



**Second quarter report 2016**

**Santander Consumer Bank Nordic Group  
and  
Santander Consumer Bank AS**

**Table of contents**

Management review of the second quarter 2016.....	3
Profit and loss account - GROUP.....	5
Balance sheet – Assets – GROUP.....	7
Balance sheet – Liabilities – GROUP.....	8
Cash Flow – GROUP.....	9
Equity statement – GROUP.....	10
Profit and loss account – AS.....	11
Balance sheet – Assets – AS.....	13
Balance sheet – Liabilities – AS.....	14
Cash Flow – AS.....	15
Equity statement – AS.....	16
1. Basis of preparation.....	19
2. Accounting policies.....	19
3. Risk Classification.....	19
4. Losses and write-downs.....	20
5. Liquidity Coverage Ratio.....	20
6. Interest expense.....	21
7. Capital adequacy.....	22
8. Segment information.....	23
9. Classification of financial instruments.....	24
10. Valuation hierarchy.....	25
11. Issued Securities.....	26
12. Receivables and liabilities to related parties.....	26
13. Transactions with related parties.....	27
1. Basis of preparation.....	29
2. Accounting policies.....	29
3. Risk Classification.....	29
4. Losses and Write downs.....	30
5. Liquidity Coverage Ratio.....	30
6. Interest expenses.....	31
7. Capital adequacy.....	32
8. Segment information.....	33
9. Classification of financial instruments.....	34
10. Valuation hierarchy.....	35
11. Issued Securities.....	36
12. Receivables and liabilities to related parties.....	36
13. Transactions with related parties.....	37

## Management review of the second quarter 2016

This review will give an update of the first half of this year and our views on the future for both Santander Consumer Bank AS (hereafter SCB AS) and the Santander Consumer Bank Group (hereafter the Group). The Group consists of SCB AS, Santander Consumer Finance Oy, and special entities for funding as listed in note 13. The comparative figures in this report reflect SCB AS before the merger with Santander Consumer Bank AB (hereafter SCB AB). The merger was treated to continuity at the merger date on the 1<sup>st</sup> of July 2015. The profit after tax for the first six months for SCB AB was allocated to equity as retained earnings at the time of the merger.

### Highlights

- The Group's profit before tax year to date Q2 2016 was NOK 1 518 MM, compared to NOK 764 MM year to date in Q2 2015
- Increase in deposits of NOK 2 351 MM since 31.12.2015 for the Group. Total NOK 39 732 MM per Q2 2016 for the Group.
- The Group's net loans to customers increased by NOK 3 823 MM year to date in 2016.
- EMTN issuance of EUR 500 MM and other bond issuance of NOK 1 200 MM year to date in 2016.

### Financial overview

The Group's profit before tax of NOK 1 518 MM year to date Q2 2016 is an increase of 99% compared to the same period last year. The increase in results are mainly due to a higher net loan balance from the merger with Santander Consumer Bank AB in addition to organic growth. The increase in net loan balance from the merger was NOK 18 755 MM, and organic growth of NOK 13 577 MM. Lower costs of funding, increased commission income and relatively lower losses are also contributing to a better profit before tax.

Total assets for the Group were NOK 137 739 MM per Q2 2016 where loans to customers represented 85% (NOK 117 441 MM). Per Q2 2015 the total assets for the Group were NOK 99 221 MM of which loans to customers represented 86% (NOK 85 109 MM).

SCB AS accounts show a profit before tax of NOK 1 789 MM year to date Q2 2016 compared to NOK 539 MM year to date Q2 2015. The total assets was NOK 127 664 MM per Q2 2016 compared to NOK 92 229 MM per Q2 2015.

### Risk management

The bank leverages from pan-Nordic initiatives and strategies, resulting in highly homogeneous risk practices across the business units while at the same time taking into consideration the local markets' needs and climate.

#### Credit Risk

The Group's credit risk profile per Q2 2016 remains stable for the secure and unsecure portfolio respectively from year end 2015 despite continuing loan growth. The consolidated Non-Performing Loans (NPL) Ratio has decreased to 1,96% in the second quarter of 2016, compared to 2,05% at year end 2015, and remained unchanged since Q1 2016. The Loan Loss Provisions (LLP) for the second quarter of 2016 was NOK 517 MM, compared to NOK 293 MM for the same period in 2015. Consolidated Loan Loss Reserves (LLR) increased to NOK 2 730 MM per Q2 2016 from NOK 2 631 MM at year end 2015.

#### Liquidity and Interest Rate Risk

The Group manages interest rate risk by aiming to match the interest rate risk of the liabilities with the interest rate risk of the underlying assets (loan to customers). Interest rate risk in the Group is measured using the Net Interest Margin sensitivity and market Value of Equity sensitivity. The sensitivity is measured through various shifts in the underlying market rates. Both metrics were at satisfactory levels for all countries during Q2 2016. Liquidity Risk in Santander is measured using the Minimum Liquidity Ratio, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Overall, the Group's liquidity profile improved throughout the second quarter of 2016 as preparations for meeting CRD IV's liquidity requirements. At the end of June 2016 the LCR in the Group was 115%, whilst the minimum LCR regulatory requirement was 70%.

#### Foreign currency risk

The Group operates in countries with various currencies and will inevitably be exposed to currency risks. The Group's strategy is to strive for a composition of the balance sheet that minimizes currency risk by ensuring that the assets and liabilities are denominated in the same currency. When the Group raises funding through the international debt markets, such as EMTN or securitizations, any open currency exposure should be managed with derivatives. The open currency exposure as of end of Q2 2016 was NOK equivalent 299 MM in SEK, DKK and EUR exposures, which is within the internal limit set by the Board.

## Funding

The main funding pillars of the Group are deposits, issuance of senior unsecured bonds and asset backed securities, and parent company funding. The Group has during the last years taken significant steps to diversify its funding sources, with particular focus on expanding deposits and senior unsecured funding the last couple of years.

Customer deposits are a strategic priority for the Group. Deposit-taking capabilities have been developed in Norway, Sweden and Denmark. Total outstanding volumes is NOK 39 732 MM across the 3 countries, representing an increase of NOK 2 351 MM year-to-date 2016.

The Group is well-established in the Norwegian senior unsecured bond market and has increased issuance under its Euro Medium Term Note program (EMTN), which so far has been guaranteed by the parent Santander Consumer Finance S.A. Year-to-date, the bank has issued EUR 500 MM of senior unsecured bonds in the Euro-market and NOK 1 200 MM senior unsecured bonds in the Norwegian markets (see note 11 for further details). During Q2 2016 SCB AS obtained a rating of A3 with stable outlook by Moody's and A- with stable outlook from Fitch. Going forward, issuance under the EMTN program will be on standalone basis without guarantee from the parent.

Issuance of asset backed securities is also an important funding source for the Group, with plans to continue its use during the remainder of 2016.

The Group is also funded through loans and drawing rights from the parent bank and companies within Grupo Santander. These loans are priced at market rates and denominated in local currencies.

Credit markets and access to funding have been regarded as satisfactory year-to-date Q2 2016.

## Solvency and capital adequacy

In capital adequacy calculation and reporting the Group and SCB AS follow Norwegian implementation of BASEL III framework. Since December 2015 SCB AS and the Group are calculating credit risk capital requirement using advanced internal rating based models (IRB- A models) for part of its exposures.

The ICAAP (internal capital adequacy assessment process) is integrated into Grupo Santander'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 covers other risks not included in other solvency reporting. ICAAP report is annually prepared and presented to the Norwegian FSA. The Group has been able to maintain strong solvency ratios above regulatory requirements.

The Group and SCB AS are sufficiently capitalized to comply with the Common Equity Tier1, Tier 1 and Tier 2 capital requirements including pillar 2 requirements. Per Q2 2016 Common Equity Tier 1 capital ratio was 15.07%, compared to 11.19% per Q2 2015 and 15.26% per year end 2015 (as outlined in note 7). The improvement since Q2 2015 is partly due to the IRB-A approval in December 2015.

## OUTLOOK FOR 2016

2015 was a year greatly influenced by the merger between SCB AS and SCB AB. The Group's goals and challenge for 2016 is to extract the synergies of the combined businesses to continue the growth in 2016. The first half of 2016 has been a good step in the right direction to achieve our goals.

The macroeconomic picture is uncertain at the moment which creates challenges for stable growth. The Group does however have focus on monitoring macroeconomic factors in every day decisions, as well as a close follow up of the effect on our current and future asset portfolio.

The Group's focus on funding and liquidity remains on securing diversified sources of funding and sufficient liquidity reserves. Customer deposits, senior unsecured bonds and intra group funding will form the main funding pillars going forward. Although a change in Norwegian legislation has made securitization of Norwegian assets more challenging, the bank will continue to pursue securitization opportunities in other Nordic countries. The Group will continue its focus on meeting Capital requirements set by the regulators. The IRB approval received in December 2015 gives the Group opportunities to build on our internal monitoring strengths to grow as a stronger bank.

The Group always strive to optimize and perfect the setup for system and process support, innovation capabilities and margin management. The Group plans for continued sustainable growth in both top and bottom line for the remaining quarters of 2016.

## Profit and loss account - GROUP

<i>All amounts in millions of NOK</i>						
	Note	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015	Financial year 2015
<b>Interest income and similar income</b>						
Interest and similar income on loans to and receivables from credit institutions		2	9	7	8	33
Interest and similar income on loans to and receivables from customers		1 910	1 304	3 795	2 599	6 382
Operational leasing income		32	35	66	74	143
Interest and similar income on comm.paper, bonds and other securities		33	14	66	29	30
<b>Total interest income and similar income</b>		<b>1 977</b>	<b>1 363</b>	<b>3 934</b>	<b>2 710</b>	<b>6 588</b>
<b>Interest expenses and similar expenses</b>						
Interest and similar expenses on debt to credit institutions		45	96	113	209	382
Interest and similar expenses on deposits from customers		134	102	259	211	468
Interest and similar expenses on issued commercial papers and bonds		103	141	225	247	426
Interest on subordinated loan capital		58	50	106	92	209
Other interest expenses and similar expenses		(3)	11	45	26	63
<b>Total interest expenses and similar expenses</b>	6	<b>337</b>	<b>399</b>	<b>747</b>	<b>784</b>	<b>1 547</b>
<b>Net interest and credit commission income</b>		<b>1 640</b>	<b>964</b>	<b>3 187</b>	<b>1 926</b>	<b>5 040</b>
<b>Commission income</b>						
Guarantee commissions		1	0	2	1	2
Other commissions and fees		180	107	340	205	525
<b>Total commission income and income from banking services</b>		<b>181</b>	<b>108</b>	<b>342</b>	<b>206</b>	<b>527</b>
<b>Commission Expenses</b>						
Other fees and commission expenses		84	55	152	118	244
<b>Total commission expenses and expenses from banking services</b>		<b>84</b>	<b>55</b>	<b>152</b>	<b>118</b>	<b>244</b>
<b>Net value change and gain/loss on foreign exchange and securities</b>						
Gain on foreign exchange and securities		1	-	28	26	
Loss on foreign exchange and securities		-	(1)	-	-	(22)
<b>Total value change and gain/loss on foreign exchange and securities</b>		<b>-</b>	<b>(1)</b>	<b>28</b>	<b>26</b>	<b>(22)</b>
<b>Other operating income</b>						
Other operating income		57	13	67	24	46
<b>Total other operating income</b>		<b>57</b>	<b>13</b>	<b>67</b>	<b>24</b>	<b>46</b>
<b>Salary and administrative expenses</b>						
Salaries, fees and other personnel expenses		357	205	695	401	1 140
<i>Of which: - Salaries</i>		257	138	486	264	792
<i>- Pensions</i>		33	16	68	41	126
<i>- Social costs</i>		68	52	142	95	222
Administrative expenses		257	192	511	348	1 052
<b>Total salary and administrative expenses</b>		<b>614</b>	<b>398</b>	<b>1 206</b>	<b>748</b>	<b>2 192</b>
<b>Depreciation</b>						
Depreciation		26	18	52	34	79
Depreciation operational leasing		27	27	53	56	112
<b>Total depreciation</b>		<b>52</b>	<b>45</b>	<b>105</b>	<b>91</b>	<b>191</b>
<b>Other operating expenses</b>		<b>78</b>	<b>135</b>	<b>126</b>	<b>168</b>	<b>226</b>
<b>Losses on loans, guarantees etc.</b>						
Loan losses		245	52	517	293	797
<b>Total losses on loans, guarantees etc.</b>	4	<b>245</b>	<b>52</b>	<b>517</b>	<b>293</b>	<b>797</b>
<b>Operating result</b>		<b>805</b>	<b>399</b>	<b>1 518</b>	<b>764</b>	<b>1 942</b>
Taxes expense		188	103	370	189	435
<b>Profit after tax</b>		<b>617</b>	<b>296</b>	<b>1 147</b>	<b>575</b>	<b>1 507</b>
Allocation of profit after tax						
<b>Transferred to other earned equity</b>		<b>617</b>	<b>296</b>	<b>1 147</b>	<b>575</b>	<b>1 507</b>
<b>Total allocations</b>		<b>617</b>	<b>296</b>	<b>1 147</b>	<b>575</b>	<b>1 507</b>

