non-performing- and loss exposed loans

All amounts in thousands of NOK	31.12.10	31.12.09	31.12.08	31.12.07	31.12.06
Gross non-performing- and other loss exposed loans	1 087 731	1 009 714	533 955	324 677	276 997
Individual write-downs	96 286	141 329	27 847	28 055	33 245
Group write-downs	861 899	891 595	223 627	167 116	129 326
<b>Net non performing- and other loss exposed loans</b>	<b>129 546</b>	<b>-23 210</b>	<b>282 481</b>	<b>129 506</b>	<b>114 426</b>

## Note 4 – Repossessed assets

All amounts in thousands of NOK	31.12.10	31.12.09
Car Leasing	33 865	50 742
Other leasing subjects	-	-
<b>Net</b>	<b>33 865</b>	<b>50 742</b>

The company classifies vehicles as repossessed assets where it is an court ruling or consent regarding transfer of property of the object. Repossessed assets are booked at fair value. Differences between booked value and fair value are recognized in profit and loss when the object is made ready for sale. At realization the difference between assumed fair value and selling price is recognized against profit and loss.

# NOTES SANTANDER CONSUMER BANK GROUP

## Note 5 – Risk classification

31.12.2010						
All amounts in thousands of NOK	Very good	Good	Medium	Less good	Default	Total
Gross loans	46 061 356	3 522 143	929 216	224 639	1 087 731	49 814 171
Write downs	128 713	61 201	69 973	40 830	412 011	958 185
<b>Net 31.12.10</b>	<b>45 932 643</b>	<b>3 460 942</b>	<b>859 243</b>	<b>183 809</b>	<b>675 720</b>	<b>48 855 986</b>

31.12.2009						
All amounts in thousands of NOK	Very good	Good	Medium	Less good	Default	Total
Gross loans	38 737 784	4 015 331	1 230 953	375 045	1 009 714	45 368 828
Write downs	184 116	105 021	125 707	134 301	483 779	1 032 924
<b>Net 31.12.09</b>	<b>38 553 668</b>	<b>3 910 311</b>	<b>1 105 246</b>	<b>240 745</b>	<b>525 935</b>	<b>44 335 904</b>

The company makes use of a risk classification system, which is based on objective valuation when granting/amending loans. Amounts in "Default" slightly increased during 2010, while early risk groups went significantly down. The development of the portfolio is under continuous surveillance.

## Note 6 – Tax

### Tax payable

All amounts in thousands of NOK	2010
Profit before taxes in parent company	771 057
Loss in subsidiary	206 033
Fx loss in group profit	-3 842
Profit before taxes in group	973 248
Profit before taxes in parent company	771 057
Permanent differences	7 575
Change in temporary differences	-82 729
<b>Net tax basis for the year</b>	<b>695 903</b>

### Deferred tax receivable

All amounts in thousands of NOK	31.12.10	31.12.09
Property, plant and equipment	1 485 988	1 284 295
Pension liabilities	-71 081	-60 371
Other temporary differences	33 871	46 874
Basis for deferred tax	1 448 778	1 270 798
<b>Deferred tax</b>	<b>405 658</b>	<b>355 824</b>
Net other tax reduction temporary differences	609 704	704 955
Basis for deferred tax receivables	609 704	704 955
<b>Deferred tax receivable</b>	<b>158 523</b>	<b>183 288</b>

For calculation of deferred tax / deferred tax benefit a 28% rate has been used for the company and 26% for the Finnish entities.

### Tax expenses

All amounts in thousands of NOK	2010
Tax payable	192 028
Change in deferred tax	74 600
Taxes charge	266 628
Excess provision for tax payable in earlier years	3 016
Tax effect on fx loss in group profit	1 076
<b>Total tax expenses</b>	<b>270 719</b>

A loss in the subsidiary will not have any effect on the tax calculation in the parent company, except the loss on foreign exchange rate between booked values on the shares and paid in equity.

# NOTES SANTANDER CONSUMER BANK GROUP

## Reconciliation of taxes versus profit before taxes

All amounts in thousands of NOK	2010
Profit before taxes	973 248
Expected tax using nominal tax rate	264 506
Tax effect of permanent differences	2 121
Tax expense from this years operations	266 627
Excess provision for tax payable in earlier years	3 016
Tax effect on fx loss in group profit	1 076
<b>Total tax expenses</b>	<b>270 719</b>

## Note 7 – Fixed assets, intangible assets and lease financing

All amounts in thousands of NOK	Machines, fittings, vehicles	Intangible assets	Goodwill	Lease financing: -operating assets
Acquisition cost 01.01.	63 065	215 653	459 665	11 775 842
Rate difference opening balance	140	-452	-16 512	143 803
Additions during the year	18 331	84 943	-	5 881 715
Disposals during the year	-17 149	-16 980	-	-4 324 888
Acquisition cost 31.12	64 387	283 164	443 153	13 475 868
Acc. ordinary depreciation 01.01.	-41 437	-80 744	-	-3 533 593
Rate difference 01.01.	-682	209	-	-178 053
Year's ordinary depreciation	-9 259	-37 393	-	-1 900 147
Write-downs	-	-	-	-
Rate difference year's depreciation average rate	-	-	-	-
Reversed depreciation sold	13 925	12 061	-	1 655 208
Accumulated depreciation 31.12.	-37 453	-105 867	-	-3 956 585
Book value in the balance sheet 31.12.2010	26 934	177 296	443 153	9 519 283
Method on measurement	Acquisition cost	Acquisition cost	Acquisition cost	Acquisition cost
Depreciation method	Linear	Linear		Linear
Plan of depreciation and useful life	3 – 10 years	3 – 10 years		4 – 5 years

Intangible assets include software. The useful life is evaluated annually. Goodwill is related to the purchase of the portfolio from Eik Sparebank in 2007 and purchase of GE Money OY in 2009. Rent for non-recognized lease agreements amounts to TNOK 27 131.

## Note 8 – Liquidity risk/remaining term on balance sheet items 31.12.10

All amounts in million NOK	=< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	5 years	No maturity	Total
Loans / rec. on banks	88 433	0	0	0	0	0	88 433
- Of which foreign currency	78 089	0	0	0	0	0	78 089
Loans to customers	2 457 585	3 624 061	16 079 911	23 462 373	3 232 056	0	48 855 986
- Of which foreign currency	1 434 300	1 793 213	6 904 676	10 995 225	1 269 412	0	22 396 827
Other assets	0	0	0	0	0	2 023 421	2 023 421
- Of which foreign currency	0	0	0	0	0	557 488	557 488
<b>Total assets</b>	<b>2 546 017</b>	<b>3 624 061</b>	<b>16 079 911</b>	<b>23 462 373</b>	<b>3 232 056</b>	<b>2 023 421</b>	<b>50 967 840</b>
Debt to banks	6 726 812	4 985 212	16 644 179	13 749 896	619 256	0	42 725 355
- Of which foreign currency	2 174 342	2 285 101	9 921 743	8 981 305	0	0	23 362 490
Deposits from customers	284 968	0	0	0	0	0	284 968
- Of which foreign currency	0	0	0	0	0	0	0
Issued notes and bonds	0	0	504 505	777 238	0	0	1 281 743
- Of which foreign currency	0	0	0	0	0	0	0
Other debt	0	0	0	0	0	1 542 380	1 542 380
- Of which foreign currency	0	0	0	0	0	641 337	641 337
Subordinated loan capital	0	0	0	0	655 183	0	655 183
- Of which foreign currency	0	0	0	0	104 487	0	104 487
Equity	0	0	0	0	0	4 478 210	4 478 210
- Of which foreign currency	0	0	0	0	0	361 264	361 264
<b>Total liabilities and equity</b>	<b>7 011 780</b>	<b>4 985 212</b>	<b>17 148 684</b>	<b>14 527 134</b>	<b>1 274 439</b>	<b>6 020 590</b>	<b>50 967 840</b>

# NOTES SANTANDER CONSUMER BANK GROUP

## Note 9 – Interest risk and interest adjustments periods 31.12.10

All amounts in million NOK	=< 1 month	>1<=3 months	>3<12 months	>1 year <5 year	>5 year	No maturity	Total	Interest sensitivity
Loans / rec, on banks	88	-	-	-	-	-	88	-
Loans to customers	17 227	20 798	4 497	5 017	226	1 091	48 856	219
Other assets	-	-	-	-	-	2 023	2 023	-
<b>Total assets</b>	<b>17 315</b>	<b>20 798</b>	<b>4 497</b>	<b>5 017</b>	<b>226</b>	<b>3 115</b>	<b>50 968</b>	<b>219</b>
Debt to banks	16 459	17 652	3 256	5 359	-	-	42 725	212
Deposits from customers	285	-	-	-	-	-	-	-
Issued notes and bonds	470	607	205	-	-	-	1 282	3
Other debt	-	-	-	-	-	1 546	1 546	-
Subordinated loan capital	80	260	311	-	-	-	651	3
Equity	-	-	-	-	-	4 478	4 478	-
<b>Total liabilities and equity</b>	<b>17 293</b>	<b>18 519</b>	<b>3 772</b>	<b>5 359</b>	<b>-</b>	<b>6 024</b>	<b>50 968</b>	<b>218</b>
Interest rate exposure on balance sheet items	22	2 278	725	-342	226	-2 910	-	1
Interest rate exposure on financial derivatives	-	-	-	-	-	-	-	-
<b>Net interest rate exposure</b>	<b>22</b>	<b>2 278</b>	<b>725</b>	<b>-342</b>	<b>226</b>	<b>-2 910</b>	<b>-</b>	<b>1</b>

Interest rate sensitivity states the value as the present value of the financial consequence of an interest rate increase of 1% point per 31.12.

