

# Second Quarter Report 2020

Santander Consumer Bank Nordic Group  
and Santander Consumer Bank AS



## Letter from CEO

The past six months have been very challenging. The pandemic has tested us all and I am proud of how we, as a Group, have responded.

Our focus has been on the human perspective rather than the financial; the well-being of employees, customers and partners has been our utmost priority. Our teams have helped communities and organizations respond to the pandemic, we have issued payment holidays when our customers needed it most and distributed government liquidity loans to partners.

We have seen impact of the pandemic in our financials in the Nordic region - the Group has delivered acceptable results through the second quarter.

Businesswise, our resilient model and robust capital situation has ensured sustainable operating performance, as we continue to have focus on business initiatives, closely monitoring the market and the COVID-19 situation. During these challenging times, we have successfully integrated the acquired Forso Nordic AB, and significantly strengthened our position within auto financing.

In times where the pandemic continues to cause significant disruption throughout the global economy, we will remain proactive in managing the situation and we are confident about the potential for value creation within our business going ahead.



A handwritten signature in black ink, appearing to read 'Michael Hvidsten'.

Michael Hvidsten, CEO

## Table of Contents

Profit and Loss - Santander Consumer Bank Nordic Group.....	13
Balance Sheet - Santander Consumer Bank Nordic Group.....	14
Cash Flow - Santander Consumer Bank Nordic Group .....	15
Statement of changes in equity - Santander Consumer Bank Nordic Group .....	16
Profit and Loss - Santander Consumer Bank AS.....	18
Balance Sheet - Santander Consumer Bank AS .....	19
Cash Flow - Santander Consumer Bank AS.....	20
Statement of changes in equity - Santander Consumer Bank AS.....	21
Note 1 - Basis of preparation.....	25
Note 2 - Accounting principles.....	25
Note 3 - Credit risk exposure .....	26
Note 4 - Risk classification .....	28
Note 5 - Loss allowance .....	29
Note 6 - Liquidity coverage ratio .....	33
Note 7 - Capital adequacy.....	34
Note 8 - Segment information .....	37
Note 9 - Net interest income .....	40
Note 10 - Classification of financial instruments.....	41
Note 11 - Valuation Hierarchy .....	43
Note 12 - Loans to customers.....	46
Note 13 - Impairment losses on loan, guarantees etc.....	47
Note 14 - Issued securities.....	47
Note 15 - Receivables and liabilities to related parties .....	48
Note 16 - Transactions with related parties .....	49
Note 17 - Business combination .....	50
Note 1 - Basis of preparation.....	52
Note 2 - Accounting principles.....	52
Note 3 - Credit risk exposure .....	53
Note 4 - Risk classification .....	55
Note 5 - Loss allowance .....	56
Note 6 - Liquidity Coverage Ratio .....	60
Note 7 - Capital adequacy.....	61
Note 8 - Segment information .....	64

Note 9 - Net interest income .....	67
Note 10 - Classification of financial instruments .....	68
Note 11 - Valuation Hierarchy .....	70
Note 12 - Loans to customers .....	72
Note 13 - Impairment losses on loan, guarantees etc.....	72
Note 14 - Issued securities.....	73
Note 15 - Receivables and liabilities to related parties .....	74
Note 16 - Transactions with related parties .....	75
Note 17 - Business combination .....	76

# Second quarter report 2020

## Highlights

- Despite of the COVID-19 pandemic, operations of the Group in the second quarter of the year was impacted only marginally. Risk analysis of the pandemic's impact on business processes demonstrated that no relevant process had significantly increased risk exposure as a result of changes and modifications applied.
- Lending increased with 13% (20 Bn NOK) and net interest income increased with 10% compared to second quarter 2019. The increase is due to the acquisition of Forso Nordic AB with a current outstanding portfolio of 8 Bn NOK and a significantly weaker NOK creating a foreign exchange impact of 12 Bn NOK, which is also the drivers for the increased net interest income.
- Following the COVID-19 situation sales of new cars and use of credit cards have been significantly reduced. The Group is also offering payment holidays to end customers and liquidity loans to dealers to assist in the crisis. Due to payment holidays we see a reduction in customer payback.
- Net impairment losses for the second quarter is 308 MM NOK, a higher loss of 768 MM NOK compared to second quarter 2019. A smaller bad debt sale compared to last year (a gain of 250 MM NOK this year vs 875 MM NOK last year), and recognition of specific reserves of 85 MM NOK related to the COVID-19 situation is the reasons for the increased losses.
- Deposit volumes increased by 22%, compared to the second quarter of 2019, and continues to be the largest funding source of the Group.
- The Group's profit before tax was 857 MM NOK a decrease of 43% compared to last year.

## Key figures Santander Consumer Bank Group

<i>All amounts in millions of NOK</i>	<b>Q2 2020*</b>	<b>Q2 2019</b>	<b>YTD Q2 2020*</b>	<b>YTD Q2 2019</b>	<b>2019</b>
<b>Net interest income</b>	<b>1 957</b>	<b>1 771</b>	<b>3 857</b>	<b>3 541</b>	<b>7 174</b>
<i>Growth</i>	<i>10%</i>	<i>3%</i>	<i>9%</i>	<i>4%</i>	<i>4%</i>
<b>Gross margin</b>	<b>2 015</b>	<b>1 876</b>	<b>3 897</b>	<b>3 796</b>	<b>7 595</b>
<i>Growth</i>	<i>7%</i>	<i>3%</i>	<i>3%</i>	<i>4%</i>	<i>3%</i>
<b>Profit before tax</b>	<b>857</b>	<b>1 514</b>	<b>1 566</b>	<b>2 314</b>	<b>3 611</b>
<i>Growth</i>	<i>-43%</i>	<i>16%</i>	<i>-32%</i>	<i>13%</i>	<i>-13%</i>
<b>Profit after tax</b>	<b>618</b>	<b>1 160</b>	<b>1 254</b>	<b>1 762</b>	<b>2 869</b>
<i>Growth</i>	<i>-47%</i>	<i>18%</i>	<i>-29%</i>	<i>15%</i>	<i>-9%</i>
<b>Total assets</b>	<b>203 452</b>	<b>174 358</b>	<b>203 452</b>	<b>174 358</b>	<b>180 941</b>
<i>Growth</i>	<i>17%</i>	<i>9%</i>	<i>17%</i>	<i>9%</i>	<i>3%</i>
<b>Net Loans to customers</b>	<b>179 901</b>	<b>159 048</b>	<b>179 901</b>	<b>159 048</b>	<b>161 392</b>
<i>Growth</i>	<i>13%</i>	<i>10%</i>	<i>13%</i>	<i>10%</i>	<i>1%</i>
<b>Customer deposits</b>	<b>75 436</b>	<b>61 826</b>	<b>75 436</b>	<b>61 826</b>	<b>65 484</b>
<i>Growth</i>	<i>22%</i>	<i>17%</i>	<i>22%</i>	<i>17%</i>	<i>20%</i>

\*The 2020 Figures is affected by the acquisition of Forso Nordic AB.

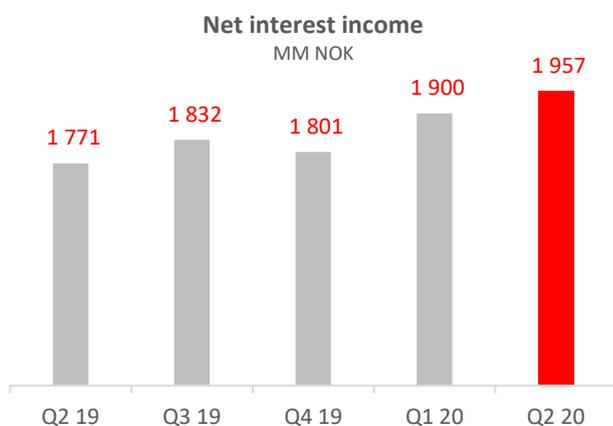
## Financial Performance for the second quarter of 2020

### Results

The Group's<sup>1</sup> financial results for the second quarter of 2020 show an acceptable result with a stronger gross margin compared to Q2 2019, but the COVID-19 pandemic has been challenging and affected the bottom line for the quarter.

The Group's profit before tax in the second quarter of 2020 was 857 MM NOK, a decrease of 43% compared to second quarter last year. The decrease is driven by increased net impairment losses on loans which increased by 768 MM NOK, compared to the same period last year. In the second quarter the Group sold portfolios of non-performing loans and written off loans, resulting in a net gain of approximately 250 MM NOK. Compared to the sale in Q2 2019 with a net gain of approximately 875 MM NOK, this represent the main driver for the increased losses. In addition, the Group have recognized specific reserves related to the COVID-19 pandemic of 85 MM NOK and losses for the acquired portfolio in Forso Nordic AB of 46 MM NOK which also have contributed to a higher loss compared to last year.

Net interest income increased by 186 MM NOK compared with Q2 2019, up 10%. The increase is driven by higher lending volumes from the acquired Forso portfolio of 8 Bn NOK, but a weak NOK have also created a positive impact on the interest income from the branches and subsidiaries.



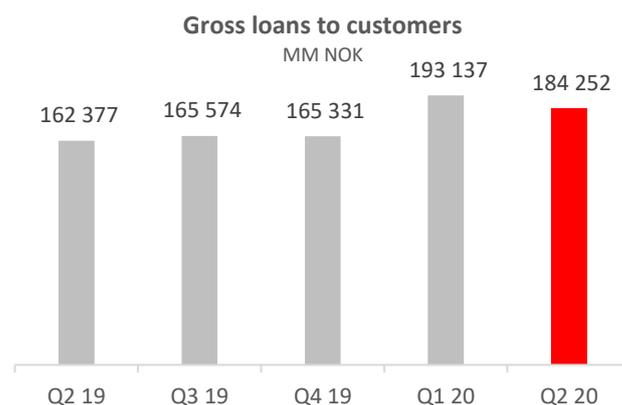
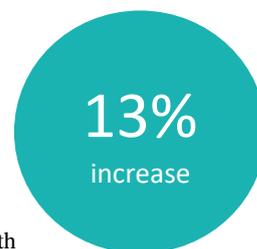
Net fee and commission income decreased by 33 MM NOK compared to second quarter of 2019. Operating expenses for the period was 842 MM NOK, compared with 807 MM NOK in the second quarter of 2019. The increase of 35 MNOK is mainly driven by the recognition of a restructuring cost in Forso AB Nordic of 57 MM NOK, on the other side fewer employees had a positive effect on the personell expenses, compensating some of the restructuring cost.

<sup>1</sup> The Group refers to Santander Consumer Bank AS including its subsidiary in Finland and Sweden, Santander Consumer Finance OY and Forso Nordic AB

## Loans and Deposits Performance

### Loans to Customers

The Group's gross outstanding loans to customers were 184.3 Bn NOK at Q2 2020. This is an increase of 13% (20.9 Bn NOK) compared to Q2 2019. 8 Bn NOK of the increase is from the acquired portfolio in Forso Nordic AB, 1 Bn NOK is organic growth and the remaining is foreign exchange effect due to the weaker NOK towards SEK, DKK and EUR. Compared to Q1 2020 there is a decrease in loans to customers of 11.9 Bn NOK. The portfolio is affected by the volatility in NOK creating a negative foreign exchange effect of 2.2 Bn NOK in the second quarter. The COVID-19 pandemic have disabled deliveries of new cars to dealers resulting in a reduction of the stock finance portfolio and the unsecured portfolio have also reduced as customers use less credit cards because travelling is restricted by the pandemic explaining the remaining variance.



### Auto and Leisure Financing

As a result of the COVID-19 impact across the globe, car manufacturers closed factories, causing major disruption in the supply of new cars. Factories are scheduled to restart between June and September, continuing to impact the Group's Wholesale financing opportunity. Nevertheless, all dealerships have remained open the entire period and retail financing continued. Between May and June many of the COVID-19 related restrictions in society have been lifted throughout the Nordics. Profitability of the network is improving, as AfterSales activity and increased Used Car sales compensate for the loss of new car sales margin. The Group has implemented several actions related to COVID-19 throughout the region aiming to help both dealers and customers with their payments, while protecting profitability and ultimately prevent or

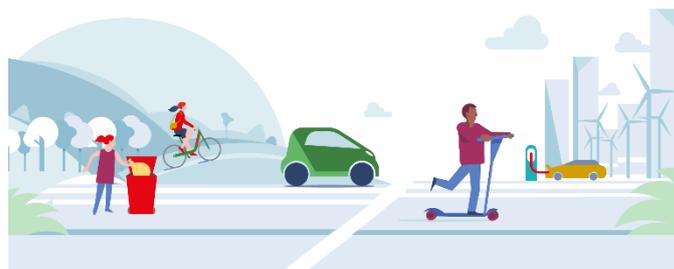
limit write offs. Up till now, these arrangements have been less used than expected and most special arrangements have ended during June.

Total new car sales of passenger cars and light commercial vehicles (PC & LCV) in the Nordic market reached 367 296 units up to June 2020, a decrease of 25.5% compared to the same period in 2019. For new car registrations figures continue to be well below 2019, with sales averaging -25% in June 2020 versus 2019. Denmark's recovery which started earliest also shows the smallest difference versus previous year (-13%). Growth is however visible in the sales of used cars, June YTD figures are turning positive compared to 2019, especially strong in Norway where used car performed 29% higher in June 2020 versus June 2019. Expectations for the full year 2020 vary due to the uncertainties in the market and the development of COVID-19. The current outlook for the total new car sales is between 750.000 and 800.000 units approximately a 20% decrease compared to 2019 numbers. The expectation is that used cars sales will be back (and over) pre-COVID-19 levels during the year. Leisure sales, especially those of motorcycles and caravans performed well and up to 20% higher during the peak COVID-19 weeks.

The Group has retail financed 34.064 new and 83.391 used cars, down 18.1% and 10.1% respectively compared to the same period in 2019, with Wholesale funding taking an even larger hit. Balancing risk, growth and profitability is a key priority for the Group. The Group has set aside sufficient reserves for further adverse market conditions. Performance will be subject to the currency movements and price changes in the markets. Present outstanding volume is 148.3 Bn in June, an increase of 15.6% compared to last year. The main driver of increased volume is the acquisition of Forso AB.

In all markets, there is increased sales of hybrid and electrical cars. Norway is the frontrunner where approximately 50% of all new personal cars sold are fully electric. The Group has a high market share in the financing of electrical and hybrid cars due to the strategic partnerships with some of the main manufacturers. The Group continues to expand partnerships, which will present new opportunities and a strengthened position across the region. In February 2020 The Group acquired Forso Nordic AB and went into a long term partnership with Ford in the Nordic region. The total outstanding portfolio, consisting of auto loans and leasing contracts, is approximately 1.3 Bn EUR, which is 8% of the total balance of The Group. During 2020 several Captive Agreements are up for renewal and preparations are being made to ensure continued success.

The EU legislation regarding emissions (CAFÉ) phased-in from 2020, fully effective from 2021, sets mandatory Co2 emission reduction targets for new cars sold in Europe. Max 95g Co2/km with a fee to be paid by the manufacturer if the target is not met. Manufacturers have postponed the sales of low emission cars until January 2020 and sold out cars with a higher Co2 per km during the last months of 2019.



### Unsecured Financing

The COVID-19 pandemic and current aftermath is being closely monitored and appropriate measures are regularly assessed and taken in order to ensure the safety and security of our colleagues, partners and customers. From a commercial perspective, the Group has prioritized to have relevant and customized communication to partners and customers in all channels, attentive customer service and safeguard that the Group's conservative risk approach is prioritized ahead of volume and increased consumer lending during times of continued uncertainty.

Overall, present Nordic outstanding volume is at 37.4 Bn NOK vs. 34.9 Bn NOK in June 2019, an increase of 7.3% compared to last year. In Norway, the unsecured financing market has in general declined 10%, partly due to lockdown effects of COVID-19 from March but also due to the new regulatory landscape and tightening of credit. The Group expects a similar development in Denmark as new consumer protection legislation has been coming into play. The Group's One Bank approach enables capitalization from the four Nordic countries differing in terms of dynamics and competition. Following the macro impacts stemming from COVID-19, the Group's has also seen governments engaging in discussions or implementing additional regulatory schemes protecting consumers, such as in Denmark and Finland.

The lockdown effects of COVID-19 have negatively affected Credit Card sales and transactions, due to changed consumer behavior and declining sales in the travel and tourism segments, which is the key target segment for the Group's value proposition. Outstanding volume has decreased from 6 526 MM NOK as of Q2 2019 to 6 128 MM NOK as of Q2 2020. As the restrictions are easing at difference rates in the Nordic markets consumer confidence in travel and tourism will slowly recover although it will take time before consumption is back to pre-COVID-19 levels.

So far, there has been moderate impact on Consumer Loans due to COVID-19, however, as the short-term macro and consumers micro economy situation aggravates the market has started to tighten underwriting with effect that high indebted customers no longer will be able to pay for old loans through new financing. Hence a high focus on reducing exposure towards high indebted customers that are more likely to be impacted by market tightening. In Finland, a new legislation with a lower interest rate cap and direct marketing ban will be effective from July 1, 2020, the impact of the new legislation for the Finnish subsidiary is estimated to be minimal and it is at the Group's core to ensure compliance and responsible lending.