Santander Consumer Bank

<i>All amounts in thousands of NOK</i>	<b>Note</b>	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015	Financial year 2015
Profit after tax for the period		617	296	1 147	575	1 507
<i>Items not to be recycled to profit and loss</i>						
Actuarial gain/loss on post employment benefit obligations		(54)	13	(54)	13	126
<i>Items to be recycled to profit and loss</i>						
Net exchange differences on translating foreign operations		(27)	14	(74)	(38)	79
Value change of assets held for sale		(24)	20	(22)	12	63
Cash flow hedge		(2)	(5)	(4)	0	4
Net investment hedge		13	(9)	27	10	(22)
<b>Other comprehensive income for the period net of tax</b>		<b>(94)</b>	<b>32</b>	<b>(126)</b>	<b>(3)</b>	<b>248</b>
<b>Total comprehensive income for the period</b>		<b>523</b>	<b>328</b>	<b>1 021</b>	<b>572</b>	<b>1 756</b>

**Balance sheet – Assets – GROUP**

<i>All amounts in millions of NOK</i>		Q2 / YTD 2016	Q2 / YTD 2015	Financial year 2015
	<b>Note</b>			
<b>Cash and receivables on central banks</b>				
Cash and receivables on central banks		57	57	59
<b>Total cash and receivables on central banks</b>		<b>57</b>	<b>57</b>	<b>59</b>
<b>Deposits with and receivables on financial institutions</b>				
Deposits with and receivables on financial institutions		4 139	4 708	5 791
<b>Total deposits with and loans to financial institutions</b>		<b>4 139</b>	<b>4 708</b>	<b>5 791</b>
<b>Loans to customers</b>				
Credit Card		7 411	2 687	7 784
Unsecured loans		23 222	6 965	23 460
Installment loans		74 178	63 283	70 129
Financial leasing		15 361	13 839	14 877
<b>Total loans before specific -and generic write-downs</b>		<b>120 171</b>	<b>86 774</b>	<b>116 250</b>
- Specific write-downs		1 305	670	1 520
- Generic write-downs		1 425	995	1 111
<b>Net loans</b>	3 , 4	<b>117 441</b>	<b>85 109</b>	<b>113 619</b>
<b>Repossessed assets</b>		<b>13</b>	<b>12</b>	<b>13</b>
<b>Commercial papers, bonds and other fixed-income securities</b>				
Commercial papers and bonds	9 , 10 , 12	10 149	4 366	9 203
<b>Total commercial papers, bonds and other fixed-income securities</b>		<b>10 149</b>	<b>4 366</b>	<b>9 203</b>
Financial trading derivatives	10	567	1 227	2 230
<b>Total financial trading derivatives</b>		<b>567</b>	<b>1 227</b>	<b>2 230</b>
<b>Ownership interests in other entities</b>				
Other ownership interests		18	-	52
<b>Ownership interests in other entities</b>		<b>18</b>	<b>-</b>	<b>52</b>
<b>Intangible assets</b>				
Goodwill		742	483	766
Deferred tax assets		237	173	236
Other intangible assets		238	232	254
<b>Total intangible assets</b>		<b>1 217</b>	<b>888</b>	<b>1 256</b>
<b>Fixed assets</b>				
Machinery, fittings and vehicles		87	42	69
Operational leasing		534	410	403
<b>Total fixed assets</b>		<b>620</b>	<b>451</b>	<b>472</b>
<b>Other assets</b>				
Consignment		2 482	1 981	2 694
Other assets	10	785	245	217
<b>Total other assets</b>		<b>3 267</b>	<b>2 226</b>	<b>2 911</b>
<b>Prepayments and earned income</b>				
Prepayments and earned but not invoiced income		251	177	332
<b>Total prepayments and earned income</b>		<b>251</b>	<b>177</b>	<b>332</b>
<b>Total assets</b>		<b>137 739</b>	<b>99 221</b>	<b>135 936</b>

**Balance sheet – Liabilities – GROUP**

<i>All amounts in millions of NOK</i>		Q2 / YTD 2016	Q2 / YTD 2015	Financial year 2015
	<b>Note</b>			
<b>Debt to credit institutions</b>				
Loans and deposits from credit institutions with an agreed term	12	38 701	23 667	33 571
<b>Total loans and deposits from financial institutions</b>		<b>38 701</b>	<b>23 667</b>	<b>33 571</b>
<b>Deposits from and debt to customers</b>				
Deposits from customers repayable on notice		39 732	23 361	37 381
<b>Total deposits from customers</b>		<b>39 732</b>	<b>23 361</b>	<b>37 381</b>
Financial derivatives	10	529	601	1 097
<b>Total financial derivatives</b>		<b>529</b>	<b>601</b>	<b>1 097</b>
<b>Debt established by issuing securities</b>				
Bonds and other long term loan raising	11	35 716	36 117	41 487
<b>Total debt established by issuing securities</b>		<b>35 716</b>	<b>36 117</b>	<b>41 487</b>
<b>Other debt</b>				
Other debt		890	766	863
<b>Total other debt</b>		<b>890</b>	<b>766</b>	<b>863</b>
<b>Provisions and liabilities</b>				
Incurring expenses and deferred revenue		1 106	1 110	1 413
Pension liabilities		327	310	277
Deferred tax		684	568	768
<b>Total provisions and liabilities</b>		<b>2 116</b>	<b>1 988</b>	<b>2 458</b>
<b>Subordinated loan capital</b>				
Subordinated loan capital	12	3 782	2 897	3 827
<b>Total subordinated loan capital</b>		<b>3 782</b>	<b>2 897</b>	<b>3 827</b>
<b>Total liabilities</b>		<b>121 466</b>	<b>89 397</b>	<b>120 685</b>
<b>Paid-in equity</b>				
Share capital		9 652	5 448	9 652
Share capital premium		891	891	891
<b>Total paid-in equity</b>		<b>10 544</b>	<b>6 340</b>	<b>10 544</b>
<b>Earned equity</b>				
Other equity		5 729	3 484	4 708
<b>Total earned equity</b>		<b>5 729</b>	<b>3 484</b>	<b>4 708</b>
<b>Total equity</b>	7	<b>16 273</b>	<b>9 824</b>	<b>15 251</b>
<b>Total liabilities and equity</b>		<b>137 739</b>	<b>99 221</b>	<b>135 936</b>

**Cash Flow – GROUP**

<i>All amounts in thousands of NOK</i>	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015	Financial year 2015
<b>Cash flow from operations</b>					
Profit before income taxes	805	399	1 518	764	1 942
Taxes paid in the period	(303)	(7)	(414)	(311)	(334)
Depreciation and impairment	52	45	105	91	191
Change in loans to customers	(2 532)	(3 317)	(3 823)	(3 404)	(13 159)
Change in repossessed assets	1	1	0	1	0
Change in financial derivatives, net.	744	72	1 094	623	34
Change in consignment and other assets	(74)	90	(307)	222	(414)
Change in prepayments and earned income	35	(4)	81	119	(37)
Change in loans and deposits from customers	(108)	2 183	2 351	5 272	12 172
Change in other debt	(185)	(243)	26	98	(12 976)
Differences in expensed pensions and payments in/out of the pension scheme	3	(27)	(16)	(19)	(4)
Change in other provisions	26	191	(376)	215	673
<b>Net cash flow from operations</b>	<b>(1 534)</b>	<b>(616)</b>	<b>239</b>	<b>3 670</b>	<b>(11 911)</b>
<b>Cash flow from investments</b>					
Purchased bonds	(5 424)		(8 461)		(7 909)
Matured bonds	8 819	(1 376)	7 515	(2 323)	749
Net proceeds from purchase and sale of fixed assets	(201)	(14)	(237)	(21)	(280)
<b>Net cash flow from investments</b>	<b>3 194</b>	<b>(1 391)</b>	<b>(1 183)</b>	<b>(2 344)</b>	<b>(7 440)</b>
<b>Cash flow from financing</b>					
Receipts on issued bonds	700	6 056	5 907	4 079	22 055
Repayments on issued bonds	(11 677)		(11 677)		
Change in loans and deposits from financial institutions	8 619	(4 532)	5 084	(6 645)	(5 406)
Paid out dividend	-	-	-	-	-
Paid in share capital	-	-	-	-	1 100
<b>Net cash flow from financing</b>	<b>(2 358)</b>	<b>1 525</b>	<b>(686)</b>	<b>(2 566)</b>	<b>17 749</b>
<b>Exchange gains / (losses) on cash and cash equivalents</b>	<b>4</b>	<b>59</b>	<b>(25)</b>	<b>(18)</b>	<b>100</b>
Net change in cash and cash equivalents	(694)	(424)	(1 654)	(1 259)	(1 501)
Cash and cash equivalents at the beginning of the period	4 889	5 188	5 850	6 024	6 024
Cash from merger on the 1.july 2015	-	-	-	-	1 327
<b>Cash and cash equivalents at the end of the period</b>	<b>4 195</b>	<b>4 765</b>	<b>4 195</b>	<b>4 765</b>	<b>5 850</b>

## Equity statement – GROUP

### Q2 2016

<i>All amounts in millions of NOK</i>	Share capital	Share capital premium	Retained earnings	Translation differences from foreign currencies	Value change available for sale assets	Cash flow hedge	Net investment hedge	Actuarial gain/loss	Total
Balance at 1 April 2016	9 652	891	5 257	52	51	(22)	14	(147)	15 749
Profit for the period	-	-	617	-	-	-	-	-	617
OCI movements (net of tax)	-	-	-	(27)	(24)	(2)	13	(54)	(94)
Capital increase	-	-	-	-	-	-	-	-	-
Share dividend	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>9 652</b>	<b>891</b>	<b>5 874</b>	<b>25</b>	<b>27</b>	<b>(24)</b>	<b>27</b>	<b>(201)</b>	<b>16 272</b>

### YTD Q2 2016

<i>All amounts in millions of NOK</i>	Share capital	Share capital premium	Retained earnings	Translation differences from foreign currencies	Value change available for sale assets	Cash flow hedge	Net investment hedge	Actuarial gain/loss	Total
Balance at 1 January 2016	9 652	891	4 727	99	49	(20)	0	(147)	15 251
Profit for the period	-	-	1 147	-	-	-	-	-	1 147
OCI movements (net of tax)	-	-	-	(74)	(22)	(4)	27	(54)	(126)
Capital increase	-	-	-	-	-	-	-	-	-
Share dividend	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>9 652</b>	<b>891</b>	<b>5 874</b>	<b>25</b>	<b>27</b>	<b>(24)</b>	<b>27</b>	<b>(201)</b>	<b>16 272</b>

### Financial Year 2015

<i>All amounts in millions of NOK</i>	Share capital	Share capital premium	Retained earnings	Translation differences from foreign currencies	Value change available for sale assets	Cash flow hedge	Net investment hedge	Actuarial gain/loss	Total
Balance at 1 January 2015	5 448	891	3 103	21	(14)	(24)	22	(196)	9 252
Profit for the period	-	-	1 507	-	-	-	-	-	1 507
OCI movements (net of tax)	-	-	-	79	63	4	(22)	126	248
Capital increase	1 100	-	-	-	-	-	-	-	1 100
Share dividend	-	-	-	-	-	-	-	-	-
Equity from the merger with SCB AB	3 104	-	117	-	-	-	-	(77)	3 144
<b>Balance at 31 December 2015</b>	<b>9 652</b>	<b>891</b>	<b>4 727</b>	<b>99</b>	<b>49</b>	<b>(20)</b>	<b>0</b>	<b>(147)</b>	<b>15 251</b>

1) Total shares registered as at June 30, 2016, was 965 241 842

2) Restricted capital as at June 30, 2016, was NOK 9 652 MM, unrestricted capital was NOK 6 620 MM. The split between restricted and unrestricted capital is in accordance with the Norwegian limited companies act.