## Note 10 – Net foreign currency position

All amounts in thousands of NOK	Balance		Net positions	
	Asset	Debt	in currency	in NOK
SEK	8 589 203	8 531 562	66 254	57 641
DKK	5 071 185	5 029 984	39 371	41 201
EUR	11 652 099	11 647 015	652	5 084
USD	4 095	-	702	4 095
<b>Total 2010</b>	<b>25 312 487</b>	<b>25 208 561</b>		<b>108 021</b>
<b>Total 2009</b>	<b>22 314 768</b>	<b>22 354 459</b>		<b>-39 691</b>

## Note 11 – Loans and losses by main sectors

All amounts in thousands of NOK	Loans		Write-down	
	31.12.10	31.12.10	31.12.09	31.12.09
Public sector	230 927	-56	175 571	-2 351
Agriculture and forestry	163 301	-100	181 464	-1 784
Industry	337 203	-154	309 523	-3 368
Building and construction	1 387 277	-680	1 305 332	-13 495
Trade in goods	2 051 101	-2 237	2 059 303	-27 978
Proprietary management	234 560	-177	265 028	-1 771
Various	2 473 920	-1 623	2 045 976	-17 048
Transportation	1 604 837	-1 286	1 839 500	-14 082
Private individuals	18 436 412	-5 327	16 126 503	-28 270
Foreign	22 894 634	-84 646	21 060 628	-31 182
<b>Sum</b>	<b>49 814 171</b>	<b>-96 286</b>	<b>45 368 828</b>	<b>-141 329</b>

Only individual write-downs on loans are listed.

# NOTES SANTANDER CONSUMER BANK GROUP

## Note 12 – Loans by geographic region

All amounts in thousands of NOK	Loan	Guarantees	Loan	Guarantees
	31.12.10	31.12.10	31.12.09	31.12.09
Eastern Norway	14 110 288	73 282	13 134 850	62 078
Western Norway	4 889 707	10 804	3 001 076	5 304
Southern Norway	3 519 711	12 131	4 398 810	10 361
Mid Norway	2 830 216	6 766	2 380 615	4 418
Northern Norway	1 571 339	6 310	1 392 850	5 636
Foreign	22 892 911	-	21 060 628	-
<b>Total</b>	<b>49 814 171</b>	<b>109 293</b>	<b>45 368 828</b>	<b>87 797</b>

The distribution is undertaken on the basis of the customers' registered addresses.

## Note 13 – Pension expenses

Santander Consumer Bank has a service pension scheme under the Act of Occupational Pensions through Vital. In addition employees can take an early retirement pension at the age of 62. This scheme only applies to employees in Norway and forms part of a group agreement. The scheme gives the right to defined future benefits, which are mainly dependent on number of years worked, salary level at time of retirement and the amount of payment from the national insurance fund. The agreement also includes a disability pension, a spouse's pension and a child pension. In addition there are pension commitments to certain employees additional to the ordinary collective agreement. This applies to employees with a lower pension age, employees with a salary above 12 G and supplementary pensions. The former multi-employer plan called AFP was terminated in February 2010. The profit from the termination has been accounted for in 2010 as a reduction of pension cost. This same amount has been accrued as part of the pension-liability based on the calculation from the actuary. Pension costs from defined contribution schemes amounts to tnok 24 432 incl payroll tax.

### Pension expenses

All amounts in thousands of NOK	2010	2009
Present value of year's pension earnings	15 728	17 265
Interest cost on accrued liability	11 383	11 188
Return on pension funds	-9 253	-9 667
Administration costs	1 130	1 124
Amortization of actuarial (gain) /loss	5 691	2 422
Accrual payroll tax	2 702	2 852
<b>Net pension expenses</b>	<b>27 382</b>	<b>25 186</b>
<b>Pension liabilities in balance sheet</b>	<b>31.12.10</b>	<b>31.12.09</b>
Pension funds at market value	168 535	160 009
Estimated pension liability	338 230	294 363
Net pension funds	169 695	134 354
Difference not posted to P&L	-98 614	-73 984
<b>Capitalised net pension liability</b>	<b>71 080</b>	<b>60 371</b>
Payroll tax	18 900	16 631

The following assumptions have been used in calculating future pensions:

	31.12.10	31.12.09
Discount rate	3,60 %	4,40%
Expected return	5,00 %	5,60%
Salary growth	4,00 %	4,25%
G-adjustment	3,75 %	4,00%
Increase in pensions being paid	3,75 %	4,00%

# NOTES SANTANDER CONSUMER BANK GROUP

## Note 14 – Changes in equity

All amounts in thousands of NOK	Share capital		Other equity	Total
	Share capital	premium		
Equity as at 31.12.2009	1 512 469	891 314	1 416 407	3 820 190
Capital increase	1 150 000			1 150 000
Share dividend			-1 200 000	-1 200 000
Conversion differences foreign currencies (branches)			5 491	5 491
Profit for the year			702 529	702 529
<b>Equity as at 31.12.2010</b>	<b>2 262 469</b>	<b>891 314</b>	<b>924 427</b>	<b>4 478 210</b>

## Note 15 – Receivables and liabilities to companies in the same group

### Receivables and liabilities to companies in the same group

All amounts in thousands of NOK	31.12.10	Interest 2010	31.12.09
<b>Santander Consumer Group</b>			
<b>Loans from credit institutions</b>	42 725 355	1 082 281	39 829 783
<i>Of which:</i>			
<i>Banco Madasant</i>	-		1 618 500
<i>Santander Benelux</i>	29 471 090		26 600 375
<i>Santander Consumer Finance S.A.</i>	13 254 265		11 610 908
Accrued interest / other debt	259 403		230 802
<b>Subordinated loan capital</b>	655 183	29 952	750 000
<i>Of which:</i>			
<i>Banco Santander</i>	180 000		380 000
<i>Santander Benelux</i>	210 000		210 000
<i>Santander Consumer Finance S.A.</i>	265 183		160 000
Accrued interest / other debt	722		2 999
<b>Subordinated loan capital</b>		<b>2010</b>	<b>2009</b>
MNOK 200, maturity August 2010, 6 month NIBOR + 1,00 %		0	200 000
MNOK 180, maturity September 2016, 3 month NIBOR + 0,55 %		180 000	180 000
MNOK 80, maturity October 2017, 3 month NIBOR + 1,00 %		80 000	80 000
MNOK 80, maturity September 2018, 3 month NIBOR + 2,41 %		80 000	80 000
MNOK 210, maturity June 2019, 6 month NIBOR + 3,43 %		210 000	210 000
MNOK 105, maturity December 2020, 12 month EURIBOR + 3,20%		105 183	0
<b>Total subordinated loan capital</b>		<b>655 183</b>	<b>750 000</b>

Financial information in accordance with the capital requirement regulation is published at [www.santander.no](http://www.santander.no)

## Note 16 – Ownership

The share capital is divided into 151 246 912 shares, of NOK 10,- par value. All shares are owned by Santander Consumer Finance S.A.

# NOTES SANTANDER CONSUMER BANK GROUP

## Note 17 – Capital adequacy

All amounts in thousands of NOK	31.12.10	31.12.09
Core capital	3 699 237	3 042 329
Eligible supplementary capital	655 183	550 000
<b>Total primary capital</b>	<b>4 354 420</b>	<b>3 592 329</b>
<b>Minimum capital requirement (pillar I)</b>		
Credit risk	3 319 080	2 866 589
Market risk	8 642	4 669,2
Operational risk	294 200	229 408
Deductions in capital requirement	-67 472	-71 328
<b>Total minimum capital requirement (pillar I)</b>	<b>3 554 449</b>	<b>3 029 338</b>
Capital ratio	9,80%	9,49%
Core capital ratio	8,33%	8,03%

Financial information in accordance with the capital requirement regulation is published at [www.santander.no](http://www.santander.no)

## Note 18 – Interest Expenses

All amounts in thousands of NOK	31.12.10	31.12.09
<b>To credit institutions</b>		
Interest expenses	1 084 127	1 137 772
Average loan	41 972 529	38 878 467
Average nominal interest rate	2,56%	2,89%
<b>To customers</b>		
Interest expenses	8 210	17 451
Average deposit	374 164	567 385
Average nominal interest rate	2,18%	3,04%
<b>To bondholders</b>		
Interest expenses	12 175	-
Average issued notes	386 560	-
Average nominal interest rate	3,15%	-

## Note 19 – Guarantee liabilities

Santander Consumer Bank has as at 31.12.2010 a guarantee liability of NOK 124,7 M. This is mainly payment guarantees.

## Note 20 – Ownership interests in group companies

Santander Consumer Bank AS owns 100% of the stocks in Santander Consumer Finance OY.

To reduce the risk related to changes in foreign exchange values it is established a hedge loan of EUR 157 M. The ownership in Santander Consumer Finance OY is booked at historical cost adjusted for the effect of the hedge, according to IAS 39.