## Santander Consumer Bank

However, the legislation might have a wider impact on the Finnish market, specifically the growing consumer lending market, which is monitored closely. For unsecured lending, present outstanding volumes in the Nordics have increased from 28 371 MM NOK to 31 316 MM NOK, a 10% growth, compared to last year.

Despite of the current pandemic, present outstanding volume for Sales Finance has only declined 1.7% compared to last year. In addition the sales finance market has significantly attracted attention from traditional players as well as by new entrants seeking a share of an expanding and changing “buy now - pay later” market.

During Q2, we have seen an overall drop in the market but with significant differences within the Nordic markets and even on a micro basis within segments and particular regions. It is apparent that particular segments, such as electronics and DIY (“Do it yourself”), have managed the crisis well while others have suffered, such as travel.

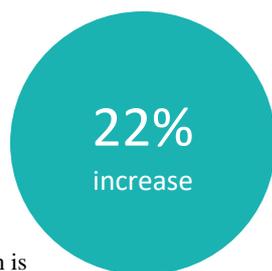
On a pan-Nordic basis, the Group is well positioned in segments less impacted by the COVID-19 crisis. The pandemic has acted as a catalyst for the e-commerce market, with consumer behavior and preference drastically changing to online, a channel where the Group is driving a need for increased sales and new merchants for the Group across all Nordic markets.

### Deposits

Customer deposits are the largest funding source of the Group and it continues to be a strategic priority to grow in this area. Deposit-taking capabilities have been developed in Norway, Sweden and Denmark over the last years. Sweden is the only unit with ongoing cooperation with a broker. The cooperation expands the number of customer channels, providing a diversification for the Deposits portfolio. The focus in the second quarter of 2020 has been on improvements of the customer experience, optimizing the existing portfolio and developing new products, while also searching for new opportunities and fulfilling legal requirements.

Customer experience has improved in all units, hence our continuously optimization of mobile responsive onboarding solutions, net banks, apps and chat bots. Analysis in order to improve customer experience continued in Q2 2020. The Bank<sup>2</sup> has initiated a collaboration cross Norway, Sweden and Denmark in order to create one simplified and more efficient onboarding solution for the Deposits customers in the Bank.

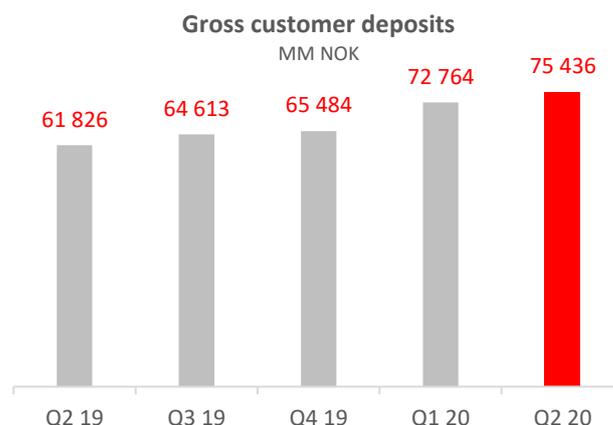
The Bank is member of the Norwegian Banks' Guarantee Fund. Customer Deposits are covered according to the local guarantee limits, providing our Deposits customers guaranteed amount per



debtor of 100.000 EUR in Denmark and Sweden, and 2 MM NOK in Norway.

During Q2, the Bank experienced only minor changes in customer behaviour related to the COVID-19 situation.

Total outstanding volumes is 75 436 MM NOK per June 2020, representing an increase of 13 610 MM NOK (22%), compared to June 2019. In local currency the deposit portfolio have increased with more than 8% or for all countries, however the additional increase in NOK value of the portfolio is due to the weak NOK towards SEK and DKK.



## Risk Management

The Group 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 in Q2 2020 remains stable for the total portfolio, with only a marginal change in risk profile compared to Q2 2019, in line with business strategy. The consolidated Non-Performing Loans (NPL) Ratio ended at 2.36% (1.31% for Secured and 6.48% for Unsecured portfolios) in Q2 2020, compared to 2.05% in Q2 2019 (1.17% for Secured and 5.27% for Unsecured). The increase is primarily driven by the write-off policy, effective from the second part of 2019 in Norway.

The loan loss reserves have increased in proportion with increase in Non-performing portfolio, from 3 413 MM NOK per Q2 2019 to 4 421 MM NOK per Q2 2020. The total reserves as of Q2 2020 of

<sup>2</sup> The Bank refers to Santander Consumer Bank AS including its branches in Sweden and Denmark, but excluding the subsidiaries in Finland and Sweden

4.420 MM NOK include 4 350 MM NOK related to loans to customers and 71 MM NOK connected to off-balance exposures.

In relation to the COVID-19 pandemic impacting the Group, a notable amount of payment holidays request has been observed. In order to cover the potential losses of these clients missing payments when the payment holiday measures end, a reserve of 85 MM NOK has been booked on June close. These reserves are distributed by the amount expected to be lost on every unit. The Group is continuously reassessing COVID-19 impact and it will continue to adopt new measures if necessary.

### LIQUIDITY AND INTEREST RATE RISK

Liquidity risk is managed by monitoring regulatory metrics: Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), in addition to internally developed liquidity stress test models and metrics in order to capture the Group's ability to survive in stressful conditions. The Group has a healthy liquidity position, managed at Nordic level to ensure efficient use of liquidity across the Group. As of June 2020, the Group's LCR was 239%. The latest available NSFR as of Q2 2020 was 107.38 %. Both metrics are comfortably exceeding the regulatory requirements.

The Group manages interest rate risk by aiming to match the repricing of the liabilities with the repricing of the underlying assets (loans to customers). An appropriate balance sheet structure ensures that the impact of changes in interest rates on net interest income and equity value are contained. Interest rate risk in the Group is measured using the Net Interest Margin (NIM) sensitivity and Market Value of Equity (MVE) sensitivity to account for the impact of various shifts in the underlying market rates over NIM and MVE. Both metrics were within appropriate limits for all currencies at the end of Q2 2020.

With the market turbulence during the spring of 2020, the Group did not see an extraordinary volatility in its liquidity or interest rate risk metrics. The Group has a credit line with the parent company and has utilized this line when external funding has been difficult to raise or when it has been too expensive compared to intragroup funding. The liquidity situation for the Group is solid and stable.

### FOREIGN CURRENCY RISK

The Group operates in countries with various currencies and is exposed to currency risk from these operations. The Group's strategy is to have 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, FX derivatives are used to swap liquidity to the currency when funds are needed and to offset the position created. The total open currency exposure as of end of Q2 2020 was 2 412 MM NOK equivalent for consolidated SEK, DKK, and EUR exposures. In light of the outbreak of the COVID-19 pandemic and oil price volatility, NOK depreciated dramatically against

EUR/SEK/DKK during March, which led to an increase in the net open position in foreign currencies the Group has. Since then, NOK has regained some of its strength against EUR/SEK/DKK.

### OPERATIONAL RISK

Despite of the COVID-19 pandemic, operations of the Group in the second quarter of the year was impacted only marginally. Capacity of VPN connections was increased accordingly in March enabling the majority of staff to start working remotely in accordance with governmental recommendations. From the beginning of April the percentage of employees working remotely reached about 90%. Close monitoring of business continuity risks by specialized response teams allowed for minimized impact on customers and business partners. Additional risk analysis of pandemics impact on business processes demonstrated that no relevant process had significantly increased risk exposure as a result of changes and modifications applied. In the beginning of June the restrictions were gradually released allowing for controlled return of employees, utilizing approximately 30% of premises capacity at the maximum. For the time being, the Group monitors closely the development of the situation and regulatory approaches in all Nordic countries.

## Funding

Maintaining a diversified funding platform is a strategic priority for the Group, as it enables flexibility, optimization of the cost of funds, and reduces reliance on support from the parent bank. The strategy is proving resilient in the face of the COVID-19 crisis, as the Group's deposit base remains strong and the access to parent liquidity fully open.



Over the past nine years, the Group has developed multiple funding channels ranging from deposit products across three of its four markets, unsecured bonds in the Norwegian, Danish, Swedish and European bond markets, including a Swedish green bond, and securitization transactions with assets from all four Nordic countries. Intragroup funding provides a buffer where critically needed. Historically, the Group has received all of its short-term funding from the parent, however, reliance has reduced somewhat in the past two years with the issuance of commercial paper in Norway and Sweden. The Group aims to maintain a consistent self-funding strategy, with variations due to seasonal fluctuations and timing of transactions. Self-funding sources totaled 76% per Q2 2020, with parent company loans providing the remaining 24%.

Customer deposits are the largest source of funding, comprising 45% of total funding per June 2020. The total outstanding volume amount to 75 436 MM NOK across the three Nordic markets where the Group is present. Deposit volumes have increased 22% (13 610

MM NOK) from second quarter in 2019, with expectations of continued significant importance.

The Group launched its inaugural Green Bond issuance in February 2020, following the publication of the Green Bond Framework in December 2019. The transaction was issued in the Swedish market, with a size of 1 Bn SEK. Consistent with the Framework, the transaction is supported solely by the sizeable EV portfolio in the Norwegian business. While providing an opportunity to further diversify the Group’s funding base, the Green Bond program also forms a key part of the Group’s Responsible Banking strategy, and it represents a contribution to the environmental progress of the communities in which the Group operates.

Capital markets issuance has been limited in Q2 2020, due to the impact COVID-19 has had on the capital markets. Senior unsecured issuance and certificates currently comprise 26% of the funding per Q2 2020. Senior unsecured issuance and certificates year-to-date Q2 2020 include 2 000 MM EUR in the Euro market, 7 110 MM SEK in the Swedish market, 1 250 MM DKK in the Danish market and 6 250 MM NOK in the Norwegian market. In addition, the Group is present in the certificates of deposits market in Norway and Sweden, with 250 MM NOK and 530 MM SEK currently outstanding as of end of Q2 2020.

Total outstanding bond and certificate issuance equals 37 977 MM NOK per June 2020, an increase of 458 MM NOK (1%) from end of 2019. The weighted average remaining term to maturity, excluding certificate issuances, is 2.31 years. This number fluctuates somewhat and typically remains around 2 years.

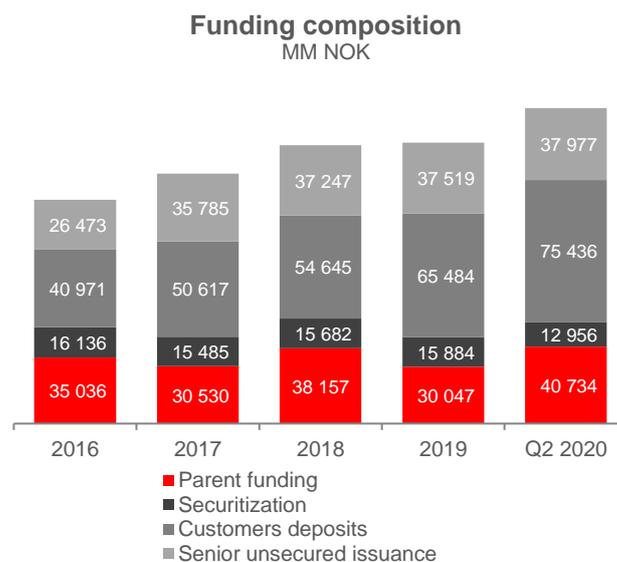
The Group is rated by Fitch (A-/F2/Outlook Stable) and Moody’s (A3/P2/Outlook Stable). The rating was first received in 2016 and has been maintained at the same level since then. However, due to challenges presented from the COVID-19 situation, Fitch placed the Group on Negative Outlook in April 2020. Fitch has taken a similar action for multiple banks across the sector. The revision of outlook on the rating to Negative from Stable has had no direct impact on the Group and reflects the rating action which was placed on our ultimate parent bank, Banco Santander S.A. At the same time Fitch upgraded the Group’s senior debt from -A to A which indicates financial stability and strong ability to repay senior unsecured debt.

The Group has not accessed the asset-backed securities market year-to-date Q2 2020. Securitization issuance in Norway has been paused due to the change in Norwegian law in 2016. Securitizing the Finnish portfolio, however, remains a consistent source of funding, since the Finnish subsidiary is not impacted by the regulatory change. As a result, the amount of funding received from the securitization markets has remained stable over the past three years. Total outstanding volumes currently equals 12 956 MM NOK, or 8% of the Group’s funding.

The Group looks to utilize its securitization capabilities more frequently going forward, once Norwegian legislation is harmonized with the new Securitization Regulation (Regulation (EU) 2017/2402),

together with the amendment to the Capital Requirements Regulation (Regulation (EU) 2017/2401). The new Securitization Regulation establishes a standardized framework for securitization and creates a specific framework for simple, transparent and standardized securitizations.

Loans and drawing rights from the parent bank and companies within Grupo Santander provide any remaining funding needs. These loans are priced at market rates, denominated in the local Nordic currencies and are currently concentrated in the shorter-end maturities.



## Solvency and Capital Adequacy

The Group is supervised by the Norwegian FSA and has to comply with the capital requirements for banks in Norway both at group level (the Group) and at stand-alone level (SCB AS). The Group had per June 2020 a solid capital adequacy position with a good margin of 285 bps over the regulatory requirement for common equity tier 1 (CET1).

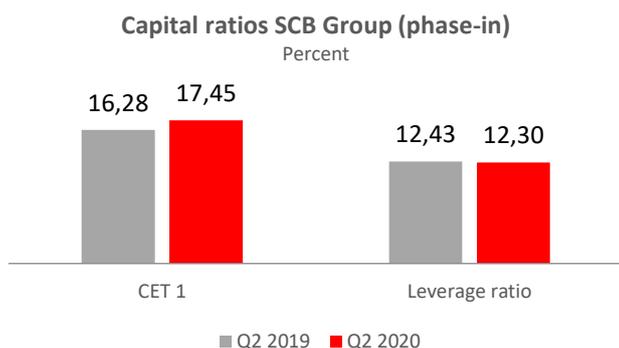
The CET1-ratio per end of Q2 2020, allowing for phase-in of IFRS 9 impact, was 17.45% for the Group and 17.93% for SCB AS. The CET1-ratio per end of Q2 2020 with the full IFRS 9 impact was 17.25% for the Group and 17.76% for SCB AS. The capital ratios using the transitional rules (phase-in) are the official ratios that have to meet minimum capital adequacy requirements.

The required leverage ratio for the Group is 5%. Per end of Q2 2020, the Group had a leverage ratio, allowing for phase-in of IFRS 9 impact, of 12.30%, while SCB AS established a leverage ratio of 13.58%.

During Q2 2020, risk weighted assets for Group have decreased by 8.1 Bn NOK to 135.1 Bn NOK contributing to a slight improvement

in CET1. The decrease is explained by strengthening of the NOK (2.2 Bn NOK), reduction in the stock finance portfolio (2.5 Bn NOK) and reduction in the unsecured portfolio (1.6 Bn NOK). Profit for Q2 2020 has not been audited and therefore was not included in the CET1 capital.

In light of the COVID-19 outbreak, regulators have reduced the countercyclical buffer (CCyB) in March. In June, the Norwegian FSA announced that it will not make new Pillar 2 decisions in the second half of 2020 (which would be applicable for 2021), unless special circumstances are identified indicating an increased need for capital. The expectation is therefore that the 3.3% Pillar 2 requirement for 2020 will be applicable also for 2021.



Change to the systemic risk buffer requirement, which is expected to take place from year end 2020, will enable banks to use the buffer requirements in the jurisdictions where it operates. With operations in the Nordic countries, this will result in lower capital requirements for SCB Group.

No dividend from the financial statements of 2019 has so far been paid in 2020. For further details regarding Capital Adequacy, please see Note 7 “Capital adequacy” for details on capital composition, risk weighted exposure and capital ratios per June 2020.

## Regulatory Changes

The number of regulatory initiatives in the financial sector continues to be high, both on EU level and locally. The Group continues to strive to take an active role in legislative processes related to Norwegian banks, both directly and via its membership in banking and finance company associations like Finans Norge and Finansieringsselskapenes Forening.

In the spring of 2019, EU adopted what is collectively called the “Banking Package” or the “Risk Reduction Package”, including changes to EU’s capital requirements legislation and the Bank Recovery and Resolution Directive, CRR II, CRD V and BRRD II. Entering into force in the EU from the spring of 2021. The legislation is EEA relevant and expected to be included in the EEA agreement. In February this year the Ministry of Finance asked the Financial Supervisory Authority of Norway to establish and take lead on a working group to review the Norwegian implementation. The

working group has been given a deadline of 1 October for this review.

The COVID-19 situation has dominated the regulatory developments as well as supervisory authorities’ activities in all the Nordic countries during the first part of this year. Various Emergency Power Acts and Regulations, Government Guarantee Schemes and Government Crisis Packages have been adopted, all seeking to mitigate the negative impacts of the corona virus and measures implemented to combat the spread of the virus. Additionally certain regulatory changes that was under development prior to the virus outbreak was set on hold and Nordic Financial Supervisory Authorities informed that certain ordinary supervisory activities was paused and reporting deadlines postponed whilst the Authorities were hands-on on the tackling of the turmoil caused by the COVID-19.