All shares are owned by Santander Consumer Finance S.A. The annual consolidated accounts and the address of Santander Consumer S.A. in which Santander Consumer Bank AS is included, is published on [www.santanderconsumer.com](http://www.santanderconsumer.com).

**Profit and loss account – AS**

<i>All amounts in millions of NOK</i>						
	Note	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015	Financial year 2015
<b>Interest income and similar income</b>						
Interest and similar income on loans to and receivables from credit institutions		171	190	348	387	741
Interest and similar income on loans to and receivables from customers		1 431	807	2 801	1 566	4 349
Operational leasing income		-	-	-	-	-
Interest and similar income on comm.paper, bonds and other securities		70	61	146	126	212
<b>Total interest income and similar income</b>		<b>1 673</b>	<b>1 059</b>	<b>3 295</b>	<b>2 079</b>	<b>5 301</b>
<b>Interest expenses and similar expenses</b>						
Interest and similar expenses on debt to credit institutions		46	77	97	165	306
Interest and similar expenses on deposits from customers		134	102	259	211	468
Interest and similar expenses on issued commercial papers and bonds		67	81	142	118	206
Interest on subordinated loan capital		52	50	106	100	212
Other interest expenses and similar expenses		-6	8	38	21	51
<b>Total interest expenses and similar expenses</b>	6	<b>293</b>	<b>318</b>	<b>641</b>	<b>615</b>	<b>1 242</b>
<b>Net interest and credit commission income</b>		<b>1 379</b>	<b>741</b>	<b>2 654</b>	<b>1 464</b>	<b>4 059</b>
<b>Commission income</b>						
Guarantee commissions		-	-	1	1	2
Other commissions and fees		197	121	365	235	576
<b>Total commission income and income from banking services</b>		<b>197</b>	<b>121</b>	<b>366</b>	<b>236</b>	<b>577</b>
<b>Commission Expenses</b>						
Other fees and commission expenses		77	51	138	109	223
<b>Total commission expenses and expenses from banking services</b>		<b>77</b>	<b>51</b>	<b>138</b>	<b>109</b>	<b>223</b>
<b>Net value change and gain/loss on foreign exchange and securities</b>						
Gain on foreign exchange and securities		3	1	32	14	-
Loss on foreign exchange and securities		-	-	-	-	(26)
<b>Total value change and gain/loss on foreign exchange and securities</b>		<b>3</b>	<b>1</b>	<b>32</b>	<b>14</b>	<b>(26)</b>
<b>Other operating income</b>						
Other operating income		566	8	573	15	29
<b>Total other operating income</b>		<b>566</b>	<b>8</b>	<b>573</b>	<b>15</b>	<b>29</b>
<b>Salary and administrative expenses</b>						
Salaries, fees and other personnel expenses		329	181	641	354	1 050
<i>Of which: - Salaries</i>		<i>234</i>	<i>120</i>	<i>443</i>	<i>228</i>	<i>723</i>
<i>- Pensions</i>		<i>29</i>	<i>12</i>	<i>61</i>	<i>35</i>	<i>113</i>
<i>- Social costs</i>		<i>66</i>	<i>49</i>	<i>137</i>	<i>91</i>	<i>215</i>
Administrative expenses		236	173	468	310	963
<b>Total salary and administrative expenses</b>		<b>565</b>	<b>355</b>	<b>1 109</b>	<b>665</b>	<b>2 013</b>
<b>Depreciation</b>						
Depreciation		24	17	48	31	72
Depreciation operational leasing		1	-	1	-	-
<b>Total depreciation</b>		<b>25</b>	<b>17</b>	<b>50</b>	<b>31</b>	<b>72</b>
<b>Other operating expenses</b>		<b>67</b>	<b>128</b>	<b>100</b>	<b>153</b>	<b>167</b>
<b>Losses on loans, guarantees etc.</b>						
Loan losses		219	38	439	231	650
<b>Total losses on loans, guarantees etc.</b>	4	<b>219</b>	<b>38</b>	<b>439</b>	<b>231</b>	<b>650</b>
<b>Operating result</b>		<b>1 191</b>	<b>284</b>	<b>1 789</b>	<b>539</b>	<b>1 513</b>
Taxes expense		162	78	323	146	354
<b>Profit after tax</b>		<b>1 029</b>	<b>206</b>	<b>1 467</b>	<b>394</b>	<b>1 159</b>
Allocation of profit after tax						
<b>Transferred to other earned equity</b>		<b>1 029</b>	<b>206</b>	<b>1 467</b>	<b>394</b>	<b>1 159</b>
<b>Total allocations</b>		<b>1 029</b>	<b>206</b>	<b>1 467</b>	<b>394</b>	<b>1 159</b>

Santander Consumer Bank

<i>All amounts in thousands of NOK</i>	<b>Note</b>	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015	Financial year 2015
Profit after tax for the period		1 029	206	1 467	394	1 159
<i>Items not to be recycled to profit and loss</i>						
Actuarial gain/loss on post employment benefit obligations		(54)	-	(54)	13	126
<i>Items to be recycled to profit and loss</i>						
Net exchange differences on translating foreign operations		(14)	(1)	(15)	(3)	28
Value change of assets held for sale		(26)	20	(23)	12	63
Cash flow hedge		(2)	(11)	(6)	(18)	(14)
<b>Other comprehensive income for the period net of tax</b>		<b>(96)</b>	<b>8</b>	<b>(99)</b>	<b>3</b>	<b>203</b>
<b>Total comprehensive income for the period</b>		<b>934</b>	<b>213</b>	<b>1 368</b>	<b>397</b>	<b>1 362</b>

**Balance sheet – Assets – AS**

<i>All amounts in millions of NOK</i>		Q2 / YTD 2016	Q2 / YTD 2015	Financial year 2015
	<b>Note</b>			
<b>Cash and receivables on central banks</b>				
Cash and receivables on central banks		57	57	59
<b>Total cash and receivables on central banks</b>		<b>57</b>	<b>57</b>	<b>59</b>
<b>Deposits with and receivables on financial institutions</b>				
Deposits with and receivables on financial institutions		696	2 435	923
<b>Total deposits with and loans to financial institutions</b>		<b>696</b>	<b>2 435</b>	<b>923</b>
<b>Loans to customers</b>				
Credit Card		7 411	2 687	7 784
Unsecured loans		20 832	4 785	21 016
Installment loans		60 460	52 649	57 538
Financial leasing		14 103	12 824	13 718
<b>Total loans before specific -and generic write-downs</b>		<b>102 806</b>	<b>72 944</b>	<b>100 056</b>
- Specific write-downs		1 235	604	1 444
- Generic write-downs		1 110	672	783
<b>Net loans</b>	3 , 4	<b>100 461</b>	<b>71 668</b>	<b>97 829</b>
<b>Repossessed assets</b>		<b>8</b>	<b>6</b>	<b>9</b>
<b>Commercial papers, bonds and other fixed-income securities</b>				
Commercial papers and bonds	9 , 10 , 12	15 667	10 697	15 775
<b>Total commercial papers, bonds and other fixed-income securities</b>		<b>15 667</b>	<b>10 697</b>	<b>15 775</b>
Financial trading derivatives	10	561	580	1 157
<b>Total financial trading derivatives</b>		<b>561</b>	<b>580</b>	<b>1 157</b>
<b>Ownership interests in group companies and other entities</b>				
Ownership interest in group companies		1 207	1 141	1 247
Other ownership interests		18	-	52
<b>Ownership interests in group companies and other entities</b>		<b>1 226</b>	<b>1 141</b>	<b>1 299</b>
<b>Intangible assets</b>				
Goodwill		358	120	369
Deferred tax assets		113	59	116
Other intangible assets		229	222	243
<b>Total intangible assets</b>		<b>700</b>	<b>401</b>	<b>728</b>
<b>Fixed assets</b>				
Machinery, fittings and vehicles		69	34	61
Operational leasing		182	-	-
<b>Total fixed assets</b>		<b>251</b>	<b>34</b>	<b>61</b>
<b>Other assets</b>				
Consignment		1 113	888	1 068
Other assets	10	6 693	4 166	6 402
<b>Total other assets</b>		<b>7 806</b>	<b>5 054</b>	<b>7 470</b>
<b>Prepayments and earned income</b>				
Prepayments and earned but not invoiced income		232	155	225
<b>Total prepayments and earned income</b>		<b>232</b>	<b>155</b>	<b>225</b>
<b>Total assets</b>		<b>127 664</b>	<b>92 229</b>	<b>125 535</b>

**Balance sheet – Liabilities – AS**

<i>All amounts in millions of NOK</i>		Q2 / YTD 2016	Q2 / YTD 2015	Financial year 2015
	<b>Note</b>			
<b>Debt to credit institutions</b>				
Loans and deposits from credit institutions with an agreed term	12	45 299	35 980	46 593
<b>Total loans and deposits from financial institutions</b>		<b>45 299</b>	<b>35 980</b>	<b>46 593</b>
<b>Deposits from and debt to customers</b>				
Deposits from customers repayable on notice		39 732	23 361	37 381
<b>Total deposits from customers</b>		<b>39 732</b>	<b>23 361</b>	<b>37 381</b>
Financial derivatives	10	516	589	1 076
<b>Total financial derivatives</b>		<b>516</b>	<b>589</b>	<b>1 076</b>
<b>Debt established by issuing securities</b>				
Bonds and other long term loan raising	11	19 987	17 819	19 383
<b>Total debt established by issuing securities</b>		<b>19 987</b>	<b>17 819</b>	<b>19 383</b>
<b>Other debt</b>				
Other debt		695	644	668
<b>Total other debt</b>		<b>695</b>	<b>644</b>	<b>668</b>
<b>Provisions and liabilities</b>				
Incurred expenses and deferred revenue		1 030	1 027	1 317
Pension liabilities		327	310	277
Deferred tax		684	568	768
<b>Total provisions and liabilities</b>		<b>2 041</b>	<b>1 904</b>	<b>2 362</b>
<b>Subordinated loan capital</b>				
Subordinated loan capital	12	3 782	2 897	3 827
<b>Total subordinated loan capital</b>		<b>3 782</b>	<b>2 897</b>	<b>3 827</b>
<b>Total liabilities</b>		<b>112 052</b>	<b>83 194</b>	<b>111 291</b>
<b>Paid-in equity</b>				
Share capital		9 652	5 448	9 652
Share capital premium		891	891	891
<b>Total paid-in equity</b>		<b>10 544</b>	<b>6 340</b>	<b>10 544</b>
<b>Earned equity</b>				
Other equity		5 068	2 695	3 700
<b>Total earned equity</b>		<b>5 068</b>	<b>2 695</b>	<b>3 700</b>
<b>Total equity</b>	7	<b>15 612</b>	<b>9 035</b>	<b>14 244</b>
<b>Total liabilities and equity</b>		<b>127 664</b>	<b>92 229</b>	<b>125 535</b>