# NOTES SANTANDER CONSUMER BANK GROUP

## Note 21 – Classification of financial instruments

Classification of financial assets	2010		2009	
	Booked value	Fair value	Booked value	Fair value
All amounts in thousands of NOK				
<b>Deposits with and receivables on financial institutions</b>				
Deposits with Norwegian financial institutions	88 432	88 432	170 478	170 478
<b>Total deposits with and loans to financial institutions</b>	<b>88 432</b>	<b>88 432</b>	<b>170 478</b>	<b>170 478</b>
<b>Loans to customers</b>				
Credit cards	1 647 403	1 647 403	1 535 428	1 535 428
Installment loans	39 196 694	39 196 694	35 808 354	35 808 354
Financial leasing	8 970 074	8 970 074	8 025 046	8 025 046
<b>Total loans before individual and group write-downs</b>	<b>49 814 171</b>	<b>49 814 171</b>	<b>45 368 828</b>	<b>45 368 828</b>
- Individual write-downs	96 286	96 286	141 329	141 329
- Group write-downs	861 899	861 899	891 595	891 595
<b>Net loans</b>	<b>48 855 986</b>	<b>48 855 986</b>	<b>44 335 904</b>	<b>44 335 904</b>
<b>Other assets</b>				
Operational leasing	395 877	395 877	383 144	383 144
Other assets	0	0	0	0
<b>Sum other assets</b>	<b>395 877</b>	<b>395 877</b>	<b>383 144</b>	<b>383 144</b>
<b>Total financial assets</b>	<b>49 340 296</b>	<b>49 340 296</b>	<b>44 889 526</b>	<b>44 889 526</b>

The last known sales value is used as fair value

Classification of financial liabilities	2010		2009	
	Booked value	Fair value	Booked value	Fair value
All amounts in thousands of NOK				
<b>Debt to credit institutions</b>				
Loans and deposits from credit institutions	42 725 355	42 725 355	40 083 073	40 083 073
<b>Total loans and deposits from financial institutions</b>	<b>42 725 355</b>	<b>42 725 355</b>	<b>40 083 073</b>	<b>40 083 073</b>
<b>Deposits from and debt to customers</b>				
Deposits from and debt to customers repayable on notice	284 968	284 968	446 488	446 488
<b>Total deposits from customers</b>	<b>284 968</b>	<b>284 968</b>	<b>446 488</b>	<b>446 488</b>
<b>Debt established by issuing securities</b>				
Certificates and other short term loan raising	504 833	504 833	0	0
Bonds and other long term loan raising	776 910	776 910	0	0
<b>Total debt established by issuing securities</b>	<b>1 281 743</b>	<b>1 281 743</b>	<b>0</b>	<b>0</b>
<b>Other debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Subordinated loan capital</b>				
Other subordinated loan capital	655 183	655 183	750 000	750 000
<b>Total subordinated loan capital</b>	<b>655 183</b>	<b>655 183</b>	<b>750 000</b>	<b>750 000</b>
<b>Total financial liabilities</b>	<b>44 947 249</b>	<b>44 947 249</b>	<b>41 279 561</b>	<b>41 279 561</b>

# NOTES SANTANDER CONSUMER BANK GROUP

## Note 22 – Issued securities

	2010	2009
All amounts in thousands NOK		
Issued commercial papers	504.833	0
Issued bonds	776.910	0
<b>Total liability issued securities</b>	<b>1.281.743</b>	<b>0</b>

## Changes in liability issued securities

All amounts in thousands NOK	Book value 31.12.09	New issues/ repurchase	Payments	Amortisation	Book value 31.12.10
Issued commercial papers	-	504.746	-	87	504.833
Issued bonds	-	776.728	-	183	776.910
<b>Total liability issued securities</b>	<b>-</b>	<b>1.281.474</b>	<b>-</b>	<b>269</b>	<b>1.281.743</b>

## Specification of issued securities

All amounts in thousands NOK	ISIN number	Issuer	Net nominal value	Currency	Interest	Call date	Book value 31.12.10
<i>Commercial papers</i>							
	NO0010588171	Santander CB AS	300.000	NOK	Fixed	23.09.2011	299.760
	NO0010589658	Santander CB AS	300.000	NOK	Floating	05.10.2011	299.910
	Amortisation						87
	<b>Total issued commercial papers</b>						<b>599.757</b>
<b>Bonds</b>							
	NO0010588098	Santander CB AS	450.000	NOK	Floating	24.09.2012	449.280
	NO0010588080	Santander CB AS	250.000	NOK	Floating	24.09.2013	249.400
	NO0010590466	Santander CB AS	300.000	NOK	Floating	26.04.2012	299.730
	Amortisation						183
	<b>Totals issued bonds</b>						<b>998.593</b>
<b>Repurchase</b>							
	Repurchased own issued commercial papers						94.924
	Repurchased own issued bonds						221.682
	<b>Total repurchased own securities</b>						<b>316.606</b>

**Total issued securities** 1.281.743

# NOTES SANTANDER CONSUMER BANK GROUP

## Note 23 – Risk Management

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### **Credit risk/counterparty risk**

Counterparty credit risk is considered to be the most significant risk for the bank. Credit risk is to be kept at a level that over time corresponds to the average of companies within the Santander Consumer Finance group, taken into account differences among the companies with regard to collection and product mix. The company has established credit policies that ensure a good diversification among the customers with regard to geography, occupation, age and so on. Single large credit exposures are to be reported to the Board.

Credit process and policies describe the guiding principles for the type of customer that Santander wants. Processes are divided into "Standardised" and "Non-Standardised" where Standardised credit follows a standard, very much automated credit approval process and Non-Standardised (Credits which do not meet the score requirements, larger credit and credit limits, as well as stock finance) are handled manually. Such credits are granted according to delegated credit authorities in accordance with current credit policy.

### **Market risk**

Santander Consumer Bank AS' strategy is to not take on market risk in excess of what follows directly from the operation of the company. Market risk for the company is connected to currency positions as a result of operations in Sweden, Finland, and Denmark. Treasury policy limits possible exposure for each currency and the same limit applies to the total net currency position. Treasury policy further specifies that currency risk should be minimised as far as possible through asset and debt items being in the same currency, as far as possible. Net currency positions are shown in the attached Treasury Report. As a result of the modest size of the positions, a more detailed assessment of sensitivities is not considered to be necessary.

Santander Consumer Bank AS does not have a trading portfolio or positions in securities, commodities etc. Risk that follows from the company's net currency position is considered low in relation to the company's size, and is considered to involve an increased capital requirement in excess of the Pillar 1 requirement with 10 % of maximum allowed net position from currency in treasury policy; currently this corresponds to 10 mill NOK, particularly as unused credit card limits are not included in the Pillar I capital requirement.

### **Liquidity risk**

Santander Consumer Bank AS' liquidity situation is monitored continuously. Treasury Policy lays down minimum levels for available liquidity and trigger levels for obtaining new liquidity. SCB has a goal of establishing more financing from outside the Santander group. The short dated nature of the bank's assets also constitute a significant liquidity risk reducing factor. This gives a possibility to generate liquidity by reducing new business should the need arise.

### **Operational risk**

For operational risk, the basis method is used. In the company's risk assessments, no areas of operational risk have been identified that involve a loss potential in excess of that covered under Pillar 1. The company's review of the risk situation is timed so that it can coincide as far as possible with the company's plan and budget processes, so that any conclusions and risk-reducing measures can be taken into consideration in the company's plans.

The company has satisfactory monitoring and follow-up of operational risks. This is based both on the checks that were carried out in the company's own internal audit (contracted out to a third party) and on the checks carried out by the group's internal Audit function. The company's own risk assessments carried out in connection with the annual internal checking process were also used as a basis for evaluation.

# NOTES SANTANDER CONSUMER BANK GROUP

## CASH FLOW STATEMENT

All amounts in thousands of NOK	2010	2009
<b>Operations</b>		
Interest receipts	3 809 673	3 764 899
Interest payments	-1 158 431	-1 202 294
Other receipts	-450 696	-337 481
Operating payments	-757 989	-749 486
Recovered on previously recognized losses	65 288	37 546
Taxes paid	-123 874	-91 375
<b>Net cash flow from operations</b>	<b>1 383 971</b>	<b>1 421 809</b>
<b>Financial activities</b>		
Increase/ reduction in lending	-6 647 452	-12 126 422
Increase/ reduction in other receivables	-347 542	-74 818
Increase/ reduction in prepayments	-407 532	-48 654
<b>Net cash flow from financial activities</b>	<b>-7 402 526</b>	<b>-12 249 894</b>
<b>Investments</b>		
Increase/ reduction in real assets	-166 304	-170 182
Increase/ reduction in other operating assets	-121 348	-749 920
<b>Net cash flow from investment activities</b>	<b>-287 652</b>	<b>-920 102</b>
<b>Long-term financing</b>		
Increase/ reduction in deposits from customers	-161 520	-67 371
Increase/ reduction in share capital	1 887 764	901 684
Increase/ reduction in equity capital	-80 247	-331 498
Increase/ reduction in loans from credit institutions	5 266 530	10 318 552
Increase/ reduction in subordinated loan	-94 817	210 000
Increase/ reduction in debt	417 517	710 674
Expenses incurred	188 935	-8 302
Group transfers/ dividends	-1 200 000	0
<b>Net cash flow from long-term financing activities</b>	<b>6 224 162</b>	<b>11 733 739</b>
<b>Net cash flow for the period</b>	<b>-82 045</b>	<b>-14 448</b>
<b>Net change in cash and cash equivalents</b>		
Holding of cash and cash equivalents at start of period	170 478	184 925
Holding of cash and cash equivalents at end of period	88 433	170 478

# NOTES SANTANDER CONSUMER BANK AS

## Note 1 – Information on connected parties

### Salaries and fees to officers and Chief Executive Officer

The company is 100 % owned by Santander Consumer Finance S.A. The chairman and the deputy chairman of the board have central positions in Madrid and are, together with the Chief Executive Officer, considered to be central management in the company. The management team has been evaluated towards the Norwegian accounting act § 7-31b and is not considered to be central management according to this paragraph.