Norwegian banks are profitable and solid capital-wise, but the Norwegian counter-cyclical capital buffer requirement was reduced from 2.5 % to 1 %, in March, effective immediately and intended to mitigate a tightening of Norwegian bank’s lending, and The Ministry of Finance and the Supervisory Authority of Norway expressed that they expect Norwegian financial institutions to refrain from distributing 2019-profits and keep variable remuneration to individual employees at a conservative level until the economic uncertainty caused by the COVID-19 situation is reduced. The Government Bond Fund was reinstated with mandate to purchase corporate bonds and increase liquidity and access to capital in the bond market and Norges Bank has been offering F-loans to Norwegian banks.

Implemented measures have shown to be effective, still the economic situation has suffered a significant relapse to the the COVID-19 situation. In June, the Norwegian Central Bank (Norges Bank) advised that the counter-cyclical capital buffer requirement should be kept at 1 %. This advice was supported by the Financial Supervisory Authority of Norway, and followed by the Ministry of Finance in its decision. The European Systemic Risk Board recommended national authorities to request financial institutions to await distributing 2019-profits, buying back shares and providing variable remuneration to individual employees until at least January 2021 in order to ensure continued robust solidity to mitigate systemic risk and to contribute to economic recovery.

The period for the Norwegian Government- established SME and Corporate guarantee scheme for new loans has been prolonged from 1 June until 31 December.

The paused regular regulatory and supervisory activities are picking up. The Norwegian Ministry of Finance has asked the Financial Supervisory Authority of Norway to advice on how bank’s lending practices should be regulated when the Mortgage Regulation and the Consumer Loan Regulation expire end 2020. A proposal for new Norwegian Financial Agreements Act has been presented, further enhancing consumer protection by strengthening and specifying consumer rights.

## Digital Capabilities

Deliverables from the Group transformation project enabled a smooth transition from working on physical locations to home office, ensuring continuous business operations, as a response to the COVID-19 situation.



Common solutions and platforms, ways of working (encompassing an agile work culture) and common priorities across countries are increasing the Group's delivering capacity and capabilities - both within product development and in keeping operations compliant with regulatory requirements. The Group will also further evaluate how IT operations can be improved in cooperation with external service providers and technology vendors.

Through 2020, the Group will continue utilizing the new architecture and expect to realize the first gains of the investments and work delivered through 2019.

## Future Prospects

COVID-19 continues to cause significant disruption throughout the global economy, affecting the lives and prosperity of households and businesses in ways not previously experienced. The Group's priority throughout has been to assist customers, support partners and ensure the safety of employees.

The Nordic region has, on a relative basis, held up well amidst extremely challenging social and economic condition. Robust economic conditions pre-COVID-19, early social distancing actions and a highly digitalised society are some of the factors that has assisted in mitigating financial consequences of the virus for Nordic societies.

Strategically, the Group's core objectives remain unchanged. Focus and investment will be made to maintain leading positions in both the auto finance and unsecured lending markets in Nordics.

Underpinning this, continued emphasis is placed on the customer deposit platform, delivering on operational efficiencies and operating in accordance with our sustainability goals.

## Profit and Loss - Santander Consumer Bank Nordic Group

<i>All amounts in millions of NOK</i>	Note	Q2 2020	Q2 2019	YTD Q2 2020	YTD Q2 2019	FY 2019
Total interest income		2 317	2 127	4 596	4 237	8 596
Total interest expenses		-360	-356	-739	-697	-1 422
<b>Net interest income</b>	9	<b>1 957</b>	<b>1 771</b>	<b>3 857</b>	<b>3 541</b>	<b>7 174</b>
Fee and commission income		128	144	262	304	574
Fee and commission expenses		-73	-56	-135	-96	-208
Value change and gain/loss on foreign exchange and securities		5	8	-92	28	3
Other operating income		69	62	140	121	270
Other operating expenses		-71	-51	-135	-101	-217
<b>Gross margin</b>	9	<b>2 015</b>	<b>1 876</b>	<b>3 897</b>	<b>3 796</b>	<b>7 595</b>
Salaries and personnel expenses		-341	-365	-720	-703	-1 274
Administrative expenses		-451	-391	-838	-794	-1 647
Depreciation and amortisation		-49	-51	-96	-100	-257
<b>Net operating income</b>		<b>1 174</b>	<b>1 070</b>	<b>2 243</b>	<b>2 199</b>	<b>4 418</b>
Other income and costs		-8	-16	154	16	13
Impairment losses on loan, guarantees etc.	3, 4, 5, 13	-309	460	-831	99	-820
<b>Profit before tax</b>		<b>857</b>	<b>1 514</b>	<b>1 566</b>	<b>2 314</b>	<b>3 611</b>
Income tax expense		-239	-354	-312	-552	-742
<b>Profit after tax</b>		<b>618</b>	<b>1 160</b>	<b>1 254</b>	<b>1 762</b>	<b>2 869</b>
<b>Allocation of profit after tax</b>						
Transferred to other earned equity		581	1 126	1 169	1 694	2 729
Translation differences from foreign currencies		-1	-	9	-	-
Transferred to additional Tier 1 capital	16	38	34	76	68	141
<b>Total allocations</b>		<b>618</b>	<b>1 160</b>	<b>1 254</b>	<b>1 762</b>	<b>2 869</b>
<b>Profit after tax</b>		<b>618</b>	<b>1 160</b>	<b>1 254</b>	<b>1 762</b>	<b>2 869</b>
<i>Items not to be recycled to profit and loss</i>						
Actuarial gain/loss on post-employment benefit obligations		1	-34	1	-34	-16
<i>Items to be recycled to profit and loss</i>						
Net exchange differences on translating foreign operations		-188	7	344	-85	-16
Measured at FVTOCI		7	-	7	-	5
Cash flow hedge		-19	16	-15	13	9
Net investment hedge		15	-31	-147	-	9
<b>Other comprehensive income for the period net of tax</b>		<b>-184</b>	<b>-42</b>	<b>190</b>	<b>-106</b>	<b>-9</b>
<b>Total comprehensive income for the period</b>		<b>434</b>	<b>1 118</b>	<b>1 443</b>	<b>1 656</b>	<b>2 860</b>

## Balance Sheet - Santander Consumer Bank Nordic Group

<i>All amounts in millions of NOK</i>	<b>Note</b>	<b>Q2 2020</b>	<b>Q2 2019</b>	<b>2019</b>
<b>Assets</b>				
Cash and receivables on central banks	10	5 371	65	66
Deposits with and receivables on financial institutions	10	6 494	3 587	3 968
Loans to customers	3, 4, 5, 10, 12	179 901	159 048	161 392
Commercial papers and bonds	10, 11	6 495	7 719	11 536
Financial derivatives	10, 11	18	48	37
Repossessed assets		40	20	11
Other ownership interests	10, 11	38	26	31
Intangible assets		1 234	1 050	1 093
Fixed assets		1 313	1 090	1 214
Other assets		2 546	1 704	1 594
<b>Total assets</b>		<b>203 452</b>	<b>174 358</b>	<b>180 941</b>
<b>Liabilities</b>				
Debt to credit institutions	10, 15	41 035	33 777	30 174
Deposits from customers		75 436	61 826	65 484
Debt established by issuing securities	10, 14	50 933	49 360	53 403
Financial derivatives	10, 11	12	32	22
Tax payable		33	323	134
Other financial liabilities		694	436	517
Deferred tax		1 023	575	697
Pension liabilities		145	161	140
Other liabilities		3 122	2 237	2 858
Subordinated loan capital	10, 15	2 560	1 692	2 421
<b>Total liabilities</b>		<b>174 994</b>	<b>150 418</b>	<b>155 851</b>
<b>Equity</b>				
Share capital		10 618	9 652	9 652
Share capital premium		1 926	891	891
Additional Tier 1 capital		2 250	2 250	2 250
Other equity		13 411	11 188	12 242
OCI items		253	-42	54
<b>Total equity</b>		<b>28 458</b>	<b>23 941</b>	<b>25 090</b>
<b>Total liabilities and equity</b>		<b>203 452</b>	<b>174 359</b>	<b>180 941</b>

## Cash Flow - Santander Consumer Bank Nordic Group

<i>All amounts in millions of NOK</i>	Note	Q2 2020	Q2 019	YTD Q2 2020	YTD Q2 2019	FY 2019
<b>Cash flow from operations</b>						
Profit before tax		857	1 514	1 566	2 314	3 611
Adjustments for:		-	-	-	-	-
- Depreciation, amortisation and impairment on fixed and intangible assets		87	81	172	158	381
- Net interest income	9	-1 957	-1 771	-3 857	-3 541	-7 174
- Value change and gain/loss on foreign exchange and securities		-5	-8	92	-28	-3
- Dividends on financial assets at FVOCI		-	-	-	-	-
Changes in:		-	-	-	-	-
- Loans to customers	12	1 344	-1 388	1 917	-3 097	-3 827
- Operational lease		72	-41	-109	-109	-219
- Repossessed assets		-29	-6	-29	-8	1
- Other assets		164	301	-952	65	-66
- Deposits from customers		4 065	3 477	5 939	7 180	11 332
- Other liabilities and provisions		-304	1 303	692	1 024	1 798
Interests received		2 361	2 046	4 643	4 267	8 671
Dividends received		-	-	-	-	4
Interests paid		-296	-246	-733	-686	-1 370
Net income taxes paid		-318	-283	-686	-500	-870
<b>Net cash flow from operations</b>		<b>6 041</b>	<b>4 980</b>	<b>8 653</b>	<b>7 040</b>	<b>12 268</b>
<b>Cash flow from investments</b>						
Purchase of bonds		-5 790	-2 556	-5 609	-4 842	-15 698
Proceeds from matured bonds		3 069	4 003	11 358	7 132	14 262
Purchase of shares		-	-	-1 072	-	-
Purchase of fixed and intangible assets		-88	19	-106	-73	-225
Proceeds from sale of fixed and intangible assets		1	2	2	4	6
<b>Net cash flow from investments</b>		<b>-2 808</b>	<b>1 468</b>	<b>4 573</b>	<b>2 221</b>	<b>-1 655</b>
<b>Cash flow from financing</b>						
Proceeds from issued securities		154	2 841	8 077	10 147	21 078
Repayments of issued securities		1 988	-5 147	-14 145	-12 306	-20 712
Change in loans and deposits from credit institutions		3 924	-4 570	492	-5 278	-9 499
Proceeds from issue of subordinated loans	15	-	-	-	-	1 416
Repayment of subordinated loans	15	-	-	-	-	-708
Dividend payments		-	-	-	-1 000	-1 000
Interest payments on additional Tier 1 capital	16	-31	-34	-69	-68	-140
<b>Net cash flow from financing</b>		<b>6 035</b>	<b>-6 910</b>	<b>-5 644</b>	<b>-8 505</b>	<b>-9 565</b>
<b>Exchange gains / (losses) on cash and cash equivalents</b>		<b>55</b>	<b>-143</b>	<b>250</b>	<b>-75</b>	<b>-31</b>
Net change in cash and cash equivalents		9 323	-605	7 832	680	1 018
Cash and cash equivalents at the beginning of the period		2 542	4 400	4 034	3 047	3 047
<b>Cash and cash equivalents at the end of the period</b>		<b>11 866</b>	<b>3 652</b>	<b>11 866</b>	<b>3 653</b>	<b>4 034</b>

## Statement of changes in equity - Santander Consumer Bank Nordic Group

### Q2 2020

All amounts in millions of NOK	Share	Share	Additional	Other	Translation	Measured	Cash	Net	Actuarial	Total
	Capital	Capital	Tier 1	Equity	differences	at	flow	investment	gain/loss	
	Capital	Premium	Capital	Equity	from	FVTOCI	hedge	hedge	gain/loss	
					foreign					
<b>Balance at 1 April 2020</b>	<b>10 618</b>	<b>1 926</b>	<b>2 250</b>	<b>12 830</b>	<b>751</b>	<b>31</b>	<b>-7</b>	<b>-214</b>	<b>-122</b>	<b>28 062</b>
Profit for the period	-	-	38	581	-1	-	-	-	-	618
OCI movements (net of tax)	-	-	-	-	-188	7	-19	15	1	-184
Interest payments additional Tier 1 capital	-	-	-38	-	-	-	-	-	-	-38
Tax on interest payment additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-
Capital increase	-	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2020</b>	<b>10 618</b>	<b>1 926</b>	<b>2 250</b>	<b>13 411</b>	<b>562</b>	<b>38</b>	<b>-26</b>	<b>-199</b>	<b>-122</b>	<b>28 458</b>

### YTD Q2 2020

All amounts in millions of NOK	Share	Share	Additional	Other	Translation	Measured	Cash	Net	Actuarial	Total
	Capital	Capital	Tier 1	Equity	differences	at	flow	investment	gain/loss	
	Capital	Premium	Capital	Equity	from	FVTOCI	hedge	hedge	gain/loss	
					foreign					
<b>Balance at 1 January 2020</b>	<b>9 652</b>	<b>891</b>	<b>2 250</b>	<b>12 242</b>	<b>210</b>	<b>31</b>	<b>-11</b>	<b>-52</b>	<b>-122</b>	<b>25 090</b>
Profit for the period	-	-	76	1 169	9	-	-	-	-	1 254
OCI movements (net of tax)	-	-	-	-	344	7	-15	-147	1	190
Interest payments additional Tier 1 capital	-	-	-76	-	-	-	-	-	-	-76
Tax on interest payment additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-
Capital Increase	965	1 035	-	-	-	-	-	-	-	2 000
Dividend	-	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2020</b>	<b>10 618</b>	<b>1 926</b>	<b>2 250</b>	<b>13 411</b>	<b>562</b>	<b>38</b>	<b>-26</b>	<b>-199</b>	<b>-122</b>	<b>28 458</b>

Total shares registered as at June 30, 2020, was 965 241 842 each with a par value of 11 NOK.

Restricted capital as at June 30, 2020, was 10 618 MM NOK. 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).

## Financial Year 2019

<i>All amounts in millions of NOK</i>	Share Capital	Share Capital Premium	Additional Tier 1 Capital	Other Equity	Translation differences	Measured at FVTOCI	Cash flow hedge	Net investment hedge	Actuarial gain/loss	Total
					from foreign currencies					
<b>Balance at 1 January 2019</b>	<b>9 652</b>	<b>891</b>	<b>2 250</b>	<b>10 478</b>	<b>225</b>	<b>26</b>	<b>-20</b>	<b>-61</b>	<b>-106</b>	<b>23 335</b>
Profit for the period	-	-	141	2 729	-	-	-	-	-	2 869
OCI movements (net of tax)	-	-	-	-	-16	5	9	9	-16	-9
Interest payments additional Tier 1 capital	-	-	-141	-	-	-	-	-	-	-141
Tax on interest payment additional Tier 1 capital	-	-	-	35	-	-	-	-	-	35
Capital Increase	-	-	-	-	-	-	-	-	-	-
Share dividend	-	-	-	-1 000	-	-	-	-	-	-1 000
<b>Balance at 31 December 2019</b>	<b>9 652</b>	<b>891</b>	<b>2 250</b>	<b>12 242</b>	<b>210</b>	<b>31</b>	<b>-11</b>	<b>-52</b>	<b>-122</b>	<b>25 090</b>

Total shares registered as at December 31, 2019, was 965 241 842 each with a par value of 10 NOK.