**Cash Flow – AS**

<i>All amounts in thousands of NOK</i>	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015	Financial year 2015
<b>Cash flow from operations</b>					
Profit before income taxes	1 191	284	1 789	539	1 513
Taxes paid in the period	(232)	(7)	(333)	(271)	(295)
Depreciation and impairment	25	17	50	31	72
Change in loans to customers	(1 719)	(2 659)	(2 632)	(2 828)	(10 234)
Change in repossessed assets	(0)	0	1	(1)	(4)
Change in financial derivatives, net.	26	37	36	26	(142)
Change in consignment and other assets	(335)	(2 659)	(173)	(2 615)	(4 982)
Change in prepayments and earned income	13	0	(7)	116	46
Change in loans and deposits from customers	(108)	2 183	2 351	5 272	12 172
Change in other debt	(168)	(166)	27	17	(1 424)
Differences in expensed pensions and payments in/out of the pension scheme	3	(27)	(16)	(19)	(4)
Change in other provisions	(127)	200	(456)	249	586
<b>Net cash flow from operations</b>	<b>(1 430)</b>	<b>(2 797)</b>	<b>636</b>	<b>516</b>	<b>(2 695)</b>
<b>Cash flow from investments</b>					
Purchased bonds	(4 713)	-	(7 593)	-	(7 327)
Matured bonds	7 368	(1 416)	7 701	(2 243)	6
Net proceeds from purchase and sale of fixed assets	(193)	(5)	(226)	(22)	(112)
<b>Net cash flow from investments</b>	<b>2 463</b>	<b>(1 420)</b>	<b>(118)</b>	<b>(2 265)</b>	<b>(7 433)</b>
<b>Cash flow from financing</b>					
Receipts on issued bonds	700	8 791	5 907	10 623	13 089
Repayments on issued bonds	(5 304)	-	(5 304)	-	-
Loans and deposits from financial institutions	3 521	(4 695)	(1 339)	(9 357)	(7 410)
Paid out dividend	-	-	-	-	-
Paid in share capital	-	-	-	-	1 100
<b>Net cash flow from financing</b>	<b>(1 083)</b>	<b>4 096</b>	<b>(735)</b>	<b>1 266</b>	<b>6 779</b>
<b>Exchange gains / (losses) on cash and cash equivalents</b>	<b>9</b>	<b>8</b>	<b>(12)</b>	<b>(2)</b>	<b>26</b>
Net change in cash and cash equivalents	(42)	(113)	(229)	(485)	(3 322)
Cash and cash equivalents at the beginning of the period	794	2 605	981	2 977	2 977
Cash from merger on the 1.july 2015	-	-	-	-	1 327
<b>Cash and cash equivalents at the end of the period</b>	<b>753</b>	<b>2 492</b>	<b>753</b>	<b>2 492</b>	<b>981</b>

## Equity statement – AS

### Q2 2016

<i>All amounts in millions of NOK</i>	Share capital	Share capital premium	Retained earnings	Translation differences from foreign currencies	Value change available for sale assets	Cash flow hedge	Actuarial gain/loss	Total
Balance at 1 April 2016	9 652	891	4 240	8	52	(18)	(147)	14 678
Profit for the period	-	-	1 029	-	-	-	-	1 029
OCI movements (net of tax)	-	-	-	(14)	(26)	(2)	(54)	(96)
Capital increase	-	-	-	-	-	-	-	-
Share dividend	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>9 652</b>	<b>891</b>	<b>5 270</b>	<b>(6)</b>	<b>26</b>	<b>(20)</b>	<b>(201)</b>	<b>15 612</b>

### YTD Q2 2016

<i>All amounts in millions of NOK</i>	Share capital	Share capital premium	Retained earnings	Translation differences from foreign currencies	Value change available for sale assets	Cash flow hedge	Actuarial gain/loss	Total
Balance at 1 January 2016	9 652	891	3 803	8	50	(14)	(147)	14 244
Profit for the period	-	-	1 467	-	-	-	-	1 467
OCI movements (net of tax)	-	-	-	(15)	(23)	(6)	(54)	(99)
Capital increase	-	-	-	-	-	-	-	-
Share dividend	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>9 652</b>	<b>891</b>	<b>5 270</b>	<b>(6)</b>	<b>26</b>	<b>(20)</b>	<b>(201)</b>	<b>15 612</b>

### Financial Year 2015

<i>All amounts in millions of NOK</i>	Share capital	Share capital premium	Retained earnings	Translation differences from foreign currencies	Value change available for sale assets	Cash flow hedge	Actuarial gain/loss	Total
Balance at 1 January 2015	5 448	891	2 527	(20)	(14)	0	(196)	8 638
Profit for the period	-	-	1 159	-	-	-	-	1 159
OCI movements (net of tax)	-	-	-	28	63	(14)	126	203
Capital increase	1 100	-	-	-	-	-	-	1 100
Share dividend	-	-	-	-	-	-	-	-
Equity from the merger with SCB AB	3 104	-	117	-	-	-	(77)	3 144
<b>Balance at 31 December 2015</b>	<b>9 652</b>	<b>891</b>	<b>3 803</b>	<b>8</b>	<b>50</b>	<b>(14)</b>	<b>(147)</b>	<b>14 244</b>

1) Total shares registered as at June 30, 2016, was 965 241 842

2) Restricted capital as at June 30, 2016, was NOK 9 652 MM, unrestricted capital was NOK 5 959 MM. The split between restricted and unrestricted capital is in accordance with the Norwegian limited companies act.

All shares are owned by Santander Consumer Finance S.A. The annual consolidated accounts and the address of Santander Consumer S.A. in which Santander Consumer Bank AS is included, is published on [www.santanderconsumer.com](http://www.santanderconsumer.com).

Santander Consumer Bank

Lysaker, 11<sup>th</sup> Aug 2016

The Board of Directors of Santander Consumer Bank

---

Erik Kongelf

(Chairman)

---

Bruno Montalvo Wilmot

(Deputy Chairman)

---

Manuel Angel Menendez Barrero

---

Francisco Javier Anton San Pablo

---

Niels Christian Aall

---

Henning Strøm

---

Vibeke Hamre Krey

(Employee Representative)

---

Ola Tillberg

(Employee Representative)

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Michael Hvidsten

(Chief Executive Officer)



**Santander Consumer Bank Group  
NOTES**

## 1. Basis of preparation

The accounts show the activities of the company in Norway, Sweden and Denmark (Santander Consumer Bank AS). In the group accounts, the Finnish subsidiary (Santander Consumer Finance OY) and the special purpose entities (as listed in note 13) are included. All figures and notes were prepared under the assumption that the business is a going concern.

The Santander Consumer Bank interim accounts for the second quarter of 2016 are prepared in accordance with IAS 34 Interim Financial reporting as endorsed by EU.

The annual report for 2015 may be obtained by contacting Santander Consumer Bank AS, Strandveien 18, Lysaker – or by visiting [www.santander.no](http://www.santander.no).

## 2. Accounting policies

The Group's accounting policies are consistent with those of the previous financial year as described in the 2015 Annual Report except as described below.

Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the consolidated financial statements.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015, with the exception of changes in methodology that are required in determining the provision for income taxes. The estimates and assumptions that are deemed critical to the consolidated financial statements are listed in the Santander Consumer Bank 2015 annual report.

## 3. Risk Classification

The tables below show the past due portfolio at certain aging intervals. The purpose of the note is to show the credit risk associated with the loans to customers.

<i>All amounts in millions of NOK</i>	Balance			Write Downs		
	Q2 2016	Q2 2015	FY 2015	Q2 2016	Q2 2015	FY 2015
Current - not past due date	112 362	80 786	107 609	1 170	861	817
Current - past due date	5 457	4 711	6 196	255	165	285
Total impaired loans	2 352	1 277	2 444	1 305	639	1 528
<b>Total loans</b>	<b>120 171</b>	<b>86 774</b>	<b>116 250</b>	<b>2 730</b>	<b>1 665</b>	<b>2 631</b>

<i>Ageing of past due but not impaired loans</i>	Q2 2016	Q2 2015	FY 2015	Q2 2016	Q2 2015	FY 2015
1 - 29 days	4 368	3 863	4 938	109	78	130
30 - 59 days	799	638	920	78	48	84
60 - 89 days	291	210	338	68	39	72
<b>Total loans due but not impaired</b>	<b>5 457</b>	<b>4 711</b>	<b>6 196</b>	<b>255</b>	<b>165</b>	<b>285</b>

<i>Ageing of impaired loans</i>	Q2 2016	Q2 2015	FY 2015	Q2 2016	Q2 2015	FY 2015
90 - 119 days	229	115	204	84	36	76
120 - 149 days	192	87	168	90	34	89
150 - 179 days	121	62	127	79	29	95
180 + days	875	408	1 053	677	304	832
Economic doubtful*	934	605	892	374	236	437
<b>Total impaired loans</b>	<b>2 352</b>	<b>1 277</b>	<b>2 444</b>	<b>1 305</b>	<b>639</b>	<b>1 528</b>

\* Economic doubtful contracts are loans where there is a reasonable doubt of full repayment due to reasons other than payment arrears

After the legal merge with Santander Consumer Bank AB (former GE Money Bank AB), the SCB portfolio now consists of 75% of Auto Finance and 25% Unsecured finance (credit cards, consumer loans, sales finance); where for auto finance the underlying assets serve as collateral.

Auto Finance, collateral is held as security. Carrying amount in relationship with object value and financed amount is influenced by specific mileage, use and maintenance among others, which varies from object to object. This value is embedded into Write Downs calculation as part of recoveries.

## 4. Losses and write-downs

All amounts in millions of NOK

	Q2 2016	Q2 2015	FY 2015		
<b>Specific write-downs</b>					
Specific write-downs 01.01.	1 520	588	588		
+ Acquired through legal merger 01.07	-	-	4 280		
+/- Rate adjustment opening balance	(20)	(12)	322		
Reclassification between specific and generic write down	-	-	(165)		
Gross outstanding adjustment	-	-	15		
+ Specific write-downs for the period	(196)	94	(3 520)		
<b>= Specific write-downs period end</b>	<b>1 305</b>	<b>670</b>	<b>1 520</b>		
<b>Generic write-downs</b>					
Generic write-downs 01.01	1 111	1 029	1 029		
+ Acquired through legal merger 01.07	-	-	374		
+/- Rate adjustment opening balance	(30)	(4)	47		
Release of reserves related to bad debt sale	(8)	-	-		
Reclassification between specific and generic write down	-	-	165		
+/- Generic write-downs for the period	352	(30)	(503)		
<b>= Generic write-downs period end</b>	<b>1 425</b>	<b>995</b>	<b>1 111</b>		
<b>Total Write down in Balance Sheet</b>	<b>2 730</b>	<b>1 665</b>	<b>2 631</b>		
<b>Loan losses expenses</b>	<b>Q2 2016</b>	<b>Q2 2015</b>	<b>YTD Q2 2016</b>	<b>YTD Q2 2015</b>	<b>FY 2015</b>
Change in write-down provision	61	(36)	156	48	(4 023)
+/- Fx rate adjustment opening balance	(1)	(8)	(1)	16	253
+ Total realized losses	390	189	740	343	5 162
- Recoveries on previously realized losses	(205)	(92)	(379)	(114)	(595)
<b>= Loan losses in the period</b>	<b>245</b>	<b>52</b>	<b>517</b>	<b>293</b>	<b>797</b>

Write-downs calculated separately for each business unit, using internal parameters.

-Specific write-downs calculated by arrears following portfolio ageing and specific assessment of the exposure by specific contracts, also referred to as non performing loans.

-Generic write-downs calculated by arrears, including incurred but not reported impaired loans following portfolio ageing, and reserves based on macro parameters.

## 5. Liquidity Coverage Ratio

Liquidity Coverage Ratio (LCR) measures the capability to meet obligations in the next 30 days by means of liquidity assets. It is defined as  $LCR = \frac{\text{liquidity assets}}{\text{cash outflows} - \text{cash inflows}}$ . The minimum LCR level (CRD IV) is 70% from 31 December 2015. With a stable basis of High Quality Liquid Assets, SCB Group fulfills the minimum LCR requirements.

Liquidity Coverage Ratio (LCR) %	Q2 2016	Q1 2016	Q4 2015	Q3 2015 *
Liquidity Coverage Ratio (LCR) Total	115,31	98,56	83,04	77,27
Liquidity Coverage Ratio (LCR) NOK	126,51	137,90	155,66	198,03
Liquidity Coverage Ratio (LCR) SEK	82,86	71,54	75,56	72,52
Liquidity Coverage Ratio (LCR) DKK	154,39	114,52	52,09	146,77
Liquidity Coverage Ratio (LCR) EUR	122,17	64,29	43,24	0,00

\* SCB Group started to calculate LCR separately for significant currencies in Q3 2015. Total LCR for Q2 2015 was 44,35%.

## 6. Interest expense

The table show average interest rate on interest bearing debt. Average interest is calculated as actual interest expense through the year in percent of weighted average balance.