All amounts in thousands of NOK	Salary	Bonus	Pension	Other remuneration	Total 2010	Total 2009
Chief Executive Officer	1 815	986	348	497	3 646	4 488

### Board of directors

		Fees 2010	Fees 2009
Javier San Felix Garcia	Chairman	-	-
Eduardo Garcia Arroyo	Deputy chairman	-	-
Bjørn Elvestad	Member	125 000	125 000
Odd Lunde	Member	125 000	125 000
Vibeke Hamre Krey	Employee representative	125 000	125 000
Nina Lind	Deputy employee representative	62 500	62 500

The board of directors will present a statement regarding salary and other remuneration for central officers, cf. The Public Limited Liability Companies Act (Allmennaksjeloven) § 6-1 in the annual shareholders meeting.

### Supervisory Board

	Fees 2010	Fees 2009
Total	45 000	45 000

Torkel Ernø, the chairman of the supervisory board, has received 25 000 both in 2009 and 2010. Other representatives has received 2 500 each per meeting. This rate has been unchanged in 2010.

### Control committee

		Fees 2010	Fees 2009
Finn Myhre	Chairman	125 000	65 000
Egil Dalviken	Deputy chairman	20 000	25 000
Steinar Ouren	Member	0	5 000
Tone Bjørnhov	Member	20 000	-
Terje Sommer	Deputy member	65 000	-

### Audit fees and advisory services without VAT

All amounts in thousands of NOK	2010	2009
Audit services	1 059	1 146
Other certification services	195	-
Tax advice	102	80
Other non-audit services	534	435

### Staff

	2010		2009	
	Norway	Abroad	Norway	Abroad
Number of employees' as of 31.12.	285	138	267	114
Man-labour year as of 31.12.	261	125	244	104

# NOTES SANTANDER CONSUMER BANK AS

## Note 2 – Losses and write-downs

### Loan losses expenses

All amounts in thousands of NOK	2010	2009
Write-downs 31.12.	532 436	450 764
+/- Rate adjustment opening balance	-1 769	3 365
- Write-downs 01.01.	450 764	232 258
+ Total recognised losses	287 946	251 759
- Recoveries on recognised losses	43 197	23 926
<b>= Loan losses</b>	<b>324 652</b>	<b>449 704</b>

### Individual- and by group write-downs

All amounts in thousands of NOK	31.12.10	31.12.09
Individual write-downs 01.01.	141 329	27 847
+/- Rate adjustment opening balance	555	-1 607
Reclassification from individual to group write-downs	-87 719	-
- Recognised losses covered by earlier write-downs	-	-
- Reversal of earlier individual write-downs	-	-
+ Individual write-downs for the period	-9 320	115 089
<b>= Individual write-downs 31.12.</b>	<b>44 845</b>	<b>141 329</b>
	31.12.10	31.12.09
Group write-downs 01.01.	309 435	204 411
+/- Rate adjustment opening balance	1 214	-1 758
Reclassification from individual to group write-downs	87 719	-
+/- Write-downs for the year	89 223	106 782
<b>= Group write-downs 31.12.</b>	<b>487 591</b>	<b>309 435</b>

## Note 3 – Non-performing- and loss exposed loans

All amounts in thousands of NOK	31.12.10	31.12.09	31.12.08	31.12.07	31.12.06
Gross non-performing- and other loss exposed loans	908 742	826 673	533 508	324 677	276 997
Individual write-downs	44 845	141 329	27 847	28 055	33 245
Group write-downs	487 591	309 435	204 411	164 738	129 326
<b>Net non performing- and other loss exposed loans</b>	<b>376 306</b>	<b>375 909</b>	<b>301 250</b>	<b>131 884</b>	<b>114 426</b>

## Note 4 – Repossessed assets

All amounts in thousands of NOK	31.12.10	31.12.09
Car Leasing	13 268	31 423
Other leasing subjects	-	-
<b>Net</b>	<b>13 268</b>	<b>31 423</b>

The company classifies vehicles as repossessed assets where it is a court ruling or consent regarding transfer of property of the object. Repossessed assets are booked at fair value. Differences between booked value and fair value are recognized in profit and loss when the object is made ready for sale. At realization the difference between assumed fair value and selling price is recognized against profit and loss.

# NOTES SANTANDER CONSUMER BANK AS

## Note 5 – Risk classification

31.12.2010						
All amounts in thousands of NOK	Very good	Good	Medium	Less good	Default	Total
Gross loans	36 009 274	2 451 707	550 495	163 669	908 742	40 083 887
Write downs	107 912	40 059	44 288	20 365	319 811	532 436
<b>Net 31.12.10</b>	<b>35 901 361</b>	<b>2 411 648</b>	<b>506 207</b>	<b>143 304</b>	<b>588 931</b>	<b>39 551 451</b>

31.12.2009						
All amounts in thousands of NOK	Very good	Good	Medium	Less good	Default	Total
Gross loans	29 515 705	2 606 880	764 946	245 502	826 673	33 959 706
Write downs	67 810	35 340	45 054	26 663	275 898	450 764
<b>Net 31.12.09</b>	<b>29 447 896</b>	<b>2 571 540</b>	<b>719 893</b>	<b>218 839</b>	<b>550 775</b>	<b>33 508 942</b>

The company makes use of a risk classification system, which is based on objective valuation when granting/amending loans. Amounts in "Default" slightly increased during 2010, while early risk groups went significantly down. The development of the portfolio is under continuous surveillance.

## Note 6 – Tax

### Tax payable

All amounts in thousands of NOK	2010
Profit before taxes	771 057
Permanent differences	7 574
Change in temporary differences	-179 846
<b>Net tax basis for the year</b>	<b>598 785</b>

### Deferred tax receivable

All amounts in thousands of NOK	31.12.10	31.12.09
Property, plant and equipment	1 485 988	1 284 295
Pension liabilities	-71 081	-60 371
Other temporary differences	4 717	15 854
Basis for deferred tax receivable	1 419 645	1 239 778
Deferred tax (+) / deferred tax receivable (-)	397 495	347 138

For calculation of deferred tax / deferred tax benefit a 28% rate has been used.

### Tax expenses

All amounts in thousands of NOK	2010
Tax payable	167 660
Change in deferred tax	50 357
Taxes charge	218 017
Excess provision for tax payable in earlier years	-202
<b>Total tax expenses</b>	<b>217 815</b>

### Reconciliation of taxes versus profit before taxes

All amounts in thousands of NOK	2010
Profit before taxes	771 057
Expected tax using nominal tax rate	215 896
Tax effect of permanent differences	2 121
Tax expense from this years operations	218 017
Excess provision for tax payable in earlier years	-202
<b>Total tax expenses</b>	<b>217 815</b>

# NOTES SANTANDER CONSUMER BANK AS

## Note 7 – Fixed assets, intangible assets and lease financing

All amounts in thousands of NOK	Machines, fittings, vehicles	Intangible assets	Goodwill	Lease financing: -operating assets
Acquisition cost 01.01.	57 536	206 789	113 335	11 239 997
Rate difference opening balance	-69	478	-6 991	143 803
Additions during the year	14 296	71 920	-	5 143 878
Disposals during the year	-13 980	-16 721	-	-4 009 681
Acquisition cost 31.12.	57 782	262 467	106 343	12 517 998
Acc, ordinary depreciation 01.01.	-38 579	-77 389	-	-3 380 893
Rate difference 01.01.	-246	-63	-	-188 136
Year's ordinary depreciation	-7 883	-34 967	-	-1 795 886
Write-downs	-	-	-	-
Rate difference year's depreciation average rate	-	-	-	-
Reversed depreciation sold	11 278	11 875	-	1 562 397
Accumulated depreciation 31.12.	-35 430	-100 544	-	-3 802 518
<b>Book value in the balance sheet 31.12.2010</b>	<b>22 353</b>	<b>161 923</b>	<b>106 343</b>	<b>8 715 480</b>
Method on measurement	Acquisition cost	Acquisition cost	Acquisition cost	Acquisition cost
Depreciation method	Linear	Linear	-	Linear
Plan of depreciation and useful life	3 – 10 years	3 – 10 years	-	4 – 5 years

Intangible assets include software. The useful life is evaluated annually. Goodwill is related to the purchase of the portfolio from Eik Sparebank in 2007. Rent for non-recognized lease agreements amounts to NOK 24,076 M.