Restricted capital as at December 31, 2019, was 9 652 MM NOK. 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 - Santander Consumer Bank AS

<i>All amounts in millions of NOK</i>	Note	Q2 2020	Q2 2019	YTD Q2 2020	YTD Q2 2019	FY 2019
Total interest income		1 946	1 842	3 874	3 676	7 466
Total interest expenses		-351	-335	-694	-662	-1 352
<b>Net interest income</b>	9	<b>1 595</b>	<b>1 507</b>	<b>3 180</b>	<b>3 014</b>	<b>6 114</b>
Fee and commission income		110	132	230	283	528
Fee and commission expenses		-67	-49	-124	-83	-184
Value change and gain/loss on foreign exchange and securities		-1	2	-93	21	-1
Other operating income		36	32	74	62	656
Other operating expenses		-39	-25	-74	-48	-108
<b>Gross margin</b>		<b>1 634</b>	<b>1 599</b>	<b>3 193</b>	<b>3 249</b>	<b>7 005</b>
Salaries and personnel expenses		-281	-326	-621	-635	-1 150
Administrative expenses		-322	-309	-589	-640	-1 280
Depreciation and amortisation		-42	-45	-83	-89	-228
<b>Net operating income</b>		<b>989</b>	<b>919</b>	<b>1 900</b>	<b>1 886</b>	<b>4 348</b>
Other income and costs		-7	-6	-0	27	15
Impairment losses on loan, guarantees etc.	3, 4, 5, 13	-230	448	-627	44	-765
<b>Profit before tax</b>		<b>752</b>	<b>1 361</b>	<b>1 273</b>	<b>1 956</b>	<b>3 597</b>
Income tax expense		-217	-324	-267	-481	-638
<b>Profit after tax</b>		<b>535</b>	<b>1 037</b>	<b>1 006</b>	<b>1 475</b>	<b>2 959</b>
<b>Allocation of profit after tax</b>						
Transferred to other earned equity		497	1 003	930	1 407	2 818
Transferred to additional Tier 1 capital	16	38	34	76	68	141
<b>Total allocations</b>		<b>535</b>	<b>1 037</b>	<b>1 006</b>	<b>1 475</b>	<b>2 959</b>
<b>Profit after tax</b>						
		<b>535</b>	<b>1 037</b>	<b>1 006</b>	<b>1 475</b>	<b>2 959</b>
<i>Items not to be recycled to profit and loss</i>						
Actuarial gain/loss on post-employment benefit obligations		1	-34	1	-34	-16
<i>Items to be recycled to profit and loss</i>						
Net exchange differences on translating foreign operations		-6	-3	40	-7	-4
Measured at FVTOCI		7	-	7	-	5
Cash flow hedge		-9	-	-2	3	-
<b>Other comprehensive income for the period net of tax</b>		<b>-7</b>	<b>-37</b>	<b>46</b>	<b>-38</b>	<b>-14</b>
<b>Total comprehensive income for the period</b>		<b>528</b>	<b>1 000</b>	<b>1 052</b>	<b>1 437</b>	<b>2 944</b>

## Balance Sheet - Santander Consumer Bank AS

<i>All amounts in millions of NOK</i>	Note	Q2 2020	Q2 2019	2019
<b>Assets</b>				
Cash and receivables on central banks	10	5 371	65	66
Deposits with and receivables on financial institutions	10	3 735	2 323	2 434
Loans to customers	3, 4, 5, 10, 12	133 429	124 867	126 098
Commercial papers and bonds	10, 11	5 890	8 021	9 526
Financial derivatives	10, 11	-	17	7
Repossessed assets		7	10	6
Loans to subsidiaries and SPV's	10, 15	16 544	9 758	12 412
Investments in subsidiaries		2 496	1 258	1 281
Other ownership interests	10, 11	38	26	31
Intangible assets		775	627	672
Fixed assets		753	645	741
Other assets		2 502	1 638	1 518
<b>Total assets</b>		<b>171 540</b>	<b>149 256</b>	<b>154 792</b>
<b>Liabilities</b>				
Debt to credit institutions	10, 15	24 726	22 617	21 808
Deposits from customers		75 436	61 826	65 484
Debt established by issuing securities	10, 14	37 977	37 658	37 519
Financial derivatives	10, 11	-	10	-
Tax payable		19	323	134
Other financial liabilities		671	419	500
Deferred tax		1 154	725	893
Pension liabilities		145	161	140
Other liabilities		2 427	1 832	2 444
Subordinated loan capital	10, 15	2 560	1 692	2 421
<b>Total liabilities</b>		<b>145 116</b>	<b>127 261</b>	<b>131 344</b>
<b>Equity</b>				
Share capital		10 618	9 652	9 652
Share capital premium		1 926	891	891
Additional Tier 1 capital		2 250	2 250	2 250
Other equity		11 704	9 344	10 774
OCl items		-73	-143	-119
<b>Total equity</b>		<b>26 425</b>	<b>21 995</b>	<b>23 448</b>
<b>Total liabilities and equity</b>		<b>171 540</b>	<b>149 256</b>	<b>154 792</b>

## Cash Flow - Santander Consumer Bank AS

<i>All amounts in millions of NOK</i>	Note	Q2 2020	Q2 2019	YTD Q2 2020	YTD Q2 2019	FY 2019
<b>Cash flow from operations</b>						
Profit before tax		752	1 361	1 273	1 956	3 597
Adjustments for:						
- Depreciation, amortisation and impairment on fixed and intangible assets		51	51	102	98	244
- Net interest income	9	-1 595	-1 507	-3 181	-3 014	-6 114
- Value change and gain/loss on foreign exchange and securities		1	-2	93	-21	1
- Dividends on financial assets at FVOCI		-	-	-	-	-
Changes in:						
- Loans to customers	12	-47	-1 195	-627	-1 985	-2 184
- Operational lease		35	-51	-37	-111	-191
- Repossessed assets		-4	-0	-1	-4	-
- Other assets		99	-645	-984	-324	-203
- Deposits from customers		4 065	3 477	5 939	7 180	11 332
- Other liabilities and provisions		363	-467	329	232	1 375
Interests received		1 989	1 839	3 920	3 709	7 540
Dividends received		-	-	-	-	509
Interests paid		-309	-292	-730	-679	-1 363
Net income taxes paid		-318	-249	-672	-433	-784
<b>Net cash flow from operations</b>		<b>5 084</b>	<b>2 320</b>	<b>5 423</b>	<b>6 605</b>	<b>13 758</b>
<b>Cash flow from investments</b>						
Purchase of bonds		-5 059	-2 556	-4 520	-4 551	-10 626
Proceeds from matured bonds		13 110	2 657	8 103	4 273	9 330
Purchase of shares		-	-	-1 072	-	-
Purchase of fixed and intangible assets		-86	-14	-103	-55	-202
Proceeds from sale of fixed and intangible assets		-	1	-	3	4
<b>Net cash flow from investments</b>		<b>7 965</b>	<b>88</b>	<b>2 409</b>	<b>-330</b>	<b>-1 494</b>
<b>Cash flow from financing</b>						
Proceeds from issued securities		7 128	6 251	13 383	10 147	9 565
Repayments of issued securities		-10 451	-3 891	-16 969	-8 854	-14 466
Change in loans and deposits from credit institutions		-3 117	-4 747	2 335	-5 313	-5 674
Proceeds from issue of subordinated loans	15	-	-	-	-	1 416
Repayment of subordinated loans	15	-	-	-	-	-708
Dividend payments		-	-	-	-1 000	-1 000
Interest payments on additional Tier 1 capital	16	-31	-34	-69	-68	-140
<b>Net cash flow from financing</b>		<b>-6 471</b>	<b>-2 421</b>	<b>-1 319</b>	<b>-5 088</b>	<b>-11 007</b>
<b>Exchange gains / (losses) on cash and cash equivalents</b>		<b>30</b>	<b>-71</b>	<b>94</b>	<b>-40</b>	<b>-20</b>
Net change in cash and cash equivalents		6 608	-84	6 607	1 147	1 238
Cash and cash equivalents at the beginning of the period		2 499	2 542	2 499	1 281	1 281
<b>Cash and cash equivalents at the end of the period</b>		<b>9 107</b>	<b>2 388</b>	<b>9 107</b>	<b>2 388</b>	<b>2 499</b>

## Statement of changes in equity - Santander Consumer Bank AS

Q2 2020

<i>All amounts in millions of NOK</i>	Share Capital	Share Capital Premium	Additional Tier 1 Capital	Other Equity	Translation differences	Measured FVTOCI	Cash flow hedge	Actuarial gain/loss	Total
					from foreign currencies				
<b>Balance at 1 of April 2020</b>	<b>10 618</b>	<b>1 926</b>	<b>2 250</b>	<b>11 206</b>	<b>33</b>	<b>31</b>	<b>-7</b>	<b>-122</b>	<b>25 935</b>
Profit for the period	-	-	38	498	-	-	-	-	535
OCI movements (net of tax)	-	-	-	-	-6	7	-9	1	-8
Interest payments additional Tier 1 capital	-	-	-38	-	-	-	-	-	-38
Tax on interest payment additional Tier 1 capital	-	-	-	-	-	-	-	-	-
Capital increase	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-
<b>Balance at 30 of June 2020</b>	<b>10 618</b>	<b>1 926</b>	<b>2 250</b>	<b>11 704</b>	<b>27</b>	<b>38</b>	<b>-16</b>	<b>-121</b>	<b>26 425</b>

YTD Q2 2020

<i>All amounts in millions of NOK</i>	Share Capital	Share Capital Premium	Additional Tier 1 Capital	Other Equity	Translation differences	Measured FVTOCI	Cash flow hedge	Actuarial gain/loss	Total
					from foreign currencies				
<b>Balance at 1 January 2020</b>	<b>9 652</b>	<b>891</b>	<b>2 250</b>	<b>10 774</b>	<b>-13</b>	<b>31</b>	<b>-15</b>	<b>-122</b>	<b>23 448</b>
Profit for the period	-	-	76	930	-	-	-	-	1 006
OCI movements (net of tax)	-	-	-	-	40	7	-2	1	46
Interest payments additional Tier 1 capital	-	-	-76	-	-	-	-	-	-76
Tax on interest payment additional Tier 1 capital	-	-	-	-	-	-	-	-	-
Capital increase	965	1 035	-	-	-	-	-	-	2 000
Dividend	-	-	-	-	-	-	-	-	-
<b>Balance at 30 of June 2020</b>	<b>10 618</b>	<b>1 926</b>	<b>2 250</b>	<b>11 704</b>	<b>27</b>	<b>38</b>	<b>-16</b>	<b>-121</b>	<b>26 425</b>

Total shares registered as at June 30th, 2020, was 965 241 842, each with a par value of 11 NOK.

Restricted capital as at June 30th, 2020, was 10 618 MM NOK. 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).

## Financial Year 2019

	Translation differences								
	Share Capital	Share Capital Premium	Additional Tier 1 Capital	Other Equity	from foreign currencies	Measured FVTOCI	Cash flow hedge	Actuarial gain/loss	Total
<i>All amounts in millions of NOK</i>	Capital	Premium	Capital	Equity	currencies	FVTOCI	hedge	gain/loss	Total
<b>Balance at 1 January 2019</b>	<b>9 652</b>	<b>891</b>	<b>2 250</b>	<b>8 920</b>	<b>-9</b>	<b>26</b>	<b>-15</b>	<b>-106</b>	<b>21 609</b>
Profit for the period	-	-	141	2 818	-	-	-	-	2 959
OCI movements (net of tax)	-	-	-	-	-4	5	0	-16	-14
Interest payments additional Tier 1 capital	-	-	-141	-	-	-	-	-	-141
Tax on interest payment additional Tier 1 capital	-	-	-	35	-	-	-	-	35
Capital increase	-	-	-	-	-	-	-	-	-
Share dividend	-	-	-	-1 000	-	-	-	-	-1 000
<b>Balance at 31 March Q1</b>	<b>9 652</b>	<b>891</b>	<b>2 250</b>	<b>10 774</b>	<b>-13</b>	<b>31</b>	<b>-15</b>	<b>-122</b>	<b>23 448</b>

Total shares registered as at December 31, 2019, was 965 241 842, each with a par value of 10 NOK.

Restricted capital as at December 31, 2019, was 9 652 MM NOK. 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).

Lysaker, 14<sup>th</sup> of August 2020

**The Board of Directors of Santander Consumer Bank AS**

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**Henning Strøm**  
Chairman

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**Bruno Montalvo Wilmot**  
Deputy Chairman

---

**Javier Anton**

---

**Frederico José Maria  
Ysart Alvarez de Toledo**

---

**Niels Christian Aall**

---

**Tina Stiegler**

---

**Arja Pynnönen**  
Employee Representative

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**Øyvind Ertzaas**  
Employee Representative

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**Michael Hvidsten**  
Chief Executive Officer

# 1 | Notes

Santander Consumer Bank Nordic Group



## Note 1 - Basis of preparation

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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 are included. On February 28<sup>th</sup> Santander Consumer Bank AS acquired Forso Nordic AB and their subsidiary Forso Finance OY, and the entities are included in the Group accounts from that date.

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 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual report as at and for the year ended 31 December 2019. The annual report for 2019 may be obtained by contacting Santander Consumer Bank AS, Strandveien 18, Lysaker – or by visiting [www.santanderconsumer.no](http://www.santanderconsumer.no).

These interim financial statements were authorised by the Board of Directors on 14<sup>th</sup> of August 2020.

## Note 2 - Accounting principles

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The Group's accounting policies are consistent with those of the previous financial year as described in the 2019 annual report.

The FX rates used in the report is based on EOP for the balance sheet, and average rates for the Profit and Loss statement.

### FX average rates June 2020 vs June 2019

	June 2020	June 2019
NOK/SEK	1,0042	0,9252
NOK/DKK	1,4338	1,3032
NOK/EUR	10,7034	9,7288

### FX EOP rates June 2020 vs June 2019

	June 2020	June 2019
NOK/SEK	1,0373	0,9177
NOK/DKK	1,4547	1,2988
NOK/EUR	10,8428	9,6938

## Note 3 - Credit risk exposure

All amounts in millions of NOK

### Maximum exposure to credit risk - Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	Q2 2020			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Unsecured loans</b>				
<b>Credit grade</b>				
Loans not past due date	32 238	629	-	32 867
Standard monitoring	716	1 044	-	1 760
Special monitoring	-	224	-	224
Default	-	-	2 593	2 593
<b>Gross carrying amount</b>	<b>32 954</b>	<b>1 897</b>	<b>2 593</b>	<b>37 444</b>
Loss allowance	-536	-321	-1 570	-2 427
<b>Carrying amount</b>	<b>32 418</b>	<b>1 576</b>	<b>1 023</b>	<b>35 017</b>
Loss allowance (off balance exposures)	-40	-12	-19	-71
Loss allowance (%)				6,48%

Loans not past due date: Exposures that are not in arrears and not in default.

Standard monitoring: Exposures in early arrears.

Special monitoring: Exposures under special monitoring.

Default: Defaulted loans.

	Q2 2020			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Secured loans*</b>				
<b>Credit grade</b>				
Loans not past due date	136 059	2 542	-	138 601
Standard monitoring	3 660	1 856	-	5 516
Special monitoring	-	496	-	496
Default	-	-	2 195	2 195
<b>Gross carrying amount</b>	<b>139 719</b>	<b>4 894</b>	<b>2 195</b>	<b>146 808</b>
Loss allowance	-610	-246	-1 067	-1 923
<b>Carrying amount</b>	<b>139 109</b>	<b>4 648</b>	<b>1 128</b>	<b>144 885</b>
Loss allowance (%)				1,31%

Loans not past due date: Exposures that are not in arrears and not in default.

Standard monitoring: Exposures in early arrears.

Special monitoring: Exposures under special monitoring.

Default: Defaulted loans.

\*Secured loans include secured auto loans and financial lease where the underlying assets serve as collateral.

	Q2 2020			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Commercial papers and bonds</b>				
<b>Credit grade</b>				
Investment grade	6 496	-	-	6 496
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
<b>Gross carrying amount</b>	<b>6 496</b>	<b>-</b>	<b>-</b>	<b>6 496</b>
Loss allowance	-1	-	-	-1
<b>Carrying amount</b>	<b>6 496</b>	<b>-</b>	<b>-</b>	<b>6 495</b>
Loss allowance (%)				0,00%
<b>Maximum exposure to credit risk - Financial instruments not subject to impairment</b>				

The following table contains an analysis of the maximum credit risk exposure from financial assets and liabilities not subject to impairment (i.e. FVTPL):

	Maximum exposure to credit risk
Financial derivatives Liabilities	12

	Q2 2019			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Unsecured loans</b>				
<b>Credit grade</b>				
Loans not past due date	29 829	848	-	30 677
Standard monitoring	963	1 290	-	2 253
Special monitoring	-	181	-	181
Default	-	-	1 787	1 787
<b>Gross carrying amount</b>	<b>30 792</b>	<b>2 319</b>	<b>1 787</b>	<b>34 898</b>
Loss allowance	-479	-325	-1 036	-1 840
<b>Carrying amount</b>	<b>30 312</b>	<b>1 995</b>	<b>751</b>	<b>33 058</b>
Loss allowance (offbalance exposures)	-48	-15	-21	-84
Loss allowance (%)				5,27%

Loans not past due date: Exposures that are not in arrears and not in default.

Standard monitoring: Exposures in early arrears.

Special monitoring: Exposures under special monitoring.

Default: Defaulted loans.

	Q2 2019			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Secured loans*</b>				
<b>Credit grade</b>				
Loans not past due date	118 235	2 117	-	120 352
Standard monitoring	3 575	1 786	-	5 360
Special monitoring	6	293	2	301
Default	-	-	1 466	1 466
<b>Gross carrying amount</b>	<b>121 816</b>	<b>4 195</b>	<b>1 468</b>	<b>127 479</b>
Loss allowance	-553	-197	-739	-1 489
<b>Carrying amount</b>	<b>121 263</b>	<b>3 998</b>	<b>729</b>	<b>125 990</b>
Loss allowance (%)				1,17%

Loans not past due date: Exposures that are not in arrears and not in default.

Standard monitoring: Exposures in early arrears.

Special monitoring: Exposures under special monitoring.

Default: Defaulted loans.

\*Secured loans include secured auto loans and financial lease where the underlying assets serve as collateral.