*All amounts in millions of NOK*

	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015	2015
<b>To credit institutions</b>					
Interest expenses	45	96	113	209	382
Average loan	34 378	25 934	36 136	27 009	31 961
<b>Average nominal interest rate</b>	<b>0,52%</b>	<b>1,48%</b>	<b>0,63%</b>	<b>1,54%</b>	<b>1,19%</b>
<b>To customers</b>					
Interest expenses	134	102	259	211	468
Average deposit	39 786	22 270	38 556	20 725	27 735
<b>Average nominal interest rate</b>	<b>1,34%</b>	<b>1,82%</b>	<b>1,34%</b>	<b>2,04%</b>	<b>1,69%</b>
<b>To bondholders</b>					
Interest expenses	103	141	225	247	426
Average issued notes and bonds	39 270	33 194	38 602	34 182	36 867
<b>Average nominal interest rate</b>	<b>1,05%</b>	<b>1,70%</b>	<b>1,17%</b>	<b>1,44%</b>	<b>1,16%</b>
<b>Subordinated loan capital</b>					
Interest expenses	58	50	106	92	209
Average subordinated loan capital	3 796	2 896	3 805	2 877	3 343
<b>Average nominal interest rate</b>	<b>6,16%</b>	<b>6,95%</b>	<b>5,56%</b>	<b>6,38%</b>	<b>6,25%</b>
<b>Total of tables above:</b>					
Interest expenses	340	389	703	758	1 485
Loan	117 230	84 293	117 099	84 794	99 906
<b>Average nominal interest rate</b>	<b>1,16%</b>	<b>1,84%</b>	<b>1,20%</b>	<b>1,79%</b>	<b>1,49%</b>

## 7. Capital adequacy

<i>All amounts in millions of NOK</i>	<b>Q2 2016</b>	<b>Q2 2015</b>	<b>FY 2015</b>
<b>Balance sheet equity</b>			
Paid in equity	9 652	5 448	9 652
Share premium	891	891	891
Retained earnings	5 874	3 678	4 727
Other reserves	(145)	(194)	(19)
<b>Total Equity</b>	<b>16 272</b>	<b>9 824</b>	<b>15 251</b>
<b>Common Equity Tier 1 Capital</b>			
(-) Year to date profit not-eligible (Not audited)	(1 147)	(382)	-
Tax adjustment on retained earnings	-	189	-
Cash-flow hedge adjustment	-	(1)	(4)
IRB Expected Loss - Reserves	(273)	-	(304)
Goodwill	(742)	(483)	(766)
Other intangible assets	(238)	(232)	(254)
Deferred tax assets	(237)	(173)	(236)
Adjustment Prudent Valuation (AVA)	(11)	-	-
<b>Total common Equity Tier 1 Capital</b>	<b>13 624</b>	<b>8 742</b>	<b>13 688</b>
<b>Tier 1 Capital</b>			
Paid in Tier 1 capital instruments	2 250	2 250	2 250
<b>Total Tier 1 Capital</b>	<b>15 874</b>	<b>10 992</b>	<b>15 938</b>
<b>Total Capital</b>			
Paid up subordinated loans	1 471	615	1 471
Subordinated loans not eligible	(244)	(192)	(244)
<b>Total Capital</b>	<b>17 101</b>	<b>11 415</b>	<b>17 165</b>
<b>Risk exposure</b>			
Regional governments or local authorities	66	66	65
Institutions	1 203	1 269	1 643
Corporates	6 099	5 744	5 735
Retail Standard Approach	44 420	61 146	45 865
Retail Internal Rating Based	24 704	-	23 525
Exposures in default SA	733	607	707
Covered bonds	708	198	642
Other Exposures	4 500	2 865	4 095
<b>Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries</b>	<b>82 432</b>	<b>71 895</b>	<b>82 278</b>
Foreign exchange (zero if under threshold)	-	-	-
<b>Risk exposure amount for position, foreign exchange and commodities risks</b>	<b>-</b>	<b>-</b>	<b>-</b>
Basic indicator approach	7 672	6 076	7 100
<b>Risk exposure amount for operational risk</b>	<b>7 672</b>	<b>6 076</b>	<b>7 100</b>
Standardized method	307	154	313
<b>Risk exposure amount for credit valuation adjustment</b>	<b>307</b>	<b>154</b>	<b>313</b>
Allowance which apply on the standardized approach for credit risk	-	-	-
<b>Deductions of risk exposure amount</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total risk exposure amount</b>	<b>90 411</b>	<b>78 126</b>	<b>89 691</b>
<b>Common equity tier 1 capital ratio</b>	<b>15,07%</b>	<b>11,19%</b>	<b>15,26%</b>
<b>Tier 1 capital ratio</b>	<b>17,56%</b>	<b>14,07%</b>	<b>17,77%</b>
<b>Total capital ratio</b>	<b>18,91%</b>	<b>14,61%</b>	<b>19,14%</b>
<b>Leverage ratio</b>	<b>11,34%</b>	<b>10,79%</b>	<b>11,43%</b>

From December 2015 the Group are calculating credit risk capital requirement using advanced internal rating based models (IRB- A models) for part of its exposures

Financial information in accordance with the capital requirement regulation is published at [www.santander.no](http://www.santander.no). Information according to Pillar 3 will be published at [www.santander.no](http://www.santander.no).

## 8. Segment information

Financial management in Santander is oriented towards the various geographical markets. Monitoring of the overall profitability of the geographic areas are important dimensions of the strategic priorities and allocation of resources in the SCB Group. Reported figures for the various segments reflect the SCB Group's total sales of products and services in the geographical area.

Segment information is based on the internal financial reporting as it is reported to SCB Group management. SCB Group management uses the segment reporting as an element to assess historical and expected future development and allocation of resources.

Reporting from the segments is based on Santander's governance model and the SCB Group's accounting policies. The figures are based on a number of assumptions and estimates.

The Segments are responsible for profits after tax, with the corresponding return on allocated capital according to the SCB Group's governance model. All the SCB Group's trade activities are divided into the reported segments with corresponding balances, income and expenses.

Deficit liquidity from the segments are funded by the SCB Group treasury at market conditions. Surplus liquidity is transferred to the SCB Group treasury at market conditions.

Internal agreements at market conditions or simulated market conditions are made when segments cooperate on the delivery of financial services to customers. Services provided by the Group's central functions and staff are charged segments based on an allocation agreement.

The following products are offered by each reportable segment:

Norway - car financing, leasing, consignment, consumer loans, credit cards and deposits.

Sweden - car financing, leasing, consignment, consumer loans, credit cards and deposits.

Denmark - car financing, leasing, consignment, consumer loans, credit cards and deposits.

Finland - car financing, leasing, consignment and consumer loans

### 30 June 2016 (Only Q2)

<i>All amounts in millions of NOK</i>	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Net interest income	734	348	325	226	7	1 640
Net commission income and income from banking services	30	26	31	10	-	97
Value change and gain/loss on foreign exchange and securities	19	(1)	(7)	(0)	(9)	1
Other operating income	560	2	5	2	(513)	57
Operating expenses, salaries, depreciation	(314)	(201)	(144)	(85)	0	(745)
Losses on loans, guarantees etc.	(160)	(39)	(22)	(24)	-	(245)
<b>Operating result</b>	<b>868</b>	<b>135</b>	<b>188</b>	<b>129</b>	<b>(515)</b>	<b>805</b>
Total tax	(91)	(30)	(41)	(26)	-	(188)
<b>Profit after tax</b>	<b>777</b>	<b>105</b>	<b>147</b>	<b>103</b>	<b>(515)</b>	<b>617</b>

### 30 June 2016 (YTD)

<i>All amounts in millions of NOK</i>	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Net interest income	1 389	696	640	455	7	3 187
Net commission income and income from banking services	59	54	57	20	-	190
Value change and gain/loss on foreign exchange and securities	40	(1)	(8)	0	(4)	28
Other operating income	565	5	5	5	(513)	67
Operating expenses, salaries, depreciation	(538)	(436)	(290)	(174)	0	(1 437)
Losses on loans, guarantees etc.	(321)	(72)	(56)	(68)	-	(517)
<b>Operating result</b>	<b>1 194</b>	<b>246</b>	<b>349</b>	<b>238</b>	<b>(510)</b>	<b>1 518</b>
Total tax	(191)	(54)	(77)	(48)	-	(370)
<b>Profit after tax</b>	<b>1 002</b>	<b>192</b>	<b>272</b>	<b>191</b>	<b>(510)</b>	<b>1 147</b>

Cash and receivables on central banks	57	-	-	-	-	57
Deposits with and loans to financial institutions	2 446	1 044	134	492	22	4 139
Total loans before write-downs	50 278	28 029	24 499	17 366	-	120 171
Write-downs	(1 578)	(423)	(344)	(385)	-	(2 730)
Repossessed assets	8	-	-	5	-	13
Commercial papers and bonds	5 179	2 374	1 766	831	-	10 149
Financial trading derivatives	561	-	0	6	-	567
Ownership interests in group companies and other entities	1 226	-	-	-	(1 207)	18
Other assets	12 518	1 079	823	1 992	(11 057)	5 355
<b>Total assets</b>	<b>70 695</b>	<b>32 103</b>	<b>26 878</b>	<b>20 306</b>	<b>(12 242)</b>	<b>137 739</b>
Debt to credit institutions	8 391	9 908	16 814	14 881	(11 293)	38 701
Deposits from customers	17 653	12 916	9 163	-	-	39 732
Financial derivatives	516	-	0	12	-	529
Debt issued by securities	24 262	7 850	(0)	3 604	-	35 716
Other liabilities	4 456	1 268	863	297	(96)	6 789
Equity	15 417	160	38	1 511	(853)	16 273
<b>Total liabilities and equity</b>	<b>70 695</b>	<b>32 103</b>	<b>26 878</b>	<b>20 306</b>	<b>(12 242)</b>	<b>137 739</b>

## 9. Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 30 June 2016	Financial assets at fair value through P&L	Available for sale financial assets at fair value	Held to maturity investments	Loans and receivables	Book value
Cash and receivables on central banks	-	-	-	57	57
Deposits with and receivables on financial institutions	-	-	-	4 139	4 139
Net loans to costumers	-	-	-	117 441	117 441
Commercial papers and bonds	-	10 149	-	-	10 149
Financial derivatives	567	-	-	-	567
Ownership interests in other entities	-	18	-	-	18
Consignments	-	-	-	2 482	2 482
Other Assets	525	-	-	260	785
<b>Total financial assets</b>	<b>1 093</b>	<b>10 167</b>	<b>-</b>	<b>124 378</b>	<b>135 638</b>

Non financial assets 2 101

**Total assets 137 739**

Classification of financial liabilities 30 June 2016	Financial liabilities at fair value through P&L	Financial liabilities measured at amortized cost	Booked value
Loans and deposits from credit institutions	-	38 701	38 701
Deposits from and debt to customers repayable on notice	-	39 732	39 732
Financial derivatives	529	-	529
Bonds and other long term loan raising	-	35 716	35 716
Other subordinated loan capital	-	3 782	3 782
<b>Total financial liabilities</b>	<b>529</b>	<b>117 932</b>	<b>118 460</b>

Non financial liabilities and equity 19 279

**Total liabilities 137 739**

Classification of financial assets 31 December 2015	Financial assets at fair value through P&L	Available for sale financial assets at fair value	Held to maturity investments	Loans and receivables	Book value
Cash and receivables on central banks	-	-	-	59	59
Deposits with and receivables on financial institutions	-	-	-	5 791	5 791
Net loans to costumers	-	-	-	113 619	113 619
Commercial papers and bonds	-	9 203	-	-	9 203
Financial derivatives	2 230	-	-	-	2 230
Ownership interests in other entities	-	52	-	-	52
Consignments	-	-	-	2 694	2 694
Other Assets	-	-	-	217	217
<b>Total financial assets</b>	<b>2 230</b>	<b>9 255</b>	<b>-</b>	<b>122 379</b>	<b>133 864</b>

Non financial assets 2 072

**Total assets 135 936**

Classification of financial liabilities 31 December 2015	Financial liabilities at fair value through P&L	Financial liabilities measured at amortized cost	Booked value
Loans and deposits from credit institutions	-	33 571	33 571
Deposits from and debt to customers repayable on notice	-	37 381	37 381
Financial derivatives	1 097	-	1 097
Bonds and other long term loan raising	-	41 487	41 487
Other subordinated loan capital	-	3 827	3 827
<b>Total financial liabilities</b>	<b>1 097</b>	<b>116 266</b>	<b>117 364</b>

Non financial liabilities and equity 18 572

**Total liabilities 135 936**

For the financial assets and liabilities above the fair value is a reasonable approximation to the book value.