## Note 8 – Liquidity risk/remaining term on balance sheet items at 31.12.10

All amounts in million NOK	=< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	5 years	No maturity	Total
Loans / rec. on banks	85 429	0	0	0	0	0	85 429
- Of which foreign currency	75 086	0	0	0	0	0	75 086
Loans to customers	1 812 806	2 776 332	13 163 191	18 719 732	3 079 389	0	39 551 451
- Of which foreign currency	803 432	953 336	3 969 686	6 266 569	1 099 269	0	13 092 292
Other assets	0	0	0	0	0	1 975 775	1 975 775
- Of which foreign currency	0	0	0	0	0	310 894	310 894
<b>Total assets</b>	<b>1 898 235</b>	<b>2 776 332</b>	<b>13 163 191</b>	<b>18 719 732</b>	<b>3 079 389</b>	<b>1 975 775</b>	<b>41 612 654</b>
Debt to banks	5 586 408	4 590 059	12 538 006	10 424 800	611 380	0	33 750 584
- Of which foreign currency	1 033 908	1 984 540	5 778 510	5 664 368	0	0	14 461 325
Deposits from customers	284 968	0	0	0	0	0	284 968
- Of which foreign currency	0	0	0	0	0	0	0
Issued notes and bonds	0	0	504 505	777 238	0	0	1 281 743
- Of which foreign currency	0	0	0	0	0	0	0
Other debt	0	0	0	0	0	1 251 780	1 251 780
- Of which foreign currency	0	0	0	0	0	167 572	167 572
Subordinated loan capital	0	0	0	0	655 183	0	655 183
- Of which foreign currency	0	0	0	0	104 487	0	104 487
Equity	0	0	0	0	0	4 388 396	4 388 396
- Of which foreign currency	0	0	0	0	0	115 074	115 074
<b>Total liabilities and equity</b>	<b>5 871 376</b>	<b>4 590 059</b>	<b>13 042 512</b>	<b>11 202 037</b>	<b>1 266 494</b>	<b>5 640 176</b>	<b>41 612 654</b>

# NOTES SANTANDER CONSUMER BANK AS

## Note 9 – Interest risk and interest adjustments period at 31.12.10

All amounts in million NOK

	=< 1 month	>1<=3 months	>3<12 months	>1 year <5 year	>5 year	No maturity	Total	Interest sensitivity
Loans / rec, on banks	85	-	-	-	-	-	85	0
Loans to customers	14 557	20 529	2 111	1 224	222	909	39 551	99
Other assets	-	-	-	-	-	1 976	1 976	0
<b>Total assets</b>	<b>14 642</b>	<b>20 529</b>	<b>2 111</b>	<b>1 224</b>	<b>222</b>	<b>2 885</b>	<b>41 613</b>	<b>99</b>
Debt to banks	13 387	17 301	863	2 199	-	-	33 751	103
Deposits from customers	285	-	-	-	-	-	285	0
Issued notes and bonds	470	607	205	-	-	-	1 282	3
Other debt	-	-	-	-	-	1 256	1 256	0
Subordinated loan capital	80	260	311	-	-	-	651	3
Equity	-	-	-	-	-	4 388	4 388	0
<b>Total liabilities and equity</b>	<b>14 122</b>	<b>18 169</b>	<b>1 380</b>	<b>2 199</b>	<b>-</b>	<b>5 644</b>	<b>41 613</b>	<b>109</b>
Interest rate exposure on balance sheet items	421	2 360	731	-975	222	-2 759	-	-
Interest rate exposure on financial derivatives	-	-	-	-	-	-	-	-
<b>Net interest rate exposure</b>	<b>421</b>	<b>2 360</b>	<b>731</b>	<b>-975</b>	<b>222</b>	<b>-2 759</b>	<b>-</b>	<b>-</b>

Interest rate sensitivity states the value as the present value of the financial consequence of an interest rate increase of 1% point per 31.12.

## Note 10 – Net foreign currency position

All amounts in thousands of NOK	Balance		Net positions	
	Asset	Debt	in currency	in NOK
SEK	8 589 203	8 531 562	66 254	57 641
DKK	5 071 185	5 029 984	39 371	41 201
EUR	1 223 501	1 224 600	-141	-1 099
USD	4 095	-	702	4 095
<b>Total 2010</b>	<b>14 883 889</b>	<b>14 786 146</b>		<b>101 838</b>
<b>Total 2009</b>	<b>11 264 182</b>	<b>11 237 539</b>		<b>26 643</b>

## Note 11 – Loans and losses by main sectors

All amounts in thousands of NOK	Loans	Write-down	Loans	Write-down
	31.12.10	31.12.10	31.12.09	31.12.09
Public sector	230 927	-56	175 571	-2 351
Agriculture and forestry	163 301	-100	181 464	-1 784
Industry	337 203	-154	309 523	-3 368
Building and construction	1 387 277	-680	1 305 332	-13 495
Trade in goods	2 051 101	-2 237	2 059 303	-27 978
Proprietary management	234 560	-177	265 028	-1 771
Various	2 473 920	-1 623	2 045 976	-17 048
Transportation	1 604 837	-1 286	1 839 500	-14 082
Private individuals	18 436 412	-5 326	16 126 503	-28 270
Foreign	13 164 350	-33 206	9 651 507	-31 182
<b>Total</b>	<b>40 083 887</b>	<b>-44 845</b>	<b>33 959 707</b>	<b>-141 329</b>

Only individual write-downs on loans are listed.

# NOTES SANTANDER CONSUMER BANK AS

## Note 12 – Loans by geographic region

All amounts in thousands of NOK	Loan	Guarantees	Loan	Guarantees
	31.12.10	31.12.10	31.12.09	31.12.09
Eastern Norway	14 110 288	73 282	13 134 850	62 078
Western Norway	4 889 707	10 804	3 001 076	5 304
Southern Norway	3 519 711	12 131	4 398 810	10 361
Mid Norway	2 830 216	6 766	2 380 615	4 418
Northern Norway	1 571 339	6 310	1 392 850	5 636
Foreign	13 162 627	-	9 651 507	-
<b>Total</b>	<b>40 083 887</b>	<b>109 293</b>	<b>33 959 707</b>	<b>87 797</b>

The distribution is undertaken on the basis of the customers' registered addresses.

## Note 13 – Pension expenses

Santander Consumer Bank has a service pension scheme under the Act of Occupational Pensions through Vital. In addition employees can take an early retirement pension at the age of 62. This scheme only applies to employees in Norway and forms part of a group agreement. The scheme gives the right to defined future benefits, which are mainly dependent on number of years worked, salary level at time of retirement and the amount of payment from the national insurance fund. The agreement also includes a disability pension, a spouse's pension and a child pension. In addition there are pension commitments to certain employees additional to the ordinary collective agreement. This applies to employees with a lower pension age, employees with a salary above 12 G and supplementary pensions. The former multi-employer plan called AFP was terminated in February 2010. The profit from the termination has been accounted for in 2010 as a reduction of pension cost. This same amount has been accrued as part of the pension-liability based on the calculation from the actuary. Pension costs from defined contribution schemes amounts to tnok 16 459 incl payroll tax.

### Pension expenses

All amounts in thousands of NOK	2010	2009
Present value of year's pension earnings	15 728	17 265
Interest cost on accrued liability	11 383	11 188
Return on pension funds	-9 253	-9 667
Administration costs	1 130	1 124
Amortization of actuarial (gain) /loss	5 691	2 422
Accrual payroll tax	2 702	2 852
<b>Net pension expenses</b>	<b>27 382</b>	<b>25 186</b>
<b>Pension liabilities in balance sheet</b>	<b>31.12.10</b>	<b>31.12.09</b>
Pension funds at market value	168 535	160 009
Estimated pension liability	338 230	294 363
Net pension funds	169 695	134 354
Unrecognized gain/loss	-98 614	-73 984
Capitalised net pension liability	<b>71 080</b>	<b>60 371</b>
Payroll tax	18 900	16 631

The following assumptions have been used in calculating future pensions:

	31.12.10	31.12.09
Discount rate	3,60 %	4,40%
Expected return	5,00 %	5,60%
Salary growth	4,00 %	4,25%
G-adjustment	3,75 %	4,00%
Increase in pensions being paid	3,75 %	4,00%

# NOTES SANTANDER CONSUMER BANK AS

## Note 14 – Changes in equity

All amounts in thousands of NOK	Share capital	Share capital premium	Other equity	Total
Equity as at 31.12.2009	1 512 469	891 314	1 481 946	3 885 729
Capital increase	1 150 000			1 150 000
Share dividend			-1 200 000	-1 200 000
Conversion differences foreign currencies (branches)			-575	-575
Profit for the year			553 242	553 242
<b>Equity as at 31.12.2010</b>	<b>2 662 469</b>	<b>891 314</b>	<b>834 613</b>	<b>4 388 396</b>

## Note 15 – Receivables and liabilities to companies in the same group

### Receivables and liabilities to companies in the same group

All amounts in thousands of NOK	31.12.09	Interest 2009	31.12.08
<b>Santander Consumer Group</b>			
Loans from credit institutions	33 750 584	842 039	29 060 121
<i>Of which:</i>			
<i>Banco Madesant</i>			
<i>Santander Benelux</i>	29 275 097		25 922 343
<i>Santander Consumer Finance S.A.</i>	4 475 487		3 137 778
Accrued interest / other debt	153 206		99 811
Subordinated loan capital	655 183	29 952	750 000
<i>Of which:</i>			
<i>Banco Santander</i>	180 000		380 000
<i>Santander Benelux</i>	210 000		210 000
<i>Santander Consumer Finance S.A.</i>	265 183		160 000
Accrued interest / other debt	722		2 999
<b>Subordinated loan capital</b>		<b>2010</b>	<b>2009</b>
MNOK 200, maturity August 2010, 6 month NIBOR + 1,00 %		0	200 000
MNOK 180, maturity September 2016, 3 month NIBOR + 0,55 %		180 000	180 000
MNOK 80, maturity October 2017, 3 month NIBOR + 1,00 %		80 000	80 000
MNOK 80, maturity September 2018, 3 month NIBOR + 2,41 %		80 000	80 000
MNOK 210, maturity June 2019, 6 month NIBOR + 3,43 %		210 000	210 000
MNOK 105, maturity December 2020, 12 month EURIBOR + 3,20%		105 183	0
<b>Total subordinated loan capital</b>		<b>655 183</b>	<b>750 000</b>

Financial information in accordance with the capital requirement regulation is published at [www.santander.no](http://www.santander.no)

## Note 16 – Ownership

The share capital is divided into 266 246 912 shares, of NOK 10,- par value. All shares are owned by Santander Consumer Finance S.A.