	Q2 2019			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Commercial papers and bonds</b>				
<b>Credit grade</b>				
Investment grade	7 720	-	-	7 720
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
<b>Gross carrying amount</b>	<b>7 720</b>	<b>-</b>	<b>-</b>	<b>7 720</b>
Loss allowance	-1	-	-	-1
<b>Carrying amount</b>	<b>7 719</b>	<b>-</b>	<b>-</b>	<b>7 719</b>
Loss allowance (%)				0,01%

#### Maximum exposure to credit risk - Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets and liabilities not subject to impairment (i.e. FVTPL):

	Maximum exposure to credit risk
Financial derivatives Liabilities	48

## Note 4 - Risk classification

The tables below show the past due portfolio at certain ageing 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			Loss reserves		
	Q2 2020	Q2 2019	FY 2019	Q2 2020	Q2 2019	FY 2019
Current - not past due date	172 199	151 469	152 372	-1 320	-1 090	-1 083
Current - past due date	7 252	7 655	8 635	-445	-442	-506
Total impaired loans	4 801	3 253	4 324	-2 657	-1 798	-2 350
<b>Total gross loans to customers</b>	<b>184 252</b>	<b>162 377</b>	<b>165 331</b>	<b>-4 422</b>	<b>-3 329</b>	<b>-3 939</b>

<i>Ageing of past due but not impaired loans</i>	Balance			Loss reserves		
	Q2 2020	Q2 2019	FY 2019	Q2 2020	Q2 2019	FY 2019
1 - 29 days	5 607	6 065	6 792	-179	-185	-199
30 - 59 days	1 159	1 154	1 312	-154	-152	-181
60 - 89 days	487	436	531	-112	-105	-126
<b>Total loans due but not impaired</b>	<b>7 253</b>	<b>7 655</b>	<b>8 635</b>	<b>-445</b>	<b>-442</b>	<b>-506</b>

<i>Ageing of impaired loans</i>	Balance			Loss reserves		
	Q2 2020	Q2 2019	FY 2019	Q2 2020	Q2 2019	FY 2019
90 - 119 days	313	301	359	-143	-138	-167
120 - 149 days	279	233	289	-136	-114	-138
150 - 179 days	229	212	233	-116	-105	-114
180 + days	1 857	1 028	1 773	-1 125	-599	-1 035
Economic doubtful*	2 123	1 479	1 670	-1 137	-842	-896
<b>Total impaired loans</b>	<b>4 801</b>	<b>3 253</b>	<b>4 324</b>	<b>-2 657</b>	<b>-1 798</b>	<b>-2 350</b>

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

## Note 5 - Loss allowance

All amounts in millions of NOK

The following tables explain the changes in the loss allowance between the beginning and the end of the reporting period due to these factors:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Unsecured loans</b>				
<b>Loss allowance as at 1 January 2020</b>	<b>476</b>	<b>355</b>	<b>1 515</b>	<b>2 346</b>
Transfers:				
Transfer from Stage 1 to Stage 2	-85	606	-	<b>521</b>
Transfer from Stage 1 to Stage 3	-4	-	94	<b>90</b>
Transfer from Stage 2 to Stage 3	-	-433	649	<b>216</b>
Transfer from Stage 2 to Stage 1	39	-415	-	<b>-376</b>
Transfer from Stage 3 to Stage 2	-	29	-142	<b>-113</b>
Transfer from Stage 3 to Stage 1	-	-	-2	<b>-2</b>
Assets remaining in same Stage	18	181	133	<b>332</b>
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	-30	-10	-642	<b>-682</b>
of which 'account that have closed in the period'	-30	-10	-642	<b>-682</b>
of which 'foreclosed'	-	-	-	-
of which 'sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	-	-	-137	<b>-137</b>
New financial assets originated or purchased	70	-	-	<b>70</b>
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	53	8	102	<b>163</b>
<b>Loss allowance as at 30 June 2020</b>	<b>537</b>	<b>321</b>	<b>1 570</b>	<b>2 428</b>

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Secured loans</b>				
<b>Loss allowance as at 1 January 2020</b>	<b>538</b>	<b>220</b>	<b>835</b>	<b>1 593</b>
Transfers:				
Transfer from Stage 1 to Stage 2	-48	318	-	<b>270</b>
Transfer from Stage 1 to Stage 3	-10	-	177	<b>167</b>
Transfer from Stage 2 to Stage 3	-	-158	441	<b>283</b>
Transfer from Stage 2 to Stage 1	37	-236	-	<b>-199</b>
Transfer from Stage 3 to Stage 2	-	35	-238	<b>-203</b>
Transfer from Stage 3 to Stage 1	-	-	-28	<b>-28</b>
Assets remaining in same Stage	-26	79	100	<b>153</b>
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	-72	-26	-89	<b>-187</b>
of which 'account that have closed in the period'	-72	-26	-89	<b>-187</b>
of which 'foreclosed'	-	-	-	-
of which 'sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	-	-	-200	<b>-200</b>
New financial assets originated or purchased	187	5	30	<b>222</b>
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	4	9	39	<b>52</b>
<b>Loss allowance as at 30 June 2020</b>	<b>610</b>	<b>246</b>	<b>1 067</b>	<b>1 923</b>

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Commercial papers and bonds</b>				
<b>Loss allowance as at 1 January 2020</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	1	-	-	1
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	-	-	-	-
<i>of which 'account that have closed in the period'</i>	-	-	-	-
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-	-	-	-
<b>Loss allowance as at 30 June 2020</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Off balance exposure*</b>				
<b>Loss allowance as at 1 January 2020</b>	<b>46</b>	<b>14</b>	<b>22</b>	<b>82</b>
Transfers:				
Transfer from Stage 1 to Stage 2	-2	23	-	20
Transfer from Stage 1 to Stage 3	-0	-	8	8
Transfer from Stage 2 to Stage 3	-	-3	7	4
Transfer from Stage 2 to Stage 1	3	-26	-	-23
Transfer from Stage 3 to Stage 2	-	2	-8	-6
Transfer from Stage 3 to Stage 1	0	-	-0	-0
Assets remaining in same Stage	-2	3	4	5
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	-8	-1	-14	-23
<i>of which 'account that have closed in the period'</i>	-8	-1	-14	-23
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-0	-0
New financial assets originated or purchased	3	-	-	3
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	1	-	-	1
<b>Loss allowance as at 30 June 2020</b>	<b>40</b>	<b>12</b>	<b>19</b>	<b>71</b>

\*Provisions related to off-balance credit exposures are recognized in the financial statement line other income and costs.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Unsecured loans</b>				
<b>Loss allowance as at 1 January 2019</b>	<b>505</b>	<b>310</b>	<b>1 205</b>	<b>2 019</b>
Transfers:				
Transfer from Stage 1 to Stage 2	-143	524	-	<b>381</b>
Transfer from Stage 1 to Stage 3	-5	-	78	<b>73</b>
Transfer from Stage 2 to Stage 3	-	-374	599	<b>225</b>
Transfer from Stage 2 to Stage 1	56	-332	-	<b>-277</b>
Transfer from Stage 3 to Stage 2	-	23	-128	<b>-104</b>
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	64	135	-149	<b>50</b>
Methodological changes	-21	59	-81	<b>-43</b>
Financial assets derecognised that are not write-offs	-34	-14	-75	<b>-122</b>
<i>of which 'account that have closed in the period'</i>	-34	-14	-75	<b>-122</b>
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-391	<b>-391</b>
New financial assets originated or purchased	73	-	-	<b>73</b>
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-15	7	-22	<b>-43</b>
<b>Loss allowance as at 30 June 2019</b>	<b>479</b>	<b>325</b>	<b>1 036</b>	<b>1 840</b>

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Secured loans</b>				
<b>Loss allowance as at 1 January 2019</b>	<b>535</b>	<b>281</b>	<b>683</b>	<b>1 499</b>
Transfers:				
Transfer from Stage 1 to Stage 2	-89	268	-	<b>180</b>
Transfer from Stage 1 to Stage 3	-11	-	142	<b>131</b>
Transfer from Stage 2 to Stage 3	-	-117	299	<b>182</b>
Transfer from Stage 2 to Stage 1	34	-160	-	<b>-126</b>
Transfer from Stage 3 to Stage 2	-	23	-150	<b>-127</b>
Transfer from Stage 3 to Stage 1	-	-	-1	<b>-1</b>
Assets remaining in same Stage	2	34	49	<b>86</b>
Methodological changes	7	-100	9	<b>-84</b>
Financial assets derecognised that are not write-offs	-74	-29	-76	<b>-180</b>
<i>of which 'account that have closed in the period'</i>	-74	-29	-76	<b>-180</b>
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-207	<b>-207</b>
New financial assets originated or purchased	161	-	-	<b>161</b>
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-11	-4	-9	<b>-24</b>
<b>Loss allowance as at 30 June 2019</b>	<b>553</b>	<b>197</b>	<b>739</b>	<b>1 489</b>

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Commercial papers and bonds</b>				
<b>Loss allowance as at 1 January 2019</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	1	-	-	1
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	-	-	-	-
<i>of which 'account that have closed in the period'</i>	-	-	-	-
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-	-	-	-
<b>Loss allowance as at 30 June 2019</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Off balance exposure*</b>				
<b>Loss allowance as at 1 January 2019</b>	<b>82</b>	<b>14</b>	<b>27</b>	<b>122</b>
Transfers:				
Transfer from Stage 1 to Stage 2	-6	23	-	17
Transfer from Stage 1 to Stage 3	-	-	6	6
Transfer from Stage 2 to Stage 3	-	-5	10	6
Transfer from Stage 2 to Stage 1	4	-24	-	-20
Transfer from Stage 3 to Stage 2	-	3	-15	-11
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	-3	3	5	5
Methodological changes	-38	1	-5	-42
Financial assets derecognised that are not write-offs	-4	-1	-7	-12
<i>of which 'account that have closed in the period'</i>	-4	-1	-7	-12
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	15	-	-	15
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-2	-	-	-2
<b>Loss allowance as at 30 June 2019</b>	<b>48</b>	<b>15</b>	<b>21</b>	<b>84</b>

\*Provisions related to off-balance credit exposures are recognized in the financial statement line other income and costs.

## Note 6 - Liquidity coverage ratio

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All amounts in millions of NOK

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 100% from 31 December 2017. With a stable basis of High Quality Liquid Assets, The Group fulfills the minimum LCR requirements. The LCR ratio becomes volatile due to the Group's funding structure with some large maturities spread across the year. This leads to high outflows at certain point in time which the Group needs to position itself against by building its liquidity buffer in order to meet the LCR ratio requirements. Given that outflows are not evenly distributed throughout the year we get spikes in the LCR ratio at point in time when outflows are relatively small within the 30 day window.

<b>Liquidity Coverage Ratio (LCR) %</b>	<b>Q2 2020</b>	<b>Q2 2019</b>	<b>Q4 2019</b>
Liquidity Coverage Ratio (LCR) Total	239	175	187
Liquidity Coverage Ratio (LCR) NOK	472	143	98
Liquidity Coverage Ratio (LCR) SEK	175	156	184
Liquidity Coverage Ratio (LCR) DKK	138	180	245
Liquidity Coverage Ratio (LCR) EUR	367	249	412

## Note 7 - Capital adequacy

All amounts in millions of NOK

	Q2 2020	Q2 2019	FY 2019
<b>Balance sheet equity</b>			
Paid in equity	10 618	9 652	9 652
Share premium	1 926	891	891
Other equity	13 411	11 188	12 242
Tier 1 Capital	2 250	2 250	2 250
Other reserves	253	-42	54
<b>Total Equity</b>	<b>28 458</b>	<b>23 940</b>	<b>25 090</b>
<b>Common Equity Tier 1 Capital</b>			
(-) Profit not eligible as capital	-1 254	-881	-
Cash-flow hedge adjustment	-	-	-
IRB Expected Loss - Reserves	-455	-425	-459
Goodwill	-861	-686	-698
Other intangible assets	-371	-281	-310
Deferred tax assets	-	-	-
Adjustment Prudent Valuation (AVA)	-5	-8	-12
Tier 1 Capital	-2 250	-2 250	-2 250
<b>Total common Equity Tier 1 Capital (with full IFRS9 impact)</b>	<b>23 260</b>	<b>19 409</b>	<b>21 361</b>
Capital adjustment according to IFRS9 Transitional rules	320	389	389
<b>Total common Equity Tier 1 Capital (with IFRS9 transitional rules)</b>	<b>23 580</b>	<b>19 798</b>	<b>21 750</b>
<b>Tier 1 Capital</b>			
Paid in Tier 1 capital instruments	2 250	2 250	2 250
<b>Total Tier 1 Capital (with full IFRS9 impact)</b>	<b>25 510</b>	<b>21 659</b>	<b>23 611</b>
<b>Total Tier 1 Capital (after IFRS9 transitional rules)</b>	<b>25 830</b>	<b>22 048</b>	<b>24 000</b>
<b>Total Capital</b>			
Paid up subordinated loans	2 537	1 688	2 416
Subordinated loans not eligible	-13	-	-
<b>Total Capital (with full IFRS9 impact)</b>	<b>28 035</b>	<b>23 347</b>	<b>26 028</b>
<b>Total Capital (with IFRS9 transitional rules)</b>	<b>28 355</b>	<b>23 736</b>	<b>26 416</b>
<b>Risk exposure on Standard Approach</b>			
Regional governments or local authorities	70	67	64
Institutions	1 050	708	694
Corporates	9 756	8 963	8 713
Retail Standard Approach	63 732	55 763	54 028
Exposures in default SA	1 624	1 326	1 496
Covered bonds	141	410	385
Other Exposures	4 243	3 704	3 763
<b>Total Risk exposure amount on Standard Approach</b>	<b>80 616</b>	<b>70 941</b>	<b>69 143</b>
<b>Risk exposure on Internal Rating Based Approach</b>			
Retail Other	38 060	35 485	35 494
<b>Total Risk exposure amount on Internal Rating Based Approach</b>	<b>38 060</b>	<b>35 485</b>	<b>35 495</b>
<b>Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries</b>	<b>118 676</b>	<b>106 426</b>	<b>104 638</b>
Foreign exchange (zero if under threshold)	2 412	1 576	1 463
<b>Risk exposure amount for position, foreign exchange and commodities risks</b>	<b>2 412</b>	<b>1 576</b>	<b>1 463</b>

Basic indicator approach	13 730	13 168	13 730
<b>Risk exposure amount for operational risk</b>	<b>13 730</b>	<b>13 168</b>	<b>13 730</b>
Standardized method	59	76	30
<b>Risk exposure amount for credit valuation adjustment</b>	<b>59</b>	<b>76</b>	<b>30</b>
<b>Total risk exposure amount (with full IFRS9 impact)</b>	<b>134 878</b>	<b>121 246</b>	<b>119 861</b>
Risk Exposure adjustment according to IFRS9 Transitional rules	280	340	340
<b>Total risk exposure amount (with IFRS9 transitional rules)</b>	<b>135 157</b>	<b>121 586</b>	<b>120 201</b>

#### Total exposure for Leverage Ratio

Derivatives: Add-on under market-to-market method	449	495	315
Off-balance sheet items with 10% CCF	3 366	2 573	2 784
Off-balance sheet items with 20% CCF	431	853	211
Off-balance sheet items with 50% CCF	38	37	37
Adjusted On balance sheet exposure	205 267	172 958	179 626
<b>Total exposure for Leverage Ratio (with full IFRS9 impact)</b>	<b>209 551</b>	<b>176 916</b>	<b>182 973</b>
Exposure adjustment according to IFRS9 Transitional rules	421	511	511
<b>Total exposure for Leverage Ratio (with IFRS9 transitional rules)</b>	<b>209 972</b>	<b>177 427</b>	<b>183 484</b>

#### Minimum Regulatory Capital

Minimum Core Equity	4,50%	4,50%	4,50%
Pillar 2 Requirement	3,30%	2,60%	3,30%
Pillar 2 Guidance	1,00%	0,00%	1,00%
Countercyclical Buffer (combined)	0,30%	1,14%	1,60%
Conservation Buffer	2,50%	2,50%	2,50%
Systemic Risk Buffer	3,00%	3,00%	3,00%
<b>Minimum Regulatory Capital ratio (CET1)</b>	<b>14,60%</b>	<b>13,74%</b>	<b>15,90%</b>

#### Minimum Regulatory Capital

Minimum Core Equity	6 069	5 456	5 394
Pillar 2 Requirement	4 451	3 152	4 000
Pillar 2 Guidance	1 349	-	1 199
Countercyclical Buffer (combined)	405	1 382	1 918
Conservation Buffer	3 372	3 031	2 997
Systemic Risk Buffer	4 046	3 637	3 596
<b>Minimum Regulatory Capital amount (full IFRS9 impact)</b>	<b>19 692</b>	<b>16 659</b>	<b>19 103</b>
Surplus of Core Equity Tier 1 capital (full IFRS9 impact)	3 568	2 750	2 259
<b>Minimum Regulatory Capital amount (with IFRS9 transitional rules)</b>	<b>19 733</b>	<b>16 706</b>	<b>19 112</b>
Surplus of Core Equity Tier 1 capital (after IFRS9 transitional rules)	3 847	3 092	2 638