## 10. Valuation hierarchy

### Financial instruments measured at fair value

		Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
<i>All amounts in millions of NOK</i>					
<b>Financial assets</b>					
<i>Name</i>	<i>Type</i>				
Bilkreditt 4	Fixed amort.profile BK4	-	94	-	94
Bilkreditt 5	Fixed amort.profile BK5	-	114	-	114
Bilkreditt 6	Fixed amort.profile BK6	-	340	-	340
Bilkreditt 7	Fixed amort. Profile BK7	-	14	-	14
KIMI4	Front swap KIMI4	-	6	-	6
<b>Total financial trading derivatives</b>		-	<b>567</b>	-	<b>567</b>
<i>Name</i>	<i>Type</i>				
Bilkreditt 4	Front swap BK4	-	80	-	80
Bilkreditt 5	Front swap BK5	-	104	-	104
Bilkreditt 6	Front swap BK6	-	313	-	313
Bilkreditt 7	Front swap BK7	-	13	-	13
EMTN2 Bond	DKK fixed to float	-	3	-	3
Third EMTN	DKK fixed to float	-	4	-	4
SEK EMTN Bond	SEK IRS 2Y	-	1	-	1
SEK EMTN Bond	SEK IRS 3Y	-	5	-	5
<b>Total derivatives defined as accounting hedges</b>		-	<b>525</b>	-	<b>525</b>
<i>Name</i>	<i>Type</i>				
Government bonds and Treasury Bills	Bonds	3 066	-	-	3 066
Covered Bonds	bonds	7 083	-	-	7 083
<b>Total commercial papers and bonds</b>		<b>10 149</b>	-	-	<b>10 149</b>
<b>Total</b>		<b>10 149</b>	<b>1 093</b>	-	<b>11 241</b>
<b>Financial liabilities</b>					
<i>Name</i>	<i>Type</i>				
Bilkreditt 4	Pass-through swap BK4	-	80	-	80
Bilkreditt 5	Pass-through swap BK5	-	104	-	104
Bilkreditt 6	Pass-through swap BK6	-	313	-	313
Bilkreditt 7	Pass-through swap BK7	-	13	-	13
EMTN2 Bond	EMTN2 fixed fixed	-	5	-	5
KIMI4	Pass-through swap KIMI4	-	6	-	6
KIMI4	Fixed amort-profile KIMI4	-	6	-	6
<b>Total financial derivatives</b>		-	<b>529</b>	-	<b>529</b>
<b>Total</b>		-	<b>529</b>	-	<b>529</b>

Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for at normal market conditions. Highest level of quality in relation to fair value is based on quoted prices in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory authority and these prices represent actual and regularly occurring transactions at arm's length.

**Level 1:** Instruments at this level obtain fair value from quoted prices in active markets for identical assets or liabilities that the entity has access by the reporting date. Examples of instruments at Level 1 are listed government bonds.

**Level 2:** Instruments at this level is not considered to have an active market. Fair value obtained from observable market data; this includes mainly prices based on identical instruments, but where the instrument is not sufficiently high trading frequency, as well as prices based on corresponding assets and price leading indicators that can be confirmed from market information. Examples of instruments at Level 2 are securities priced out of interest rate paths.

The fair value at level 2 is calculated by discounting future cash flows. The cash flows are mainly known due to contractual conditions, in addition to a marked regulated interest rate element. (e.g. EURIBOR)

**Level 3:** Instruments at Level 3 contain no observable market data or traded on markets that are considered inactive. The price is based mainly on own calculations, where actual fair value may deviate if the instrument were to be traded.

## 11. Issued Securities

<i>All amounts in millions of NOK</i>	<b>Q2 2016</b>	<b>Q2 2015</b>	<b>FY 2015</b>
Senior unsecured issued securities	19 987	17 819	19 383
Asset backed issued securities	15 730	18 298	22 104
<b>Total issued securities</b>	<b>35 716</b>	<b>36 117</b>	<b>41 487</b>

Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in March to a value of NOK 500 MM.

Santander Consumer Bank AS issued bonds on the Irish stock exchange in February to a value of EUR 500 MM (NOK 4 707 MM)

Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in May to a value of NOK 700 MM.

The additional change in balance sheet value of senior unsecured issued securities is the reevaluation of the Euro and SEK bonds

## 12. Receivables and liabilities to related parties

<b>Debt to related parties:</b>	<b>Accrued interest</b>		<b>Accrued interest</b>		<b>Accrued interest</b>	
<i>All amounts in millions of NOK</i>	<b>Q2 2016</b>	<b>Q2 2016</b>	<b>Q2 2015</b>	<b>Q2 2015</b>	<b>FY 2015</b>	<b>FY 2015</b>
Balance sheet line: "Loans and deposits from credit institutions with an agreed term"						
<i>Santander Benelux</i>	3 258	13	16 189	33	5 877	22
<i>Santander Consumer Finance S.A.</i>	32 822	11	7 478	6	25 331	8
<i>Banco Madasant</i>	1 944	0	-	-	2 334	0
<i>Banco Santander</i>	4	-	-	-	-	-
<i>Abbey National Treasury Services plc</i>	423	-	-	-	-	-
<b>Total</b>	<b>38 450</b>	<b>25</b>	<b>23 667</b>	<b>39</b>	<b>33 541</b>	<b>30</b>
Balance sheet line: "Subordinated loan capital" - Bonds						
MNOK 180, maturity September 2016, 3 months NIBOR +0.55%*	180	0	180	0	180	0
MNOK 80, maturity October 2017, 3 months NIBOR +1.75%**	80	0	80	0	80	0
MNOK 250, maturity March 2025, 3 months NIBOR + 2.2575%**	250	2	250	0	250	2
MEUR 13 maturity December 2020 12 months EURIBOR +3,20%**	-	-	105	2	-	-
MNOK 250, maturity July 2025, 3 months NIBOR+3.135%**	250	0	-	-	250	0
MSEK 750, maturity December 2024, 3 months STIBOR+2.2825%**	740	0	-	-	784	0
<b>Total</b>	<b>3 750</b>	<b>32</b>	<b>2 865</b>	<b>35</b>	<b>3 794</b>	<b>34</b>

\* Banco Santander S.A

\*\* Santander Consumer Finance S.A

The interest rate on intercompany loans are priced in accordance with marked conditions for parties at arm's length. Financial information in accordance with the capital requirement regulation is published at [www.santander.no](http://www.santander.no)

### 13. Transactions with related parties

All amounts in millions of NOK

The group is controlled by Santander Consumer Finance S.A. which owns 100% of the company's shares. The group's ultimate parent is Grupo Santander. All companies within Grupo Santander is considered related parties. In addition, the SPV (securitization of car loans) are also considered as related Parties.

Transactions with related parties are mostly interest on funding from the parent company, ultimate parent or from Santander Benelux.

The following transactions were carried out with related parties:

	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015	Financial year 2015
Interest income	3	(52)	8	10	23
Interest expenses	(106)	(92)	(224)	(256)	(663)
Fees	40	114	67	114	234
<b>Net transactions</b>	<b>(62)</b>	<b>(30)</b>	<b>(149)</b>	<b>(133)</b>	<b>(407)</b>

Santander Consumer Bank Group had transactions with the following related parties per 30.06.2016

Banco Santander S.A  
Santander Benelux B.V.  
Santander Consumer Finance S.A.  
Santander Insurance Europe Ltd.  
Santander Insurance Services Ireland Ltd.  
Abbey National Treasury Services plc  
Banco Madasant



**Santander Consumer Bank AS  
NOTES**

## 1. Basis of preparation

The accounts show the activities of the company in Norway, Sweden and Denmark (Santander Consumer Bank AS). In the group accounts, the Finnish subsidiary (Santander Consumer Finance OY) and the special purpose entities (as listed in note 13) are included. All figures and notes were prepared under the assumption that the business is a going concern.

The Santander Consumer Bank interim accounts for the second quarter of 2016 are prepared in accordance with IAS 34 Interim Financial reporting as endorsed by EU.

The annual report for 2015 may be obtained by contacting Santander Consumer Bank AS, Strandveien 18, Lysaker – or by visiting [www.santander.no](http://www.santander.no).

## 2. Accounting policies

The Group's accounting policies are consistent with those of the previous financial year as described in the 2015 Annual Report except as described below.

Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the consolidated financial statements.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015, with the exception of changes in methodology that are required in determining the provision for income taxes. The estimates and assumptions that are deemed critical to the consolidated financial statements are listed in the Santander Consumer Bank 2015 annual report.

## 3. Risk Classification

The tables below show the past due portfolio at certain aging intervals. The purpose of the note is to show the credit risk associated with the loans to customers.

<i>All amounts in millions of NOK</i>	Balance			Write Downs		
	Q2 2016	Q2 2015	FY 2015	Q2 2016	Q2 2015	FY 2015
Current - not past due date	96 386	68 423	92 775	896	584	537
Current - past due date	4 192	3 368	4 968	213	119	237
Total impaired loans	2 228	1 153	2 313	1 236	573	1 453
<b>Total loans</b>	<b>102 806</b>	<b>72 944</b>	<b>100 056</b>	<b>2 345</b>	<b>1 276</b>	<b>2 227</b>

<i>Ageing of past due but not impaired loans</i>	Q2 2016	Q2 2015	FY 2015	Q2 2016	Q2 2015	FY 2015
1 - 29 days	3 286	2 733	3 904	88	55	106
30 - 59 days	659	471	778	66	36	70
60 - 89 days	247	164	286	59	29	61
<b>Total loans due but not impaired</b>	<b>4 192</b>	<b>3 368</b>	<b>4 968</b>	<b>213</b>	<b>119</b>	<b>237</b>

<i>Ageing of impaired loans</i>	Q2 2016	Q2 2015	FY 2015	Q2 2016	Q2 2015	FY 2015
90 - 119 days	207	97	183	77	28	65
120 - 149 days	178	68	152	83	25	80
150 - 179 days	112	51	119	74	23	89
180 + days	874	408	1 052	676	304	832
Economic doubtful*	857	529	806	326	194	387
<b>Total impaired loans</b>	<b>2 228</b>	<b>1 153</b>	<b>2 313</b>	<b>1 236</b>	<b>573</b>	<b>1 453</b>

\* Economic doubtful contracts are loans where there is a reasonable doubt of full repayment due to reasons other than payment arrears

After the legal merge with Santander Consumer Bank AB (former GE Money Bank AB), the SCB portfolio now consists of 73% of Auto Finance and 27% Unsecured finance (credit cards, consumer loans, sales finance); where for auto finance the underlying assets serve as collateral.

Auto Finance, collateral is held as security. Carrying amount in relationship with object value and financed amount is influenced by specific mileage, use and maintenance among others, which varies from object to object. This value is embedded into Write Downs calculation as part of recoveries.

## 4. Losses and Write downs

All amounts in millions of NOK

	Q2 2016	Q2 2015	FY 2015		
<b>Specific write-downs</b>					
Specific write-downs 01.01.	1 444	515			515
+ Acquired through legal merger 01.07	-	-			4 280
+/- Rate adjustment opening balance	(17)	(3)			317
Reclassification between specific and generic write down	-	-			(165)
Gross outstanding adjustment	-	-			15
+ Specific write-downs for the period	(191)	92			(3 518)
<b>= Specific write-downs period end</b>	<b>1 235</b>	<b>604</b>			<b>1 444</b>
<b>Generic write-downs</b>					
Generic write-downs 01.01	783	719			719
+ Acquired through legal merger 01.07	-	-			374
+/- Rate adjustment opening balance	(19)	(3)			28
Release of reserves related to bad debt sale	(8)	-			-
Reclassification between specific and generic write down	-	-			165
+/- Generic write-downs for the year	354	(44)			(503)
<b>= Generic write-downs period end</b>	<b>1 110</b>	<b>672</b>			<b>783</b>
<b>Total Write down in Balance Sheet</b>	<b>2 345</b>	<b>1 276</b>			<b>2 227</b>
<b>Loan losses expenses</b>	<b>Q2 2016</b>	<b>Q2 2015</b>	<b>YTD Q2 2016</b>	<b>YTD Q2 2015</b>	<b>FY 2015</b>
Change in write-down provision	76	8	163	42	(4 021)
+/- Fx rate adjustment opening balance	(1)	4	(1)	5	253
+ Total realized losses	337	36	636	235	4 939
- Recoveries on previously realized losses	(193)	(9)	(358)	(52)	(521)
<b>= Loan losses in the period</b>	<b>219</b>	<b>38</b>	<b>439</b>	<b>231</b>	<b>650</b>

Write-downs calculated separately for each business unit, using internal parameters.