# NOTES SANTANDER CONSUMER BANK AS

## Note 17 – Capital adequacy

All amounts in thousands of NOK	31.12.10	31.12.09
Core capital	4 120 130	3 642 994
Eligible supplementary capital	655 183	550 000
<b>Total primary capital</b>	<b>4 775 313</b>	<b>4 192 994</b>
<b>Minimum capital requirement (pillar I)</b>		
Credit risk	2 760 246	2 207 791
Market risk	8 235	-
Operational risk	229 609	193 393
Deductions in capital requirement	-37 527	-23 213
<b>Total minimum capital requirement (pillar I)</b>	<b>2 960 563</b>	<b>2 377 970</b>
Capital ratio	12,90%	14.11%
Core capital ratio	11,13%	12.26%

Financial information in accordance with the capital requirement regulation is published at [www.santander.no](http://www.santander.no)

## Note 18 – Interest Expenses

All amounts in thousands of NOK	31.12.10	31.12.09
<b>To credit institutions</b>		
Interest expenses	843 628	787 677
Average loan	32 443 080	27 146 379
Average nominal interest rate	2,58 %	2,86 %
<b>To customers</b>		
Interest expenses	8 210	17 451
Average deposit	374 164	567 385
Average nominal interest rate	2,18 %	3,04 %
<b>To bondholders</b>		
Interest expenses	12 175	-
Average issued notes	386 560	-
Average nominal interest rate	3,15 %	-

## Note 19 – Guarantee liabilities

Santander Consumer Bank has as at 31.12.2010 a guarantee liability of NOK 124,7 M. This is mainly payment guarantees.

# NOTES SANTANDER CONSUMER BANK AS

## Note 20 – Ownership interests in group companies

Santander Consumer Bank AS owns 100% of the stocks in Santander Consumer Finance OY. The address is Hermannin Rantatie 10, 00580 Helsinki, Finland.

To reduce the risk related to changes in foreign exchange values it is established a hedge loan on EUR 157 M. According to IAS 39 the historical cost price on the stocks is adjusted with the same amount as value change on the hedge.

As of 31.12.2010 the following changes on the hedge loan and the owner interests in Santander Consumer Finance OY are booked:

Adjustment of the hedge loan on EUR 157 M to the exchange value as of 31.12.10	NOK	143,4 M
Historical cost price of the stocks in Santander Consumer Finance OY	NOK	1 366 M
+ Adjusted value on the shares due to the hedge loan	NOK	-143,4 M
= Book value of the stocks in Santander Consumer Finance OY	NOK	1 223,5 M

Company name	Share capital (1,2)	Number of shares	Book value (1)	Equity (1)	Result 2010 (1)	Result 2009 (1,3)
Santander Consumer Finance OY	1.050.447	600.000	1.223.501	1.066.260	61.222	(27.243)

(1) amounts in thousands of NOK  
(2) Incl share capital premium  
(3) Incl merged company SCF Rahoitus OY

# NOTES SANTANDER CONSUMER BANK AS

## Note 21 – Classification of financial instruments

Classification of financial assets	2010		2009	
	Booked value	Fair value	Booked value	Fair value
All amounts in thousands of NOK				
<b>Deposits with and receivables on financial institutions</b>				
Deposits with Norwegian financial institutions	85 429	85 429	102 018	102 018
<b>Total deposits with and loans to financial institutions</b>	<b>85 429</b>	<b>85 429</b>	<b>102 018</b>	<b>102 018</b>
<b>Loans to customers</b>				
Credit cards	1 647 403	1 647 403	1 535 428	1 535 428
Installment loans	29 981 090	29 981 090	24 920 897	24 920 897
Financial leasing	8 455 394	8 455 394	7 503 381	7 503 381
<b>Total loans before individual and group write-downs</b>	<b>40 083 887</b>	<b>40 083 887</b>	<b>33 959 707</b>	<b>33 959 707</b>
- Individual write-downs	44 845	44 845	141 329	141 329
- Group write-downs	487 591	487 591	309 435	309 435
<b>Net loans</b>	<b>39 551 451</b>	<b>39 551 451</b>	<b>33 508 942</b>	<b>33 508 942</b>
<b>Ownership interests in group companies</b>				
Ownership interest in credit institutions	1 223 501	1 223 501	1 101 226	1 101 226
<b>Sum ownership interest in group companies</b>	<b>1 223 501</b>	<b>1 223 501</b>	<b>1 101 226</b>	<b>1 101 226</b>
<b>Other assets</b>				
Operational leasing	0	0	0	0
Other assets	0	0	0	0
<b>Sum other assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total financial assets</b>	<b>40 860 381</b>	<b>40 860 381</b>	<b>33 610 960</b>	<b>33 610 960</b>

The last known sales value is used as fair value.

Classification of financial liabilities	2010		2009	
	Booked value	Fair value	Booked value	Fair value
All amounts in thousands of NOK				
<b>Debt to credit institutions</b>				
Loans and deposits from credit institutions	33 750 584	33 750 584	29 272 496	29 272 496
<b>Total loans and deposits from financial institutions</b>	<b>33 750 584</b>	<b>33 750 584</b>	<b>29 272 496</b>	<b>29 272 496</b>
<b>Deposits from and debt to customers</b>				
Deposits from and debt to customers repayable on notice	284 968	284 968	446 488	446 488
<b>Total deposits from customers</b>	<b>284 968</b>	<b>284 968</b>	<b>446 488</b>	<b>446 488</b>
<b>Debt established by issuing securities</b>				
Certificates and other short term loan raising	504 833	504 833	0	0
Bonds and other long term loan raising	776 910	776 910	0	0
<b>Total debt established by issuing securities</b>	<b>1 281 743</b>	<b>1 281 743</b>	<b>0</b>	<b>0</b>
<b>Other debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Subordinated loan capital</b>				
Other subordinated loan capital	655 183	655 183	750 000	750 000
<b>Total subordinated loan capital</b>	<b>655 183</b>	<b>655 183</b>	<b>750 000</b>	<b>750 000</b>
<b>Total financial liabilities</b>	<b>35 972 478</b>	<b>35 972 478</b>	<b>30 468 984</b>	<b>30 468 984</b>

# NOTES SANTANDER CONSUMER BANK AS

## Note 22 – Issued securities

	2010	2009
All amounts in thousands NOK		
Issued commercial papers	504.833	0
Issued bonds	776.910	0
<b>Total liability issued securities</b>	<b>1.281.743</b>	<b>0</b>

## Changes in liability issued securities

All amounts in thousands NOK	Book value 31.12.09	New issues/ repurchase	Payments	Amortisation	Book value 31.12.10
Issued commercial papers	-	504.746	-	87	504.833
Issued bonds	-	776.728	-	183	776.910
<b>Total liability issued securities</b>	<b>-</b>	<b>1.281.474</b>	<b>-</b>	<b>269</b>	<b>1.281.743</b>

## Specification of issued securities

All amounts in thousands NOK	ISIN number	Issuer	Net nominal value	Currency	Interest	Call date	Book value 31.12.10
<i>Commercial papers</i>							
	NO0010588171	Santander CB AS	300.000	NOK	Fixed	23.09.2011	299.760
	NO0010589658	Santander CB AS	300.000	NOK	Floating	05.10.2011	299.910
	Amortisation						87
	<b>Total issued commercial papers</b>						<b>599.757</b>
<i>Bonds</i>							
	NO0010588098	Santander CB AS	450.000	NOK	Floating	24.09.2012	449.280
	NO0010588080	Santander CB AS	250.000	NOK	Floating	24.09.2013	249.400
	NO0010590466	Santander CB AS	300.000	NOK	Floating	26.04.2012	299.730
	Amortisation						183
	<b>Totals issued bonds</b>						<b>998.593</b>
<i>Repurchase</i>							
	Repurchased own issued commercial papers						94.924
	Repurchased own issued bonds						221.682
	<b>Total repurchased own securities</b>						<b>316.606</b>

**Total issued securities** 1.281.743

# NOTES SANTANDER CONSUMER BANK AS

## Note 23 – Risk Management

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### **Credit risk/counterparty risk**

Counterparty credit risk is considered to be the most significant risk for the bank. Credit risk is to be kept at a level that over time corresponds to the average of companies within the Santander Consumer Finance group, taken into account differences among the companies with regard to collection and product mix. The company has established credit policies that ensure a good diversification among the customers with regard to geography, occupation, age and so on. Single large credit exposures are to be reported to the Board.