<b>Common equity tier 1 capital ratio (full IFRS9 impact)</b>	<b>17,25%</b>	<b>16,01%</b>	<b>17,82%</b>
<b>Common equity tier 1 capital ratio (with IFRS9 transitional rules)</b>	<b>17,45%</b>	<b>16,28%</b>	<b>18,09%</b>
CET1 regulatory requirements	14,60%	13,74%	15,90%
<b>Tier 1 capital ratio (full IFRS9 impact)</b>	<b>18,91%</b>	<b>17,86%</b>	<b>19,70%</b>
<b>Tier 1 capital ratio (with IFRS9 transitional rules)</b>	<b>19,11%</b>	<b>18,13%</b>	<b>19,97%</b>
Tier 1 regulatory requirements	16,10%	15,24%	17,40%
<b>Total capital ratio (full IFRS9 impact)</b>	<b>20,79%</b>	<b>19,26%</b>	<b>21,71%</b>
<b>Total capital ratio (with IFRS9 transitional rules)</b>	<b>20,98%</b>	<b>19,52%</b>	<b>21,98%</b>
Total capital regulatory requirements	18,10%	17,24%	19,40%
<b>Leverage ratio (full IFRS9 impact)</b>	<b>12,17%</b>	<b>12,24%</b>	<b>12,90%</b>
<b>Leverage ratio (with IFRS9 transitional rules)</b>	<b>12,30%</b>	<b>12,43%</b>	<b>13,08%</b>
LR regulatory requirements	5,00%	5,00%	5,00%

#### **Specification of IFRS Transition rules (based on initial impact)**

IFRS 9 Increase in Loss Reserves	-601	-601	-601
- whereof Internal Rating Based	-	-	-
Tax impact from increased loss reserves	144	144	144
Deferred tax assets impact on capital	-	-	-
<b>Initial IFRS9 net impact on capital</b>	<b>-457</b>	<b>-457</b>	<b>-457</b>
Base amount for IFRS9 transitional rule on capital	457	457	457
Transition %	70%	85%	85%
<b>Capital adjustment due to Transitional rule</b>	<b>320</b>	<b>389</b>	<b>389</b>

Std Approach value adjustments Spec Reserves	-601	-601	-601
- whereof Retail (75%RW)	-600	-600	-600
- whereof Covered Bonds (10%RW)	-2	-2	-2
Deferred tax assets impact on Risk Exposure Amount (250%RW) *	20	20	20
<b>Initial IFRS9 net impact on Risk Exposure Amount</b>	<b>-400</b>	<b>-400</b>	<b>-400</b>
Base amount for IFRS9 transitional rule on Risk Exposure Amount	400	400	400
Transition %	70%	85%	85%
<b>Risk Exposure adjustment due to Transitional rule</b>	<b>280</b>	<b>340</b>	<b>340</b>

Impact from Transitional rules on capital ratios (same impact for Tier 1 and 2) 0,20% 0,27% 0,27%

\* IFRS9 impact on Deferred Tax Assets relates to subsidiary in Finland

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). The Pillar 3 Disclosure report is published at [www.santander.no](http://www.santander.no).

## Note 8 - Segment information

All amounts in millions of NOK

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.

### Product segmentation per country (gross lending before expected losses)

	Q2 2020				Total
	Unsecured loans	Secured loans	Financial lease	Operational lease	
Norway	8 865	37 891	12 078	-	58 834
Sweden	16 401	20 313	7 612	-	44 326
Denmark	7 600	28 647	3 377	464	40 088
Finland	4 578	33 802	3 088	540	42 008
<b>Total</b>	<b>37 444</b>	<b>120 653</b>	<b>26 155</b>	<b>1 004</b>	<b>185 256</b>

	Q2 2019				Total
	Unsecured loans	Secured loans	Financial lease	Operational lease	
Norway	10 513	38 086	10 576	-	59 176
Sweden	14 288	16 970	5 188	-	36 447
Denmark	6 752	23 088	2 305	340	32 485
Finland	3 344	28 896	2 370	433	35 042
<b>Total</b>	<b>34 898</b>	<b>107 040</b>	<b>20 440</b>	<b>773</b>	<b>163 150</b>

### P&L and Balance sheet per country

	Q2 2020					
	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Total interest income	962	541	529	465	-181	2 317
Total interest expenses	-235	-119	-30	-161	185	-360
<b>Net interest income</b>	<b>727</b>	<b>422</b>	<b>499</b>	<b>305</b>	<b>4</b>	<b>1 957</b>
Fee and commission income	38	50	23	38	-22	128
Fee and commission expenses	-39	-27	-5	-22	22	-73
Value change and gain/loss on foreign exchange and securities	1	1	-5	8	-0	5
Other operating income	7	19	26	33	-17	69
Other operating expenses	-11	-8	-21	-31	-	-71
<b>Gross margin</b>	<b>723</b>	<b>457</b>	<b>518</b>	<b>330</b>	<b>-13</b>	<b>2 015</b>
Salaries and personnel expenses	-150	-67	-73	-54	2	-342
Administrative expenses	-83	-136	-121	-105	-7	-451
Depreciation and amortisation	-26	-12	-5	-6	-	-49
<b>Net operating income</b>	<b>464</b>	<b>243</b>	<b>319</b>	<b>165</b>	<b>-17</b>	<b>1 174</b>
Other income and costs	-4	-	-4	-1	-	-8
Impairment losses on loan, guarantees etc.	-80	-19	-121	-90	-	-308
<b>Profit before taxes</b>	<b>380</b>	<b>225</b>	<b>195</b>	<b>74</b>	<b>-17</b>	<b>857</b>
Income tax expense	-137	-44	-41	-17	-	-239
<b>Profit after tax</b>	<b>244</b>	<b>181</b>	<b>154</b>	<b>58</b>	<b>-17</b>	<b>618</b>

	YTD 2020					Eliminations	Total Group
	Norway	Sweden	Denmark	Finland			
Total interest income	1 995	1 028	1 028	959		-414	4 596
Total interest expenses	-502	-223	-65	-364		415	-739
<b>Net interest income</b>	<b>1 494</b>	<b>805</b>	<b>963</b>	<b>595</b>		<b>1</b>	<b>3 857</b>
Fee and commission income	83	101	49	66		-37	262
Fee and commission expenses	-68	-55	-13	-37		37	-135
Value change and gain/loss on foreign exchange and securities	-93	3	-3	4		-2	-92
Other operating income	14	22	54	66		-17	140
Other operating expenses	-22	-15	-37	-61		-	-135
<b>Gross margin</b>	<b>1 408</b>	<b>861</b>	<b>1 012</b>	<b>633</b>		<b>-18</b>	<b>3 897</b>
Salaries and personnel expenses	-323	-156	-159	-84		1	-720
Administrative expenses	-191	-251	-203	-194		1	-838
Depreciation and amortisation	-53	-23	-9	-12		-	-96
<b>Net operating income</b>	<b>842</b>	<b>432</b>	<b>642</b>	<b>343</b>		<b>-15</b>	<b>2 243</b>
Other income and costs	3	1	-4	-1		154	153
Impairment losses on loan, guarantees etc.	-241	-126	-295	-170		-	-831
<b>Profit before taxes</b>	<b>604</b>	<b>307</b>	<b>342</b>	<b>173</b>		<b>139</b>	<b>1 566</b>
Income tax expense	-126	-66	-78	-42		-	-311
<b>Profit after tax</b>	<b>478</b>	<b>242</b>	<b>265</b>	<b>131</b>		<b>139</b>	<b>1 254</b>

Cash and receivables on central banks	2 066	3 306	-	-		-	5 371
Deposits with and receivables on financial institutions	1 834	2 383	818	1 460		-	6 494
Total gross loans to customers	58 834	44 327	39 623	41 468		-	184 252
Write-downs	-1 623	-899	-1 186	-642		-	-4 351
Commercial papers and bonds	2 620	1 009	2 261	2 284		-1 679	6 495
Financial derivatives	-0	-	-	18		-	18
Investments in subsidiaries	2 496	351	-	-		-2 847	0
Other assets	25 270	935	2 267	18 750		-42 051	5 172
<b>Total assets</b>	<b>91 496</b>	<b>51 411</b>	<b>43 784</b>	<b>63 339</b>		<b>-46 577</b>	<b>203 452</b>

Debt to credit institutions	6 480	12 120	15 425	30 598		-23 589	41 035
Deposits from customers	27 182	23 312	24 942	-		-	75 436
Debt established by issuing securities	28 161	11 150	1 879	11 422		-1 679	50 933
Financial derivatives	-	-	-	12		-	12
Other liabilities	3 066	4 421	998	18 075		-18 981	7 578
Equity	26 606	409	540	3 232		-2 328	28 458
<b>Total liabilities and equity</b>	<b>91 496</b>	<b>51 411</b>	<b>43 784</b>	<b>63 339</b>		<b>-46 577</b>	<b>203 452</b>

	Q2 2019					Eliminations	Total Group
	Norway	Sweden	Denmark	Finland			
Total interest income	1 014	447	447	871		-652	2 127
Total interest expenses	-257	-105	-37	-611		654	-356
<b>Net interest income</b>	<b>757</b>	<b>342</b>	<b>410</b>	<b>260</b>		<b>2</b>	<b>1 771</b>
Fee and commission income	46	45	42	51		-41	144
Fee and commission expenses	-38	-12	-7	-40		41	-56
Value change and gain/loss on foreign exchange and securities	1	-	-	6		1	8
Other operating income	6	2	24	30		-	62
Other operating expenses	-7	-5	-13	-27		-	-51
<b>Gross margin</b>	<b>765</b>	<b>372</b>	<b>457</b>	<b>280</b>		<b>3</b>	<b>1 876</b>
Salaries and personnel expenses	-184	-74	-68	-39		-	-365
Administration expenses	-78	-110	-112	-89		-2	-391
Depreciation and amortisation	-24	-10	-10	-6		-	-51
<b>Net operating income</b>	<b>479</b>	<b>178</b>	<b>267</b>	<b>146</b>		<b>-</b>	<b>1 070</b>
Other income and costs	-7	-4	-4	-		-	-16
Impairment losses on other assets	-	-	-	-		-	-
Impairment losses on loan, guarantees etc.	176	187	90	7		-	460
<b>Profit before taxes</b>	<b>647</b>	<b>360</b>	<b>354</b>	<b>153</b>		<b>-</b>	<b>1 514</b>
Income tax expense	-173	-82	-68	-31		-	-354
<b>Profit after tax</b>	<b>474</b>	<b>278</b>	<b>285</b>	<b>123</b>		<b>-</b>	<b>1 160</b>

	YTD Q2 2019					
	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Total interest income	2 032	881	901	1 199	-776	4 237
Total interest expenses	-511	-197	-78	-691	781	-697
<b>Net interest income</b>	<b>1 521</b>	<b>684</b>	<b>823</b>	<b>508</b>	<b>5</b>	<b>3 541</b>
Fee and commission income	88	96	101	67	-48	304
Fee and commission expenses	-60	-25	-14	-45	48	-96
Value change and gain/loss on foreign exchange and securities	26	-	-4	7	-	28
Other operating income	14	4	44	59	-	121
Other operating expenses	-15	-9	-24	-53	-	-101
<b>Gross margin</b>	<b>1 574</b>	<b>749</b>	<b>926</b>	<b>543</b>	<b>5</b>	<b>3 796</b>
Salaries and personnel expenses	-334	-161	-140	-68	-	-704
Administration expenses	-223	-208	-199	-157	-6	-794
Depreciation and amortisation	-47	-21	-21	-11	-	-100
<b>Net operating income</b>	<b>969</b>	<b>359</b>	<b>567</b>	<b>306</b>	<b>-1</b>	<b>2 199</b>
Other income and costs	28	-4	-7	-1	-	16
Impairment losses on other assets	-	-	-	-	-	-
Impairment losses on loan, guarantees etc.	-37	81	1	53	1	99
<b>Profit before taxes</b>	<b>960</b>	<b>436</b>	<b>561</b>	<b>359</b>	<b>-</b>	<b>2 314</b>
Income tax expense	-266	-100	-114	-72	-	-552
<b>Profit after tax</b>	<b>693</b>	<b>335</b>	<b>447</b>	<b>287</b>	<b>-</b>	<b>1 762</b>
Cash and receivables on central banks	65	-	-	-	-	65
Deposits with and receivables on financial institutions	1 484	1 113	45	945	-	3 587
Total gross loans to customers	59 176	36 447	32 145	34 610	-	162 377
Write-downs	-1 436	-775	-711	-428	-	-3 329
Commercial papers and bonds	3 324	2 917	1 780	2 106	-2 407	7 719
Financial derivatives	17	-	-	31	-	48
Investments in subsidiaries	-	-	-	-	-	-
Other assets	19 755	511	1 627	10 151	-28 154	3 890
<b>Total assets</b>	<b>82 386</b>	<b>40 232</b>	<b>34 886</b>	<b>47 415</b>	<b>-30 561</b>	<b>174 358</b>
Debt to credit institutions	4 370	7 720	14 478	26 072	-18 863	33 777
Deposits from customers	25 020	19 049	17 757	-	-	61 826
Debt established by issuing securities	29 801	11 602	1 701	8 663	-2 407	49 360
Financial derivatives	10	-	-	22	-	32
Other liabilities	2 741	1 674	845	9 872	-9 709	5 423
Equity	20 444	187	104	2 785	420	23 940
<b>Total liabilities and equity</b>	<b>82 386</b>	<b>40 232</b>	<b>34 886</b>	<b>47 415</b>	<b>-30 561</b>	<b>174 358</b>

## Note 9 - Net interest income

All amounts in millions of NOK	Q2 2020	Q2 2019	YTD Q2 Q2 2020	YTD Q2 2019	FY 2019
Interest and similar income on loans to and receivables from credit institutions	3	-1	9	10	48
Interest and similar income on loans to and receivables from customers	2 301	2 102	4 551	4 185	8 490
Interest and similar income on comm. paper, bonds and other securities	13	26	36	42	58
<b>Total interest income</b>	<b>2 317</b>	<b>2 127</b>	<b>4 596</b>	<b>4 237</b>	<b>8 596</b>
Interest and similar expenses on debt to credit institutions	-31	-42	-67	-95	-166
Interest and similar expenses on deposits from and debt to customers	-205	-199	-410	-374	-788
Interest and similar expenses on issued securities	-101	-101	-219	-200	-408
Interest on subordinated loan capital	-18	-13	-36	-25	-54
Other interest expenses and similar expenses	-4	-2	-6	-3	-6
<b>Total interest expense</b>	<b>-360</b>	<b>-357</b>	<b>-739</b>	<b>-697</b>	<b>-1 422</b>
<b>Net interest income</b>	<b>1 957</b>	<b>1 771</b>	<b>3 857</b>	<b>3 541</b>	<b>7 174</b>

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.