- Specific write-downs calculated by arrears following portfolio ageing and specific assessment of the exposure by specific contracts, also referred to as non performing loans.

- Generic write-downs calculated by arrears, including incurred but not reported impaired loans following portfolio ageing, and reserves based on macro parameters.

## 5. Liquidity Coverage Ratio

Liquidity Coverage Ratio (LCR) measures the capability to meet obligations in the next 30 days by means of liquidity assets. It is defined as  $LCR = \text{liquidity assets} / (\text{cash outflows} - \text{cash inflows})$ . The minimum LCR level (CRD IV) is 70% from 31 December 2015. With a stable basis of High Quality Liquid Assets, SCB AS fulfills the minimum LCR requirements.

Liquidity Coverage Ratio (LCR) %	Q2 2016	Q1 2016	Q4 2015	Q3 2015 *
Liquidity Coverage Ratio (LCR) Total	114,68	104,82	90,38	127,30
Liquidity Coverage Ratio (LCR) NOK	126,51	137,90	155,66	198,03
Liquidity Coverage Ratio (LCR) SEK	82,86	71,54	75,56	72,52
Liquidity Coverage Ratio (LCR) DKK	154,39	114,52	52,09	146,77
Liquidity Coverage Ratio (LCR) EUR	120,80	96,19	57,27	-

\* SCB AS started to calculate LCR separately for significant currencies in Q3 2015. Total LCR for Q2 2015 was 51,58%.

## 6. Interest expenses

The table show average interest rate on interest bearing debt. Average interest is calculated as actual interest expense through the year in percent of weighted average balance.

*All amounts in millions of NOK*

	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015	2015
<b>To credit institutions</b>					
Interest expenses	46	77	97	165	306
Average loan	43 526	38 328	45 946	41 054	45 985
<b>Average nominal interest rate</b>	<b>0,42%</b>	<b>0,81%</b>	<b>0,42%</b>	<b>0,81%</b>	<b>0,67%</b>
<b>To customers</b>					
Interest expenses	134	102	259	211	468
Average deposit	39 786	22 270	38 556	20 725	27 735
<b>Average nominal interest rate</b>	<b>1,34%</b>	<b>1,82%</b>	<b>1,34%</b>	<b>2,04%</b>	<b>1,69%</b>
<b>To bondholders</b>					
Interest expenses	67	81	142	118	206
Average issued notes and bonds	22 121	13 525	19 685	12 609	13 391
<b>Average nominal interest rate</b>	<b>1,21%</b>	<b>2,39%</b>	<b>1,44%</b>	<b>1,87%</b>	<b>1,54%</b>
<b>Subordinated loan capital</b>					
Interest expenses	52	50	106	100	212
Average subordinated loan capital	3 796	2 896	3 805	2 877	3 343
<b>Average nominal interest rate</b>	<b>5,50%</b>	<b>6,94%</b>	<b>5,56%</b>	<b>6,97%</b>	<b>6,33%</b>
<b>Total of tables above:</b>					
Interest expenses	299	310	603	595	1 191
Loan	109 228	77 019	107 992	77 265	90 453
<b>Average nominal interest rate</b>	<b>1,09%</b>	<b>1,61%</b>	<b>1,12%</b>	<b>1,54%</b>	<b>1,32%</b>

## 7. Capital adequacy

<i>All amounts in millions of NOK</i>	<b>Q2 2016</b>	<b>Q2 2015</b>	<b>FY 2015</b>
<b>Balance sheet equity</b>			
Paid in equity	9 652	5 448	9 652
Share premium	891	891	891
Retained earnings	5 270	2 921	3 803
Other reserves	(202)	(226)	(103)
<b>Total Equity</b>	<b>15 612</b>	<b>9 035</b>	<b>14 244</b>
<b>Common Equity Tier 1 Capital</b>			
(-) Year to date profit not-eligible (Not audited)	(1 467)	(270)	-
Cash-flow hedge adjustment	-	18	-
IRB Expected Loss - Reserves	(168)	-	(201)
Goodwill	(358)	(120)	(369)
Other intangible assets	(229)	(222)	(243)
Deferred tax assets	(113)	(59)	(116)
Adjustment Prudent Valuation (AVA)	(10)	-	-
<b>Total common Equity Tier 1 Capital</b>	<b>13 267</b>	<b>8 383</b>	<b>13 314</b>
<b>Tier 1 Capital</b>			
Paid in Tier 1 capital instruments	2 250	2 250	2 250
<b>Total Tier 1 Capital</b>	<b>15 517</b>	<b>10 633</b>	<b>15 564</b>
<b>Total Capital</b>			
Paid up subordinated loans	1 471	615	1 471
Subordinated loans not eligible	(244)	(192)	(244)
<b>Total Capital</b>	<b>16 744</b>	<b>11 056</b>	<b>16 791</b>
<b>Risk exposure</b>			
Regional governments or local authorities	65	66	64
Institutions	332	1 978	217
Corporates	14 707	11 510	13 695
Retail Standard Approach	40 192	51 223	41 676
Retail Internal Rating Based	18 553	-	17 798
Exposures in default SA	767	549	673
Covered bonds	625	198	642
Other Exposures	7 644	5 250	8 553
<b>Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries</b>	<b>82 885</b>	<b>70 773</b>	<b>83 319</b>
Foreign exchange (zero if under threshold)	361	-	-
<b>Risk exposure amount for position, foreign exchange and commodities risks</b>	<b>361</b>	<b>-</b>	<b>-</b>
Basic indicator approach	6 377	4 971	5 811
<b>Risk exposure amount for operational risk</b>	<b>6 377</b>	<b>4 971</b>	<b>5 811</b>
Standardized method	279	154	161
<b>Risk exposure amount for credit valuation adjustment</b>	<b>279</b>	<b>154</b>	<b>161</b>
Allowance which apply on the standardized approach for credit risk	-	-	-
<b>Deductions of risk exposure amount</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total risk exposure amount</b>	<b>89 902</b>	<b>75 899</b>	<b>89 290</b>
<b>Common equity tier 1 capital ratio</b>	<b>14,76%</b>	<b>11,04%</b>	<b>14,91%</b>
<b>Tier 1 capital ratio</b>	<b>17,26%</b>	<b>14,01%</b>	<b>17,43%</b>
<b>Total capital ratio</b>	<b>18,62%</b>	<b>14,57%</b>	<b>18,81%</b>
<b>Leverage ratio</b>	<b>12,00%</b>	<b>11,39%</b>	<b>12,12%</b>

From December 2015 the Group are calculating credit risk capital requirement using advanced internal rating based models (IRB- A models) for part of its exposures

Financial information in accordance with the capital requirement regulation is published at [www.santander.no](http://www.santander.no). Information according to Pillar 3 will be published at [www.santander.no](http://www.santander.no).

## 8. Segment information

Financial management in Santander is oriented towards the various geographical markets. Monitoring of the overall profitability of the geographic areas are important dimensions of the strategic priorities and allocation of resources in SCB AS reported figures for the various segments reflect SCB AS' total sales of products and services in the geographical area.

Segment information is based on the internal financial reporting as it is reported to SCB AS management. SCB AS management uses the segment reporting as an element to assess historical and expected future development and allocation of resources.

Reporting from the segments is based on Santander's governance model and the SCB AS' accounting policies. The figures are based on a number of assumptions and estimates.

The Segments are responsible for profits after tax, with the corresponding return on allocated capital according to SCB AS' governance model. All SCB AS' trade activities are divided into the reported segments with corresponding balances, income and expenses.

Deficit liquidity from the segments are funded by SCB AS' Treasury at market conditions. Surplus liquidity is transferred to SCB AS' Treasury at market conditions.

Internal agreements at market conditions or simulated market conditions are made when segments cooperate on the delivery of financial services to customers. Services provided by SCB AS' central functions and staff are charged segments based on an allocation agreement.

The following products are offered by each reportable segment:

Norway - car financing, leasing, consignment, consumer loans, credit cards and deposits.

Sweden - car financing, leasing, consignment, consumer loans, credit cards and deposits.

Denmark - car financing, leasing, consignment, consumer loans, credit cards and deposits.

### 30 June 2016 (Only Q2)

<i>All amounts in millions of NOK</i>	Norway	Sweden	Denmark	Eliminations*	Total Group
Net interest income	711	342	319	7	1 379
Net commission income and income from banking services	53	32	35	-	120
Value change and gain/loss on foreign exchange and securities	18	(1)	(7)	(7)	3
Other operating income	560	2	4	-	566
Operating expenses, salaries, depreciation	(313)	(201)	(144)	-	(658)
Losses on loans, guarantees etc.	(161)	(39)	(19)	-	(219)
<b>Operating result</b>	<b>868</b>	<b>135</b>	<b>188</b>	<b>0</b>	<b>1 191</b>
Total tax	(91)	(30)	(41)	(0)	(162)
<b>Profit after tax</b>	<b>777</b>	<b>106</b>	<b>147</b>	<b>0</b>	<b>1 029</b>

### 30 June 2016 (YTD)

<i>All amounts in millions of NOK</i>	Norway	Sweden	Denmark	Eliminations*	Total Group
Net interest income	1 338	683	627	7	2 654
Net commission income and income from banking services	96	66	65	-	228
Value change and gain/loss on foreign exchange and securities	44	(1)	(5)	(7)	32
Other operating income	565	5	3	-	573
Operating expenses, salaries, depreciation	(533)	(436)	(290)	-	(1 259)
Losses on loans, guarantees etc.	(316)	(70)	(52)	-	(439)
<b>Operating result</b>	<b>1 194</b>	<b>246</b>	<b>349</b>	<b>0</b>	<b>1 789</b>
Total tax	(191)	(54)	(77)	(0)	(322)
<b>Profit after tax</b>	<b>1 002</b>	<b>192</b>	<b>272</b>	<b>0</b>	<b>1 467</b>
Cash and receivables on central banks	57	-	-	-	57
Deposits with and loans to financial institutions	379	477	(160)	-	696
Total loans before write-downs	50 278	28 029	24 499	-	102 806
Write-downs	(1 578)	(423)	(344)	-	(2 345)
Repossessed assets	8	-	-	-	8
Commercial papers and bonds	9 006	2 889	3 771	-	15 667
Financial trading derivatives	561	-	0	-	561
Ownership interests in group companies and other entities	1 226	-	-	-	1 226
Other assets	6 607	1 425	1 008	(51)	8 989
<b>Total assets</b>	<b>66 544</b>	<b>32 397</b>	<b>28 774</b>	<b>(51)</b>	<b>127 664</b>
Debt to credit institutions	11 975	14 601	18 711	12	45 299
Deposits from customers	17 653	12 916	9 163	-	39 732
Financial derivatives	516	-	-	-	516
Debt issued by securities	16 532	3 454	-	-	19 987
Other liabilities	4 453	1 266	863	(63)	6 518
Equity	15 415	160	38	-	15 612
<b>Total liabilities and equity</b>	<b>66 544</b>	<b>32 397</b>	<b>28 774</b>	<b>(51)</b>	<b>127 664</b>

\* Eliminations of other assets and debt to credit institutions are mainly intercompany loans between Norway and Denmark