Credit process and policies describe the guiding principles for the type of customer that Santander wants. Processes are divided into "Standardised" and "Non-Standardised" where Standardised credit follows a standard, very much automated credit approval process and Non-Standardised (Credits which do not meet the score requirements, larger credit and credit limits, as well as stock finance) are handled manually. Such credits are granted according to delegated credit authorities in accordance with current credit policy.

### **Market risk**

Santander Consumer Bank AS' strategy is to not take on market risk in excess of what follows directly from the operation of the company. Market risk for the company is connected to currency positions as a result of operations in Sweden, Finland, and Denmark. Treasury policy limits possible exposure for each currency and the same limit applies to the total net currency position. Treasury policy further specifies that currency risk should be minimised as far as possible through asset and debt items being in the same currency, as far as possible. Net currency positions are shown in the attached Treasury Report. As a result of the modest size of the positions, a more detailed assessment of sensitivities is not considered to be necessary.

Santander Consumer Bank AS does not have a trading portfolio or positions in securities, commodities etc. Risk that follows from the company's net currency position is considered low in relation to the company's size, and is considered to involve an increased capital requirement in excess of the Pillar 1 requirement with 10 % of maximum allowed net position from currency in treasury policy; currently this corresponds to 10 mill NOK, particularly as unused credit card limits are not included in the Pillar I capital requirement.

### **Liquidity risk**

Santander Consumer Bank AS' liquidity situation is monitored continuously. Treasury Policy lays down minimum levels for available liquidity and trigger levels for obtaining new liquidity. SCB has a goal of establishing more financing from outside the Santander group. The short dated nature of the bank's assets also constitute a significant liquidity risk reducing factor. This gives a possibility to generate liquidity by reducing new business should the need arise.

### **Operational risk**

For operational risk, the basis method is used. In the company's risk assessments, no areas of operational risk have been identified that involve a loss potential in excess of that covered under Pillar 1. The company's review of the risk situation is timed so that it can coincide as far as possible with the company's plan and budget processes, so that any conclusions and risk-reducing measures can be taken into consideration in the company's plans.

The company has satisfactory monitoring and follow-up of operational risks. This is based both on the checks that were carried out in the company's own internal audit (contracted out to a third party) and on the checks carried out by the group's internal Audit function. The company's own risk assessments carried out in connection with the annual internal checking process were also used as a basis for evaluation.

# NOTES SANTANDER CONSUMER BANK AS

## CASH FLOW STATEMENT

All amounts in thousands of NOK	2010	2009
<b>Operations</b>		
Interest receipts	2 991 592	2 740 537
Interest payments	-860 761	-934 331
Other receipts	-478 917	-159 303
Operating payments	-555 089	-487 431
Recovered on previously recognized losses	41 579	23 314
Taxes paid	-123 874	-91 375
<b>Net cash flow from operations</b>	<b>1 014 531</b>	<b>1 091 411</b>
<b>Financial activities</b>		
Increase/ reduction in lending	-6 395 598	-4 162 723
Increase/ reduction in other receivables	-137 009	-53 649
Increase/ reduction in prepayments	55 751	-44 204
<b>Net cash flow from financial activities</b>	<b>-6 476 856</b>	<b>-4 260 575</b>
<b>Investments</b>		
Increase/ reduction in real assets	-98 112	-256 598
Increase/ reduction in other operating assets	-122 276	-744 897
<b>Net cash flow from investment activities</b>	<b>-220 388</b>	<b>-1 001 495</b>
<b>Long-term financing</b>		
Increase/ reduction in deposits from customers	-161 520	-67 371
Increase/ reduction in share capital	1 150 000	784 000
Increase/ reduction in equity capital	-574 749	-793 115
Increase/ reduction in loans from credit institutions	5 848 028	3 631 724
Increase/ reduction in subordinated loan	-94 817	210 000
Increase/ reduction in debt	132 799	534 654
Expenses incurred	-7 791	-68 280
Group transfers/ dividends	-1 200 000	0
<b>Net cash flow from long-term financing activities</b>	<b>5 666 124</b>	<b>4 231 611</b>
<b>Net cash flow for the period</b>	<b>-16 589</b>	<b>60 952</b>
<b>Net change in cash and cash equivalents</b>		
Holding of cash and cash equivalents at start of period	102 018	41 066
Holding of cash and cash equivalents at end of period	85 429	102 018

# ACCOUNTING PRINCIPLES

**The annual accounts for Santander Consumer Bank AS were drawn up in accordance with the rules of the Norwegian Accounting Act, the regulations of the Financial Supervisory Authority of Norway and generally accepted accounting practice. The accounts show the activities of the company in Norway, Sweden and Denmark. In the group note section, the Finnish subsidiary is included. All figures and notes were prepared on the assumption that the business is a going concern.**

## **Basic principles**

The accounts were prepared in accordance with simplified IFRS as described the Norwegian accounting act § 3-9 and the accounting regulations issued by Finanstilsynet (the Financial Supervisory Authority of Norway). This means that all items in the profit and loss statement and balance sheet follow EU-approved accounting rules, International Financial Reporting Standards (IFRS), whilst the requirements of the Norwegian Accounting Act form the basis of the layout and note information, with the exception of IFRS 7 on financial instruments.

The company has undertaken individual reclassifications in the comparable figures for 2009, in accordance with the changes undertaken in 2010. No changes in principles took place in 2010.

## **Use of estimates in the preparation of the annual accounts**

When submitting annual accounts in accordance with IFRS, it is necessary that management uses estimates in individual cases. The estimates used in the annual accounts are based on historical experiences and data. The estimates affect assets, liabilities, income, expenses and note information. The estimates are continuously evaluated against the background of historical experience and factors relating to future events. Actual figures can deviate from the estimates used in the accounts and the most important estimated items are therefore discussed below:

- Intangible assets
- Amortisation of loans
- Write-down of loans
- Actuarial calculation of pension liabilities

## **Intangible assets**

On-balance sheet goodwill is subject to regular write-down tests. Capitalised software is classified as intangible assets, if the balance sheet criteria are fulfilled and are depreciated in a straight line after an estimated lifetime of 3-10 years. The cost of maintaining the economic value of EDB systems is charged directly to expenses.

## **Amortisation of loans**

Loans are valued and measured at amortised cost according to the effective interest method. The company undertakes regular assessments of the conditions forming the basis or amortisation, including the expected term of the portfolio. If the estimate changes, the adjustment is included as income or expense in the accounts.

## **Write-down of loans**

If there is objective evidence that a loan or group of loans has been subject to a fall in value, a write-down will be calculated for the fall in value that is equal to the difference between capitalised value and the net present value of estimated future cash flows, discounted by the financial asset's original effective interest (i.e. the effective interest calculated at initial rates).

Objective evidence that a loan has fallen in value includes significant problems for the debtor, non-payment or other significant breach of contract, and if it is considered likely that a debtor will enter debt negotiations or if other concrete events have occurred. The company follows Grupo Santander's 12 month expected losses write-down model including write downs on incurred but not recognised (IBNR) exposures.

### **Pension liabilities**

The Norwegian company has both defined contribution and defined benefit schemes, whilst the branches and subsidiary have only defined contribution schemes. Pension calculations are carried out by an actuary and are based on conditions that can change in the future.

### **Inclusion**

Interest income and interest expenses are included in the profit/loss statement at amortised cost through the use of the effective interest method.

Received and paid commission and fees and the like are included in the calculation of the effective interest.

### **Financial leasing**

Financial leasing is classified as lease financing and is accounted for as lending. Contracts with residual value are written down to agreed residual value, distributed over the term. The interest part of the leasing fee is entered as interest income according to the principles described under the point for loans, whereas the repayment of the principal reduces the balance sheet value. In taxation terms, the leasing objects depreciate according to the balance method. Sales profits from leasing are entered under other operating profits.

### **Operational leasing**

Contracts in which Santander Consumer Bank AS guarantees residual value are classified as operational leasing. Income from leasing fees consists of interest and repayment of principal and is classified under the item interest income. Operating equipment is included under the item fixed assets.

### **Operating equipment used by the company**

The company's fixed assets consist of machines, inventory, EDB systems and cars. The company's fixed assets are entered at acquisition cost less straight-line depreciation and possible write-downs.

The following linear depreciations apply:

Inventory	5-10 years
EDB equipment	3 years
Cars and vehicles	5-7 years

### **Presentation currency and the conversion of foreign companies and assets and liabilities in foreign currency**

The company's presentation currency is Norwegian kroner. Assets and liabilities in foreign currencies are classified as financial items and valued at exchange rates on balance day. When converting currency exchange rates, the average rate on 31.12 for all balance sheet items is applied. Income and costs are converted using the average transaction exchange rate. Branches are valued according to currently applicable rules and any conversion differences are included in the result.

### **Branches and subsidiaries**

Separate accounts are prepared for the branches in Sweden and Denmark and for the subsidiary in Finland. The branches' accounts are included in the company's accounts and notes.