To credit institutions	Q2 2020	Q2 2019	YTD Q2 Q2 2020	YTD Q2 2019	FY 2019
Interest expenses	-31	-42	-67	-95	-166
Average loan over the period	35 604	35 744	35 604	35 744	35 214
<b>Average nominal interest rate</b>	<b>0,35%</b>	<b>0,47%</b>	<b>0,38%</b>	<b>0,53%</b>	<b>0,47%</b>

To customers	Q2 2020	Q2 2019	YTD Q2 Q2 2020	YTD Q2 2019	FY 2019
Interest expenses	-205	-199	-410	-374	-788
Average deposit over the period	70 460	57 237	70 460	57 237	60 065
<b>Average nominal interest rate</b>	<b>1,17%</b>	<b>1,39%</b>	<b>1,16%</b>	<b>1,31%</b>	<b>1,31%</b>

To bondholders	Q2 2020	Q2 2019	YTD Q2 Q2 2020	YTD Q2 2019	FY 2019
Interest expenses	-101	-101	-219	-200	-408
Average issued notes and bonds	52 168	46 243	52 168	46 243	53 166
<b>Average nominal interest rate</b>	<b>0,77%</b>	<b>0,87%</b>	<b>0,84%</b>	<b>0,86%</b>	<b>0,77%</b>

Subordinated loan capital*	Q2 2020	Q2 2019	YTD Q2 Q2 2020	YTD Q2 2019	FY 2019
Interest expenses	-18	-13	-36	-25	-54
Average subordinated loan capital	2 491	1 689	2 491	1 689	2 076
<b>Average nominal interest rate</b>	<b>2,94%</b>	<b>3,12%</b>	<b>2,91%</b>	<b>2,98%</b>	<b>2,58%</b>

Total of tables above:	Q2 2020	Q2 2019	YTD Q2 Q2 2020	YTD Q2 2019	FY 2019
Interest expenses	-356	-355	-733	-694	-1 416
Loan	160 723	140 913	160 723	140 913	150 521
<b>Average nominal interest rate</b>	<b>0,89%</b>	<b>1,01%</b>	<b>0,91%</b>	<b>0,98%</b>	<b>0,94%</b>

## Note 10 - Classification of financial instruments

Q2 2020

All amounts in millions of NOK

Classification of financial assets 30 June 2020	Financial assets at fair value through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Cash and receivables on central banks	-	-	5 371	5 371
Deposits with and receivables on financial institutions	-	-	6 494	6 494
Loans to customers	-	-	179 901	179 901
Commercial papers and bonds	-	-	6 495	6 495
Financial derivatives	18	-	-	18
Other ownership interests	-	38	-	38
<b>Total financial assets</b>	<b>18</b>	<b>38</b>	<b>198 262</b>	<b>198 318</b>
			Non financial assets	5 134
			<b>Total assets</b>	<b>203 452</b>

Classification of financial liabilities 30 June 2020	Financial liabilities at fair value through P&L	Financial liabilities at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	41 035	41 035
Deposits from customers	-	-	75 436	75 436
Debt established by issuing securities	-	-	50 933	50 933
Financial derivatives	12	-	-	12
Other financial liabilities	-	-	694	694
Subordinated loan capital	-	-	2 560	2 560
<b>Total financial liabilities</b>	<b>12</b>	<b>-</b>	<b>170 658</b>	<b>170 670</b>
			Non financial liabilities and equity	32 782
			<b>Total liabilities and equity</b>	<b>203 452</b>

Q2 2019

All amounts in millions of NOK

Classification of financial assets 30 June 2019	Financial assets at fair value through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Cash and receivables on central banks	-	-	65	65
Deposits with and receivables on financial institutions	-	-	3 587	3 587
Loans to customers	-	-	159 048	159 048
Commercial papers and bonds	-	-	7 719	7 719
Financial derivatives	48	-	-	48
Other ownership interests	-	26	-	26
<b>Total financial assets</b>	<b>48</b>	<b>26</b>	<b>170 420</b>	<b>170 494</b>
			Non financial assets	3 864
			<b>Total assets</b>	<b>174 358</b>

<b>Classification of financial liabilities 30 June 2019</b>	<b>Financial liabilities at fair value through P&amp;L</b>	<b>Financial liabilities at fair value through OCI</b>	<b>Amortized cost</b>	<b>Book value</b>
Debt to credit institutions	-	-	33 777	33 777
Deposits from customers	-	-	61 826	61 826
Debt established by issuing securities	-	-	49 360	49 360
Financial derivatives	32	-	-	32
Other financial liabilities	-	-	2 237	2 237
Subordinated loan capital	-	-	1 692	1 692
<b>Total financial liabilities</b>	<b>32</b>	<b>-</b>	<b>148 892</b>	<b>148 924</b>
			Non financial liabilities and equity	25 434
			<b>Total liabilities and equity</b>	<b>174 358</b>

## Note 11 - Valuation Hierarchy

Q2 2020

All amounts in millions of NOK

Financial instruments measured at fair value			Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
<b>Financial assets</b>						
<b>Name</b>	<b>Type</b>	<b>Notional</b>				
KIMI6 Pass Through	Interest Rate Swap	MM EUR 69	-	2	-	2
KIMI7 Pass Through	Interest Rate Swap	MM EUR 238	-	14	-	14
KIMI8A Pass Trough	Interest Rate Swap	MM EUR 515	-	2	-	2
KIMI8B Pass Trough	Interest Rate Swap	MM EUR 42	-	-	-	-
<b>Total financial trading derivatives</b>			-	<b>18</b>	-	<b>18</b>
<b>Name</b>	<b>Type</b>					
VISA	Equity		-	38	-	38
<b>Total other ownership interests</b>			-	<b>38</b>	-	<b>38</b>
<b>Total Assets</b>			-	<b>56</b>	-	<b>56</b>
<b>Financial liabilities</b>						
<b>Name</b>	<b>Type</b>	<b>Notional</b>				
KIMI6 Fixed	Interest Rate Swap	MM EUR 77	-	1	-	1
KIMI7 Fixed	Interest Rate Swap	MM EUR 227	-	10	-	10
KIMI8A Fixed	Interest Rate Swap	MM EUR 491	-	1	-	1
KIMI8B Fixed	Interest Rate Swap	MM EUR 42	-	-	-	-
<b>Total financial derivatives</b>			-	<b>12</b>	-	<b>12</b>
<b>Total Liabilities</b>			-	<b>12</b>	-	<b>12</b>
<b>Derivatives designated for hedge accounting - assets</b>						
<b>Name</b>	<b>Type</b>	<b>Notional</b>				
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	51	-	51
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	7	-	7
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	1	-	1
<b>Total derivatives designated for hedging - assets*</b>			-	<b>59</b>	-	<b>59</b>
<b>Derivatives designated for hedge accounting - liabilities</b>						
<b>Name</b>	<b>Type</b>	<b>Notional</b>				
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	15	-	15
KIMI6	Interest Rate Swap	MM EUR 69	-	2	-	2
KIMI7	Interest Rate Swap	MM EUR 238	-	15	-	15
KIMI8A	Interest Rate Swap	MM EUR 515	-	3	-	3
KIMI8B	Interest Rate Swap	MM EUR 42	-	-	-	-
<b>Total derivatives designated for hedging - liabilities*</b>			-	<b>35</b>	-	<b>35</b>

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\* Derivatives designated for hedge accounting are included in the balance sheet line "Other Assets" for the derivatives that represent an asset and in "Other liabilities" for derivatives that represent a liability for the entity.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access to at that date. When available, the fair value of an instrument is measured using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the instruments fair value is measured using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

**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 is obtained from relevant observable market data. This includes prices based on identical instruments, as well as prices based on similar assets and price indicators that are observable for the asset or liability. 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 known from contractual conditions, in addition to a marked regulated interest rate element (e.g. EURIBOR).

**Level 3:**  
Instruments at Level 3 have no observable market inputs, or they traded on markets that are considered inactive. The price is based mainly on calculations based on internal data and the best information available given the circumstances.

Q2 2019

All amounts in millions of NOK

Financial instruments measured at fair value			Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
<b>Financial assets</b>						
<b>Name</b>	<b>Type</b>	<b>Notional</b>				
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 40	-	17	-	17
KIMI5 Pass Through	Interest Rate Swap	MM EUR 49	-	-	-	-
KIMI6 Pass Through	Interest Rate Swap	MM EUR 218	-	7	-	7
KIMI7 Pass Through	Interest Rate Swap	MM EUR 432	-	24	-	24
<b>Total financial trading derivatives</b>			-	<b>48</b>	-	<b>48</b>
<b>Name</b>	<b>Type</b>					
VISA	Equity		-	26	-	26
<b>Total other ownership interests</b>			-	<b>26</b>	-	<b>26</b>
<b>Total Assets</b>			-	<b>74</b>	-	<b>74</b>
<b>Financial liabilities</b>						
<b>Name</b>	<b>Type</b>	<b>Notional</b>				
KIMI6 Fixed	Interest Rate Swap	MM EUR 212	-	4	-	4
Bilkreditt 7 Pass Through	Cross Currency Swap	MM EUR 22	-	10	-	10
KIMI5	Interest Rate Swap	MM EUR 49	-	-	-	-
KIMI7 Fixed	Interest Rate Swap	MM EUR 414	-	18	-	18
KIMI5 Fixed	Interest Rate Swap	MM EUR 57	-	-	-	-
<b>Total financial derivatives</b>			-	<b>32</b>	-	<b>32</b>
<b>Total Liabilities</b>			-	<b>32</b>	-	<b>32</b>
<b>Derivatives designated for hedge accounting - assets</b>						
<b>Name</b>	<b>Type</b>	<b>Notional</b>				
Bilkreditt 7	Cross Currency Swap	MM EUR 22	-	10	-	10
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	14	-	14
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	90	-	90
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	7	-	7
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	64	-	64
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	15	-	15
<b>Total derivatives designated for hedging - assets*</b>			-	<b>200</b>	-	<b>200</b>
<b>Derivatives designated for hedge accounting - liabilities</b>						
<b>Name</b>	<b>Type</b>	<b>Notional</b>				
KIMI6	Interest Rate Swap	MM EUR 218	-	8	-	8
KIMI7	Interest Rate Swap	MM EUR 432	-	24	-	24
<b>Total derivatives designated for hedging - liabilities*</b>			-	<b>32</b>	-	<b>32</b>

\* Derivatives designated for hedge accounting are included in the balance sheet line "Other Assets" for the derivatives that represent an asset and in "Other liabilities" for derivatives that represent a liability for the entity.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access to at that date. When available, the fair value of an instrument is measured using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the instrument's fair value is measured using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

**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 to by the reporting date. Examples of instruments at Level 1 are listed government bonds.

**Level 2:**  
Instruments at this level are not considered to have an active market. Fair value is obtained from relevant observable market data. This includes prices based on identical instruments, as well as prices based on similar assets and price indicators that are observable for the asset or liability. 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 known from contractual conditions, in addition to a marked regulated interest rate element (e.g. EURIBOR).

**Level 3:**  
Instruments at Level 3 have no observable market inputs, or they are traded on markets that are considered inactive. The price is based mainly on calculations based on internal data and the best information available given the circumstances.

## Note 12 - Loans to customers

<i>All amounts in millions of NOK</i>	YTD	YTD	FY 2019
	Q2 2020	Q2 2019	
Credit Card	6 128	6 526	7 016
Unsecured loans	31 316	28 371	29 174
Auto loans	146 808	127 479	129 141
- <i>Installment loans</i>	120 653	107 040	108 198
- <i>Financial leasing</i>	26 155	20 440	20 943
<b>Total gross loans to customers</b>	<b>184 252</b>	<b>162 377</b>	<b>165 331</b>
- Loan loss allowance - Stage 1	-1 146	-1 033	-1 014
- Loan loss allowance - Stage 2	-567	-521	-575
- Loan loss allowance - Stage 3	-2 637	-1 776	-2 350
<b>Total net loans to customers</b>	<b>179 901</b>	<b>159 048</b>	<b>161 392</b>

## Note 13 - Impairment losses on loan, guarantees etc.

All amounts in millions of NOK

The following tables explain the changes in the loan loss provisions between the beginning and the end of the reporting period due to these factors:

	Q2 2020	Q2 2019	Q2 2020 YTD	Q2 2019 YTD
Change in loss allowance - Unsecured loans	392	227	89	121
Change in loss allowance - Secured loans	-129	-25	-238	-15
Change in loss allowance - Commercial papers and bonds	-1	-	-1	-
+/- Fx rate adjustment opening balance	-	-	-	-
+ Total realized losses	-846	-571	-1 024	-944
- Recoveries on previously realized losses	57	73	118	180
- Gain on sold portfolios	224	757	224	757
<b>Impairment losses on loan, guarantees etc.</b>	<b>-302</b>	<b>460</b>	<b>-831</b>	<b>99</b>

## Note 14 - Issued securities

All amounts in millions of NOK

	Q2 2020	Q2 2019	FY 2019
Issued certificates	812	1 919	1 999
Senior unsecured issued securities	37 165	35 739	35 520
Asset backed issued securities	12 956	11 702	15 884
<b>Total issued securities</b>	<b>50 933</b>	<b>49 360</b>	<b>53 403</b>

Santander Consumer Bank AS issued certificates of deposits in January to a value of SEK 100 MM (NOK 94 MM)  
Santander Consumer Bank AS issued certificates of deposits in January to a value of SEK 100 MM (NOK 94 MM)  
Santander Consumer Bank AS issued certificates of deposits in January to a value of SEK 80 MM (NOK 75 MM)  
Santander Consumer Bank AS issued certificates of deposits in January to a value of SEK 100 MM (NOK 94 MM)  
Santander Consumer Bank AS issued certificates of deposits in January to a value of SEK 100 MM (NOK 94 MM)  
Santander Consumer Bank AS issued certificates of deposits in January to a value of SEK 100 MM (NOK 94 MM)  
Santander Consumer Bank AS issued certificates of deposits in February to a value of SEK 90 MM (NOK 86 MM)  
Santander Consumer Bank AS issued certificates of deposits in February to a value of SEK 110 MM (NOK 105 MM)  
Santander Consumer Bank AS issued certificates of deposits in February to a value of SEK 100 MM (NOK 95 MM)  
Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exchange in February to a value of NOK 250 MM  
Santander Consumer Bank AS issued bonds on the Irish Stock exchange in February to a value of SEK 1 000 MM (NOK 957 MM)  
Santander Consumer Bank AS issued bonds on the Irish Stock exchange in February to a value of EUR 500 MM (NOK 5 080 MM)  
Santander Consumer Bank AS issued certificates of deposits in June to a value of SEK 50 MM (NOK 51 MM)  
Santander Consumer Bank AS issued certificates of deposits in June to a value of SEK 50 MM (NOK 52 MM)  
Santander Consumer Bank AS issued certificates of deposits in June to a value of SEK 50 MM (NOK 52 MM)

The additional change in balance sheet value of senior unsecured issued securities is the revaluation of the Euro, SEK and DKK bonds.

## Note 15 - Receivables and liabilities to related parties

Amounts in millions of NOK

Debt to related parties:	Q2 2020	Accrued Interest Q2 2020	Q2 2019	Accrued Interest Q2 2019	FY 2019	Accrued Interest FY 2019
Santander Benelux	-	-	-	-	-	-
Santander Consumer Finance S.A.	40 718	16	33 552	11	30 042	5
<b>Total</b>	<b>40 718</b>	<b>16</b>	<b>33 552</b>	<b>11</b>	<b>30 042</b>	<b>5</b>

### Balance sheet line: "Subordinated loan capital" - Bonds

MNOK 250, maturity March 2025, 3 months NIBOR + 2.2575% (Santander Consumer Finance S.A)	250	1	250	-	250	-
MNOK 250, maturity July 2025, 3 months NIBOR + 3.135% (Santander Consumer Finance S.A)	250	0	250	2	250	3
MNOK 500, maturity September 2027, 3 months NIBOR + 1,66% (Santander Consumer Finance S.A)	500	2	500	1	500	1
MSEK 750, maturity December 2029, 3 months STIBOR + 2.08% (Santander Consumer Finance S.A)	778	1	-	-	708	1
MSEK 750, maturity December 2030, 3 months STIBOR + 2.29% (Santander Consumer Finance S.A)	778	0	-	-	708	-
<b>Total</b>	<b>2 556</b>	<b>4</b>	<b>1 688</b>	<b>3</b>	<b>2 416</b>	<b>5</b>

The interest rate on intercompany loans are carried out on market terms.

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

## Note 16 - 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.

Transactions with related parties are mostly interest expenses on funding from the parent company and the ultimate parent company.

The following transactions were carried out with related parties:

			YTD	YTD	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019	FY 2019
Interest income	2		6		16
Interest expenses	-39	-36	-70	-72	-130
Interest payments additional Tier 1 capital	-38	-34	-76	-68	-141
Fees	-	-	-	-	
Other	-9	-12	-23	-11	-23
<b>Net transactions</b>	<b>-84</b>	<b>-82</b>	<b>-163</b>	<b>-151</b>	<b>-277</b>

Santander Consumer Bank Group had transactions with the following related parties per 30 June 2020:

Santander Consumer Finance, S.A.

Santander Seguros Y Reaseguros, S.A.

Banco Santander, S.A.

Santander Consumer Finance Global Services, S.L.

Santander Global Operations, S.A.

Santander Global Technology, S.L.

## Note 17 - Business combination

All amounts in millions of NOK

February 28th, 2020 the Group acquired 100 % of the shares in Forso Nordic AB, a captive finance operation. Forso Nordic AB is headquartered in Sweden, Gothenburg, with a subsidiary in Finland and branches in Norway and Denmark. The acquisition is fully financed through an intra group loan from the parent company of Santander Consumer Bank AS. The agreement also includes a long term partnership offering financial services to Ford dealers and customers in the Nordic region.

### Purchase consideration

	Shares acquired	
Agreed purchase price	100%	1 175
Ordinary shares issued		
Discount to agreed purchase price		-155
<b>Total purchase consideration</b>		<b>1 020</b>

The amount recognised in respect of the identifiable assets and liabilities acquired are as set out in the table below:

Effect on Balance Sheet	
Cash and receivables on central banks	651
Loans to customers	11 127
Fixed assets	26
Other assets	1 073
Debt to credit institutions	-11 505
Other financial liabilities	-124
Deferred tax	-
Other liabilities	-172
<b>Net identifiable assets acquired</b>	<b>1 077</b>
Less: Bargain Purchase	-57
<b>Net assets acquired</b>	<b>1 020</b>

➤ 2 | **Notes**

Santander Consumer Bank AS



## Note 1 - Basis of preparation

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The accounts show the activities of the company in Norway, Sweden and Denmark (Santander Consumer Bank AS). 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 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual report as at and for the year ended 31 December 2019.

The annual report for 2019 may be obtained by contacting Santander Consumer Bank AS, Strandveien 18, Lysaker – or by visiting [www.santanderconsumer.no](http://www.santanderconsumer.no).

These interim financial statements were authorised by the Board of Directors the 14th of August 2020.

## Note 2 - Accounting principles

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The Santander Consumer Banks AS's accounting policies are consistent with those of the previous financial year as described in the 2019 annual report.

## Note 3 - Credit risk exposure

All amounts in millions of NOK

### Maximum exposure to credit risk - Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the SCB AS's maximum exposure to credit risk on these assets.