## 9. Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 30 June 2016	Financial assets at fair value through P&L	Available for sale financial assets at fair value	Held to maturity investments	Loans and receivables	Book value
Cash and receivables on central banks	-	-	-	57	57
Deposits with and receivables on financial institutions	-	-	-	696	696
Net loans to costumers	-	-	-	100 461	100 461
Commercial papers and bonds	-	9 318	6 349	-	15 667
Financial derivatives	561	-	-	-	561
Ownership interests in group companies and other entities	1 207	18	-	-	1 226
Consignments	-	-	-	1 113	1 113
Other Assets	14	-	-	6 679	6 693
<b>Total financial assets</b>	<b>1 783</b>	<b>9 336</b>	<b>6 349</b>	<b>109 005</b>	<b>126 473</b>
				<b>Non financial assets</b>	1 191
				<b>Total assets</b>	<b>127 664</b>

  

Classification of financial liabilities 30 June 2016	Financial liabilities at fair value through P&L	Financial liabilities measured at amortized cost	Booked value	
Loans and deposits from credit institutions	-	45 299	45 299	
Deposits from and debt to customers repayable on notice	-	39 732	39 732	
Financial derivatives	516	-	516	
Bonds and other long term loan raising	-	19 987	19 987	
Subordinated loan capital	-	3 782	3 782	
<b>Total financial liabilities</b>	<b>516</b>	<b>108 800</b>	<b>109 316</b>	
			<b>Non financial liabilities and equity</b>	18 348
			<b>Total liabilities</b>	<b>127 664</b>

  

Classification of financial assets 31 December 2015	Financial assets at fair value through P&L	Available for sale financial assets at fair value	Held to maturity investments	Loans and receivables	Book value
Cash and receivables on central banks	-	-	-	59	59
Deposits with and receivables on financial institutions	-	-	-	923	923
Net loans to costumers	-	-	-	97 829	97 829
Commercial papers and bonds	-	8 613	7 162	-	15 775
Financial derivatives	1 157	-	-	-	1 157
Ownership interests in group companies and other entities	1 247	52	-	-	1 299
Consignments	-	-	-	1 068	1 068
Other Assets	-	-	-	6 402	6 402
<b>Total financial assets</b>	<b>2 404</b>	<b>8 665</b>	<b>7 162</b>	<b>106 280</b>	<b>124 511</b>
				<b>Non financial assets</b>	1 023
				<b>Total assets</b>	<b>125 535</b>

  

Classification of financial liabilities 31 December 2015	Financial liabilities at fair value through P&L	Financial liabilities measured at amortized cost	Booked value	
Loans and deposits from credit institutions	-	46 593	46 593	
Deposits from and debt to customers repayable on notice	-	37 381	37 381	
Financial derivatives	1 076	-	1 076	
Bonds and other long term loan raising	-	19 383	19 383	
Subordinated loan capital	-	3 827	3 827	
<b>Total financial liabilities</b>	<b>1 076</b>	<b>107 184</b>	<b>108 261</b>	
			<b>Non financial liabilities and equity</b>	17 274
			<b>Total liabilities</b>	<b>125 535</b>

For the financial assets and liabilities above the fair value is a reasonable approximation to the book value.

## 10. Valuation hierarchy

### Financial instruments measured at fair value

		Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
<i>All amounts in millions of NOK</i>					
<b>Financial assets</b>					
<i>Name</i>	<i>Type</i>				
Bilkredditt 4	Fixed amort.profile BK4	-	94	-	94
Bilkredditt 5	Fixed amort.profile BK5	-	114	-	114
Bilkredditt 6	Fixed amort.profile BK6	-	340	-	340
Bilkredditt 7	Fixed amort. Profile BK7	-	14	-	14
<b>Total financial trading derivatives</b>		-	<b>561</b>	-	<b>561</b>
<i>Name</i>	<i>Type</i>				
EMTN2 Bond	EMTN Fixed Floating	-	3	-	3
Third EMTN	EMTN Fixed Floating	-	4	-	4
SEK EMTN Bond	SEK IRS 2Y	-	1	-	1
SEK EMTN Bond	SEK IRS 3Y	-	5	-	5
<b>Total derivatives defined as accounting hedges</b>		-	<b>14</b>	-	<b>14</b>
<i>Name</i>	<i>Type</i>				
Government bonds and Treasury Bills	Bonds	3 066	-	-	3 066
Covered Bonds	Bonds	6 253	-	-	6 253
<b>Total commercial papers and bonds *</b>		<b>9 318</b>	-	-	<b>9 318</b>
<b>Total</b>		<b>9 318</b>	<b>575</b>	-	<b>9 893</b>
<b>Financial liabilities</b>					
<i>Name</i>	<i>Type</i>				
Bilkredditt 4	Pass-through swap BK4	-	80	-	80
Bilkredditt 5	Pass-through swap BK5	-	104	-	104
Bilkredditt 6	Pass-through swap BK6	-	313	-	313
Bilkredditt 7	Pass-through swap BK7	-	13	-	13
EMTN2 Bond	EMTN2 fixed fixed	-	5	-	5
<b>Total financial derivatives</b>		-	<b>516</b>	-	<b>516</b>
<b>Total</b>		-	<b>516</b>	-	<b>516</b>

Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for at normal market conditions. Highest level of quality in relation to fair value is based on quoted prices in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory authority and these prices represent actual and regularly occurring transactions at arm's length.

**Level 1:** Instruments at this level obtain fair value from quoted prices in active markets for identical assets or liabilities that the entity has access by the reporting date. Examples of instruments at Level 1 are listed government bonds.

**Level 2:** Instruments at this level is not considered to have an active market. Fair value obtained from observable market data; this includes mainly prices based on identical instruments, but where the instrument is not sufficiently high trading frequency, as well as prices based on corresponding assets and price leading indicators that can be confirmed from market information. Examples of instruments at Level 2 are securities priced out of interest rate paths. The fair value at level 2 is calculated by discounting future cash flows. The cash flows are mainly known due to contractual conditions, in addition to a marked regulated interest rate element. (e.g. EURIBOR)

**Level 3:** Instruments at Level 3 contain no observable market data or traded on markets that are considered inactive. The price is based mainly on own calculations, where actual fair value may deviate if the instrument were to be traded.

\* Government bonds are included in the balance sheet line "commercial papers and bonds". The balance sheet line also include B and C tranche bonds from the SPVs that are not booked at fair value. See note 9.

## 11. Issued Securities

<i>All amounts in millions of NOK</i>	Q2 2016	Q2 2015	FY 2015
Senior unsecured issued securities	19 987	17 819	19 383
Asset backed issued securities	-	-	-
<b>Total issued securities</b>	<b>19 987</b>	<b>17 819</b>	<b>19 383</b>

Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in March to a value of NOK 500 MM.

Santander Consumer Bank AS issued bonds on the Irish stock exchange in February to a value of EUR 500 MM (NOK 4 707 MM)

Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in May to a value of NOK 700 MM.

The additional change in balance sheet value of senior unsecured issued securities is the reevaluation of the Euro and SEK bonds

## 12. Receivables and liabilities to related parties

### Debt to related parties:

<i>All amounts in millions of NOK</i>	Q2 2016	Accrued interest Q2 2016	Q2 2015	Accrued interest Q2 2015	FY 2015	Accrued interest FY 2015
Balance sheet line: "Loans and deposits from credit institutions with an agreed term"						
<i>Santander Benelux</i>	3 258	13	16 189	29	5 877	22
<i>Santander Consumer Finance S.A.</i>	24 758	9	495	6	19 140	5
<i>Banco Santander</i>	4	-	-	-	-	-
<i>Abbey National Treasury Services plc</i>	54	-	-	-	-	-
<i>Debt to SPV on future cash flow of securitized loans</i>	17 168	6	19 296	3	21 550	-
<b>Total</b>	<b>45 242</b>	<b>28</b>	<b>35 980</b>	<b>38</b>	<b>46 566</b>	<b>27</b>

Balance sheet line: "Subordinated loan capital" - Bonds

MNOK 180, maturity September 2016, 3 months NIBOR +0.55%*	180	0	180	0	180	0
MNOK 80, maturity October 2017, 3 months NIBOR +1.75%**	80	0	80	0	80	0
MNOK 250, maturity March 2025, 3 months NIBOR + 2.2575%**	250	2	250	0	250	2
MEUR 13 maturity December 2020 12 months EURIBOR +3,20%**	-	-	105	2	-	-
Hybrid capital - perpetual bond, 3M NIBOR + 6,50%**	2 250	29	2 250	32	2 250	30
MNOK 250, maturity July 2025, 3 months NIBOR+3.135%**	250	0	-	-	250	0
MSEK 750, maturity December 2024, 3 months STIBOR+2.2825%**	740	0	-	-	784	0
<b>Total</b>	<b>3 750</b>	<b>32</b>	<b>2 865</b>	<b>35</b>	<b>3 794</b>	<b>34</b>

\* Banco Santander S.A

\*\* Santander Consumer Finance S.A

### Receivables on related parties:

<i>All amounts in millions of NOK</i>	Q2 2016	Accrued interest Q2 2016	Q2 2015	Accrued interest Q2 2015	FY 2015	Accrued interest FY 2015
Balance sheet line: "commercial papers and bonds"						
<i>B and C notes issued by SPVs</i>	6 343	6	6 331	2	7 162	2
Balance sheet line: "Deposits with and receivables on financial institutions"						
<i>Subordinated loan to SPVs</i>	-	-	1 943	1	-	-
Balance sheet line: "Other assets"						
<i>Loan to subsidiary (Santander Consumer Bank OY)</i>	4 883	11	3 956	4	4 321	21
<i>Subordinated loan to SPVs</i>	1 497	1	-	-	1 885	2

The interest rate on intercompany loans are priced in accordance with marked conditions for parties at arm's length.

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

### 13. Transactions with related parties

All amounts in millions of NOK

The group is controlled by Santander Consumer Finance S.A. which owns 100% of the company's shares. The group's ultimate parent is Grupo Santander. All companies within Grupo Santander is considered related parties. In addition, the SPV (securitization of car loans) are also considered as related Parties.

Transactions with related parties are mostly interest on funding from the parent company, ultimate parent or from Santander Benelux. SCB AS has transactions with the SPVs through funding and cash flows as agreed in the securitization process.

The following transactions were carried out with related parties:

	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015	Financial year 2015
Interest income	232	218	466	521	1 000
Interest expenses	(317)	(602)	(648)	(743)	(1 550)
Fees	40	84	67	114	234
<b>Net transactions</b>	<b>(45)</b>	<b>(299)</b>	<b>(115)</b>	<b>(109)</b>	<b>(317)</b>

Santander Consumer Bank AS had transactions with the following related parties per 30.06.2016

Banco Santander S.A  
Santander Benelux B.V.  
Santander Consumer Finance S.A.  
Santander Consumer Bank OY  
Santander Insurance Europe Ltd.  
Santander Insurance Services Ireland Ltd  
Abbey National Treasury Services plc

SPV:

Bilkreditt 1 Ltd.  
Bilkreditt 2 Ltd.  
Bilkreditt 3 Ltd.  
Bilkreditt 4 Ltd.  
Bilkreditt 5 Ltd.  
Bilkreditt 6 Ltd.  
Bilkreditt 7 Ltd.  
Dansk Auto Finansiering 1 Ltd.  
SV Autofinans 1 Ltd.  
SV Autofinans Warehousing 1 Ltd.  
SCF Ajoneuvohallinto Ltd.  
SCF Rahoituspalvelut Ltd.  
SCF Ajoneuvohallinta Ltd.  
SCF Rahoituspalvelut 2013 Ltd.  
SCFI Ajoneuvohallinto Ltd.  
SCFI Rahoituspalvelut Ltd.  
SCF Ajoneuvohallinto I Ltd.  
SCF Rahoituspalvelut I DAC

## About Santander

Santander Consumer Bank AS is owned by Santander Consumer Finance S.A., which is part of Grupo Santander, one of the world's largest banks. Santander Consumer Finance S.A. is among the leaders in Europe within car- and consumer finance. The division is present in 15 countries across Europe. The Nordic region is considered a key growth area.

Banco Santander's commercial model aims to satisfy the needs of all types of customers such as, individuals with different income levels, companies of any size, private companies and public institutions. Developing lasting and sustainable relations with these customers is the Bank's main objective. The aim is to be the best retail and commercial bank that earns the lasting loyalty of employees, customers, shareholders and communities. The Santander Group currently serves more than 121 million customers, it has 3.6 million shareholders, and 193 863 employees and has helped 1.2 million peoples in the communities in which it operates.