The subsidiary Santander Consumer Finance Rahoitus Oy (former GE Money Oy) merged with Santander Consumer Finance Oy in 2010. Key figures from Santander Group is available at [www.santander.com](http://www.santander.com).

When investing in foreign companies hedges are established. This is done in the same currency and the same amount as the issued shares. The ownership of the shares is then booked at historical cost adjusted for the effect of the hedges.

**Tax**

The annual tax costs include tax payable for the income year and changes in deferred tax liabilities and assets. Any changes in deferred tax and deferred tax assets are shown as the year's tax costs in the profit/loss statement together with tax payable for the income year.

Deferred tax is calculated at 28 percent (26 percent for the Finnish subsidiary) on the basis of temporary differences between accounting and tax values at the end of the financial year. Deferred tax assets are entered as assets on the balance sheet when it is probable that the tax-reducing elements will be realised.

**Internal transactions**

Outstanding accounts, internal profit and loss and the like with group companies are eliminated in the group accounts.

**Consignment goods**

Consignment goods are goods held for resale. Consignment goods are booked at lowest of acquisition cost and fair value. Net selling price is estimated selling price deducted for estimated expenses concerning preparation of goods, marketing and distribution. Acquisition cost is allocated using the FIFO method and includes necessary purchase and placement expenses.

**Issued bonds and notes**

Issued bonds and notes related to our commercial paper program are measured at amortised cost. The corresponding interest expense is charged to profit and loss using the effective interest method. The effective interest method includes set-up charges.



Deloitte AS  
Kantolyst allé 20  
Postboks 347 Sluppen  
NO-0711 Oslo  
Norway

Tel: +47 22 27 90 00  
Fax: +47 22 27 90 01  
www.deloitte.no

To the Annual Shareholders' Meeting of Santander Consumer Bank AS

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Santander Consumer Bank AS, which comprise the financial statements for the parent company and the financial statements for the group. The financial statements comprise the balance sheets as at December 31, 2010, profit and loss account, the statements of comprehensive income and cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory information.

### *The Board of Directors and the Managing Director's Responsibility for the Financial Statements*

The Board of Directors and the Managing Director is responsible for the preparation and fair presentation of these financial statements in accordance with simplified IFRS according to the Norwegian accounting act § 3-9, and for such internal control as the Board of Directors and the Managing Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Santander Consumer Bank AS and of the group as at December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with simplified IFRS according to the Norwegian accounting act § 3-9.

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a UK limited company, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/usa](http://www.deloitte.com/usa) for detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

Org nr: 942 211 262

**Report on Other Legal and Regulatory Requirements***Opinion on the Board of Directors' report and the allocation of the profit*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit complies with the law and regulations and that the information is consistent with the financial statements.

*Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 23 March 2011

Deloitte AS

Terje Bnasson

State Authorised Public Accountant (Norway)

## Kontrollkomitéens uttalelse

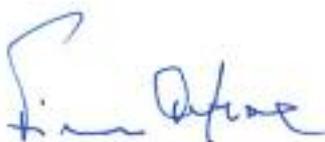
### Til Representantskapet og Generalforsamlingen i Santander Consumer Bank AS

Kontrollkomitéen i Santander Consumer Bank AS har gjennom regnskapsåret 2010 ført tilsyn med banken i henhold til Forretningsbankloven § 13 og forskrift om instruks for kontrollkomiteer fastsatt av Finanstilsynet 18. desember 1995.

Kontrollkomitéen har gjennomgått årsregnskapet for 2010 for Santander Consumer Bank AS, styrets årsberetning for 2010 og revisors beretning for 2010.

Komitéen finner at styrets vurdering av bankens økonomiske stilling er dekkende, og anbefaler at bankens årsregnskap for 2010 fastsettes.

Lysaker, 23. mars 2011



Finn Myhre

Leder



Egil Dalviken

Nestleder



Tone Bjørnov

Medlem

*Translation from the original Norwegian version:*

### The statement of the control committee

#### To the Committee of Representatives and to the General Shareholder's meeting

The Control Committee in Santander Consumer Bank AS has through the fiscal year 2010 kept attention with the bank according to the commercial bank law 13th § and instructions for the control committees set by the Securities Commission December 18th, 1995.

The Control Committee has gone through the Annual Report for 2010 of Santander Consumer Bank AS, the Annual Report for the Group for 2010, the Board of Directors Annual Report for 2010 and the Auditors Report for 2010.

The committee finds the Board of Directors evaluation of the banks economic position is adequate and recommends that the Annual Report is determined for the bank for 2010.

Til Generalforsamlingen i Santander Consumer Bank AS

Representantskapet har i møte 23.03.2011 gått gjennom bankens årsoppgjør og revisjonsberetningen for 2010, samt kontrollkomitéens uttalelse. Representantskapet behandlet samtidig styrets forslag til resultatregnskap og balanse og styrets forslag til disponering av årets resultat.

Representantskapet anbefaler at styrets forslag til resultatregnskap og balanse fastsettes som bankens regnskap for 2010. Representantskapet anbefaler også at styrets forslag til disponering av årets resultat godkjennes.

Lysaker 23. mars 2011

For Representantskapet



Torkel Ernø  
Representantskapets leder

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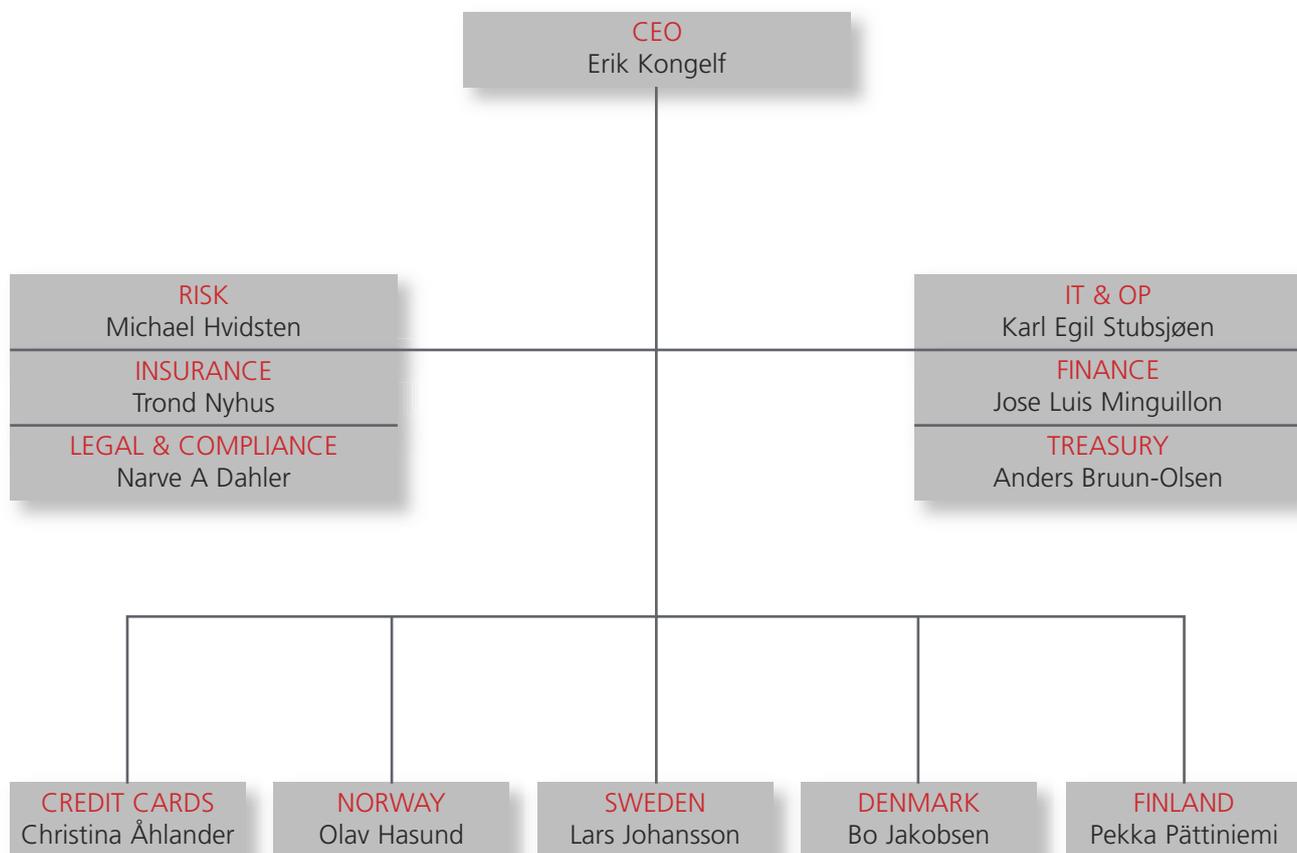
*Translation from the original Norwegian version:*

**To the General Meeting in Santander Consumer Bank AS**

*To the General Meeting in Santander Consumer Bank AS The Committee of Representatives has in the meeting 23.03.2011 reviewed the financial statements for 2010, the auditors report and the report from the Control Committee. Likewise the board of Directors' proposition for annual reports and accounts and allocation of earnings was reviewed.*

*The Committee of Representatives recommends that the board of Directors' proposition for annual report and accounts is established as the financial statements for 2010. The Committee of Representatives further recommends that the board of Directors' proposition for allocation of earnings is maintained."*

## SANTANDER CONSUMER BANK AS



# 2010

## ANNUAL REPORT