	Q2 2020			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Unsecured loans</b>				
<b>Credit grade</b>				
Loans not past due date	28 284	611	-	28 895
Standard monitoring	463	957	-	1 420
Special monitoring	-	209	-	209
Default	-	-	2 342	2 342
<b>Gross carrying amount</b>	<b>28 747</b>	<b>1 777</b>	<b>2 342</b>	<b>32 866</b>
Loss allowance	-463	-289	-1 446	-2 198
<b>Carrying amount</b>	<b>28 284</b>	<b>1 488</b>	<b>896</b>	<b>30 668</b>
Loss allowance (off balance exposures)	-40	-12	-19	-71
Loss allowance (%)				6,69%

Loans not past due date: Exposures that are not in arrears and not in default.

Standard monitoring: Exposures in early arrears.

Special monitoring: Exposures under special monitoring.

Default: Defaulted loans.

	Q2 2020			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Secured loans*</b>				
<b>Credit grade</b>				
Loans not past due date	97 798	1 361	-	99 159
Standard monitoring	1 864	1 016	-	2 880
Special monitoring	-	468	-	468
Default	-	-	1 716	1 716
<b>Gross carrying amount</b>	<b>99 662</b>	<b>2 845</b>	<b>1 716</b>	<b>104 223</b>
Loss allowance	-424	-179	-859	-1 462
<b>Carrying amount</b>	<b>99 238</b>	<b>2 666</b>	<b>857</b>	<b>102 761</b>
Loss allowance (%)				1,40%

Loans not past due date: Exposures that are not in arrears and not in default.

Standard monitoring: Exposures in early arrears.

Special monitoring: Exposures under special monitoring.

Default: Defaulted loans.

\*Secured loans include secured auto loans and financial lease where the underlying assets serve as collateral.

	Q2 2020			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Commercial papers and bonds</b>				
<b>Credit grade</b>				
Investment grade	5 891	-	-	5 891
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
<b>Gross carrying amount</b>	<b>5 891</b>	<b>-</b>	<b>-</b>	<b>5 891</b>
Loss allowance	-	-	-	-
<b>Carrying amount</b>	<b>5 891</b>	<b>-</b>	<b>-</b>	<b>5 891</b>
Loss allowance (%)				-

### Maximum exposure to credit risk - Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets and liabilities not subject to impairment (i.e. FVTPL):

Maximum exposure to credit risk				
Financial derivatives				
Liabilities				
	Q2 2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Unsecured loans</b>				
<b>Credit grade</b>				
Loans not past due date	26 885	839	-	27 724
Standard monitoring	723	1 225	-	1 948
Special monitoring	-	176	-	176
Default	-	-	1 706	1 706
<b>Gross carrying amount</b>	<b>27 608</b>	<b>2 240</b>	<b>1 706</b>	<b>31 554</b>
Loss allowance	-436	-303	-1 005	-1 744
<b>Carrying amount</b>	<b>28 044</b>	<b>1 937</b>	<b>701</b>	<b>29 810</b>
Loss allowance (offbalance exposures)	-48	-15	-21	-84
Loss allowance (%)				5,53%

Loans not past due date: Exposures that are not in arrears and not in default.

Standard monitoring: Exposures in early arrears.

Special monitoring: Exposures under special monitoring.

Default: Defaulted loans.

Q2 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Secured loans*</b>				
<b>Credit grade</b>				
Loans not past due date	90 330	1 187	-	91 518
Standard monitoring	2 114	1 116	-	3 231
Special monitoring	5	255	2	262
Default	-	-	1 204	1 204
<b>Gross carrying amount</b>	<b>92 449</b>	<b>2 559</b>	<b>1 206</b>	<b>96 214</b>
Loss allowance	-386	-144	-627	-1 157
<b>Carrying amount</b>	<b>92 063</b>	<b>2 415</b>	<b>579</b>	<b>95 057</b>
Loss allowance (%)				1,20%

Loans not past due date: Exposures that are not in arrears and not in default.

Standard monitoring: Exposures in early arrears.

Special monitoring: Exposures under special monitoring.

Default: Defaulted loans.

\*Secured loans include secured auto loans and financial lease where the underlying assets serve as collateral.

Q2 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Commercial papers and bonds</b>				
<b>Credit grade</b>				
Investment grade	8 022	-	-	8 022
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
<b>Gross carrying amount</b>	<b>8 022</b>	<b>-</b>	<b>-</b>	<b>8 022</b>
Loss allowance	-1	-	-	-1
<b>Carrying amount</b>	<b>8 021</b>	<b>-</b>	<b>-</b>	<b>8 021</b>
Loss allowance (%)				0,01%

### Maximum exposure to credit risk - Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets and liabilities not subject to impairment (i.e. FVTPL):

Maximum exposure to credit risk	
Financial derivatives	
Liabilities	17

## Note 4 - Risk classification

The tables below show the past due portfolio at certain ageing 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			Loss reserves		
	Q2 2020	Q2 2019	FY 2019	Q2 2020	Q2 2019	FY 2019
Current - not past due date	128 735	119 645	120 043	-1 039	-888	-874
Current - past due date	4 298	5 210	5 668	-368	-380	-433
Total impaired loans	4 057	2 912	3 837	-2 324	-1 632	-2 142
<b>Total gross loans to customers</b>	<b>137 089</b>	<b>127 767</b>	<b>129 548</b>	<b>-3 731</b>	<b>-2 901</b>	<b>-3 450</b>

<i>Ageing of past due but not impaired loans</i>	Q2 2020	Q2 2019	FY 2019	Q2 2020	Q2 2019	FY 2019
1 - 29 days	3 210	4 006	4 238	-155	-164	-173
30 - 59 days	742	859	1 009	-120	-126	-152
60 - 89 days	346	346	421	-93	-90	-108
<b>Total loans due but not impaired</b>	<b>4 298</b>	<b>5 210</b>	<b>5 668</b>	<b>-368</b>	<b>-380</b>	<b>-433</b>

<i>Ageing of impaired loans</i>	Balance			Loss reserves		
	Q2 2020	Q2 2019	FY 2019	Q2 2020	Q2 2019	FY 2019
90 - 119 days	223	259	309	-114	-126	-153
120 - 149 days	227	209	261	-116	-106	-130
150 - 179 days	199	193	211	-105	-98	-106
180 + days	1 649	1 007	1 682	-1 017	-591	-993
Economic doubtful*	1 759	1 244	1 374	-972	-711	-761
<b>Total impaired loans</b>	<b>4 057</b>	<b>2 912</b>	<b>3 837</b>	<b>-2 324</b>	<b>-1 632</b>	<b>-2 142</b>

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

## Note 5 - Loss allowance

All amounts in millions of NOK

The following tables explain the changes in the loss allowance between the beginning and the end of the reporting period due to these factors:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Unsecured loans</b>				
<b>Loss allowance as at 1 January 2020</b>	<b>431</b>	<b>329</b>	<b>1 449</b>	<b>2 209</b>
Transfers:				
Transfer from Stage 1 to Stage 2	-79	541	-	462
Transfer from Stage 1 to Stage 3	-4	-	91	87
Transfer from Stage 2 to Stage 3	-	-390	611	221
Transfer from Stage 2 to Stage 1	35	-383	-	-348
Transfer from Stage 3 to Stage 2	-	26	-135	-109
Transfer from Stage 3 to Stage 1	-	-	-2	-2
Assets remaining in same Stage	23	171	112	306
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	-25	-10	-641	-676
<i>of which 'account that have closed in the period'</i>	-25	-10	-641	-676
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-134	-134
New financial assets originated or purchased	49	-	-	49
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	33	5	95	133
<b>Loss allowance as at 30 June 2020</b>	<b>463</b>	<b>289</b>	<b>1 446</b>	<b>2 198</b>
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Secured loans</b>				
<b>Loss allowance as at 1 January 2020</b>	<b>387</b>	<b>161</b>	<b>693</b>	<b>1 241</b>
Transfers:				
Transfer from Stage 1 to Stage 2	-40	258	-	218
Transfer from Stage 1 to Stage 3	-8	-	147	139
Transfer from Stage 2 to Stage 3	-	-128	325	197
Transfer from Stage 2 to Stage 1	29	-197	-	-168
Transfer from Stage 3 to Stage 2	-	26	-175	-149
Transfer from Stage 3 to Stage 1	-	-	-1	-1
Assets remaining in same Stage	-11	75	50	114
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	-40	-18	-61	-119
<i>of which 'account that have closed in the period'</i>	-40	-18	-61	-119
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-143	-143
New financial assets originated or purchased	90	-	-	90
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	17	2	24	43
<b>Loss allowance as at 30 June 2020</b>	<b>424</b>	<b>179</b>	<b>859</b>	<b>1 462</b>

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Commercial papers and bonds</b>				
<b>Loss allowance as at 1 January 2020</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	1	-	-	1
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	-	-	-	-
<i>of which 'account that have closed in the period'</i>	-	-	-	-
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-	-	-	-
<b>Loss allowance as at 30 June 2020</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Off balance exposure*</b>				
<b>Loss allowance as at 1 January 2020</b>	<b>46</b>	<b>14</b>	<b>22</b>	<b>82</b>
Transfers:				
Transfer from Stage 1 to Stage 2	-2	23	-	20
Transfer from Stage 1 to Stage 3	-	-	8	8
Transfer from Stage 2 to Stage 3	-	-3	7	4
Transfer from Stage 2 to Stage 1	3	-26	-	-23
Transfer from Stage 3 to Stage 2	-	2	-8	-6
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	-2	3	4	5
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	-8	-1	-14	-23
<i>of which 'account that have closed in the period'</i>	-8	-1	-14	-23
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	3	-	-	3
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	1	-	-	1
<b>Loss allowance as at 30 June 2020</b>	<b>40</b>	<b>12</b>	<b>19</b>	<b>71</b>

\*Provisions related to off-balance credit exposures are recognized in the financial statement line other income and costs.

The following tables explain the changes in the loss allowance between the beginning and the end of the reporting period due to these factors:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Unsecured loans</b>				
<b>Loss allowance as at 1 January 2019</b>	<b>469</b>	<b>240</b>	<b>1 161</b>	<b>1 870</b>
Transfers:				
Transfer from Stage 1 to Stage 2	-124	483	-	359
Transfer from Stage 1 to Stage 3	-4	-	75	71
Transfer from Stage 2 to Stage 3	-	-343	566	223
Transfer from Stage 2 to Stage 1	52	-312	-	-260
Transfer from Stage 3 to Stage 2	-	22	-123	-102
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	68	129	-157	41
Methodological changes	-43	100	-67	-10
Financial assets derecognised that are not write-offs	-30	-11	-74	-116
<i>of which 'account that have closed in the period'</i>	-30	-11	-74	-116
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-356	-356
New financial assets originated or purchased	62	-	-	62
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-14	-5	-21	-40
<b>Loss allowance as at 30 June 2019</b>	<b>436</b>	<b>303</b>	<b>1 005</b>	<b>1 744</b>

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Secured loans</b>				
<b>Loss allowance as at 1 January 2019</b>	<b>345</b>	<b>198</b>	<b>578</b>	<b>1 121</b>
Transfers:				
Transfer from Stage 1 to Stage 2	-68	203	-	135
Transfer from Stage 1 to Stage 3	-8	-	116	108
Transfer from Stage 2 to Stage 3	-	-94	239	146
Transfer from Stage 2 to Stage 1	29	-130	-	-101
Transfer from Stage 3 to Stage 2	-	20	-131	-111
Transfer from Stage 3 to Stage 1	-	-	-1	-1
Assets remaining in same Stage	18	29	28	75
Methodological changes	22	-62	25	-15
Financial assets derecognised that are not write-offs	-60	-19	-59	-138
<i>of which 'account that have closed in the period'</i>	-60	-19	-59	-138
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-162	-162
New financial assets originated or purchased	114	-	-	114
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-6	-2	-6	-14
<b>Loss allowance as at 30 June 2019</b>	<b>386</b>	<b>144</b>	<b>627</b>	<b>1 157</b>

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Commercial papers and bonds</b>				
<b>Loss allowance as at 1 January 2019</b>	1	-	-	1
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	1	-	-	1
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	-	-	-	-
<i>of which 'account that have closed in the period'</i>	-	-	-	-
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-	-	-	-
<b>Loss allowance as at 30 June 2019</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Off balance exposure*</b>				
<b>Loss allowance as at 1 January 2019</b>	82	14	27	122
Transfers:				
Transfer from Stage 1 to Stage 2	-6	23	-	17
Transfer from Stage 1 to Stage 3	-	-	6	6
Transfer from Stage 2 to Stage 3	-	-5	10	5
Transfer from Stage 2 to Stage 1	4	-24	-	-20
Transfer from Stage 3 to Stage 2	-	3	-15	-11
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	-3	3	5	5
Methodological changes	-38	1	-5	-42
Financial assets derecognised that are not write-offs	-4	-1	-7	-12
<i>of which 'account that have closed in the period'</i>	-4	-1	-7	-12
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	15	-	-	15
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-2	-	-	-2
<b>Loss allowance as at 30 June 2019</b>	<b>48</b>	<b>15</b>	<b>21</b>	<b>84</b>

\*Provisions related to off-balance credit exposures are recognized in the financial statement line other income and costs.

## Note 6 - Liquidity Coverage Ratio

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All amounts in millions of NOK

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 100% from 31 December 2017. With a stable basis of High Quality Liquid Assets, SCB AS fulfills the minimum LCR requirements. The LCR ratio becomes volatile due to the Bank's funding structure with some large maturities spread across the year. This leads to high outflows at certain point in time which the Bank needs to position itself against by building its liquidity buffer in order to meet the LCR ratio requirements. Given that outflows are not evenly distributed throughout the year we get spikes in the LCR ratio at point in time when outflows are relatively small within the 30 day window.

<b>Liquidity Coverage Ratio (LCR) %</b>	<b>Q2 2020</b>	<b>Q2 2019</b>	<b>Q4 2019</b>
Liquidity Coverage Ratio (LCR) Total	330	162	156
Liquidity Coverage Ratio (LCR) NOK	472	145	96
Liquidity Coverage Ratio (LCR) SEK	191	156	181
Liquidity Coverage Ratio (LCR) DKK	270	180	245
Liquidity Coverage Ratio (LCR) EUR	2 353	0	332

## Note 7 - Capital adequacy

All amounts in millions of NOK

	Q2 2020	Q2 2019	FY 2019
<b>Balance sheet equity</b>			
Paid in equity	10 618	9 652	9 652
Share premium	1 926	891	891
Other equity	11 704	9 344	10 774
Tier 1 Capital	2 250	2 250	2 250
Other reserves	-73	-143	-119
<b>Total Equity</b>	<b>26 425</b>	<b>21 995</b>	<b>23 448</b>
<b>Common Equity Tier 1 Capital</b>			
(-) Profit not eligible as capital	-1 006	-738	-
Cash-flow hedge adjustment	-	-	-
IRB Expected Loss - Reserves	-215	-221	-249
Goodwill	-414	-286	-291
Other intangible assets	-362	-258	-297
Deferred tax assets	-	-	-
Adjustment Prudent Valuation (AVA)	-4	-7	-8
Tier 1 Capital	-2 250	-2 250	-2 250
<b>Total common Equity Tier 1 Capital (with full IFRS9 impact)</b>	<b>22 174</b>	<b>18 235</b>	<b>20 353</b>
Capital adjustment according to IFRS9 Transitional rules	262	318	318
<b>Total common Equity Tier 1 Capital (with IFRS9 transitional rules)</b>	<b>22 436</b>	<b>18 553</b>	<b>20 671</b>
<b>Tier 1 Capital</b>			
Paid in Tier 1 capital instruments	2 250	2 250	2 250
<b>Total Tier 1 Capital (with full IFRS9 impact)</b>	<b>24 424</b>	<b>20 485</b>	<b>22 603</b>
<b>Total Tier 1 Capital (with IFRS9 transitional rules)</b>	<b>24 686</b>	<b>20 803</b>	<b>22 921</b>
<b>Total Capital</b>			
Paid up subordinated loans	2 537	1 688	2 416
Subordinated loans not eligible	-13	-	-
<b>Total Capital (with full IFRS9 impact)</b>	<b>26 949</b>	<b>22 173</b>	<b>25 020</b>
<b>Total Capital (with IFRS9 transitional rules)</b>	<b>27 211</b>	<b>22 491</b>	<b>25 337</b>
<b>Risk exposure on Standard Approach</b>			
Regional governments or local authorities	66	66	64
Institutions	731	420	363
Corporates	10 565	8 864	8 725
Retail Standard Approach	50 605	49 282	47 832
Exposures in default SA	1 394	1 106	1 324
Covered bonds	141	410	385
Other Exposures	24 668	12 601	15 129
<b>Total Risk exposure amount on Standard Approach</b>	<b>88 169</b>	<b>72 750</b>	<b>73 821</b>
<b>Risk exposure on Internal Rating Based Approach</b>			
Retail Other	24 417	23 162	22 923
<b>Total Risk exposure amount on Internal Rating Based Approach</b>	<b>24 417</b>	<b>23 162</b>	<b>22 923</b>
<b>Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries</b>	<b>112 586</b>	<b>95 912</b>	<b>96 745</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	12 208	11 772	11 892
<b>Risk exposure amount for operational risk</b>	<b>12 208</b>	<b>11 772</b>	<b>11 892</b>
Standardized method	72	101	52
<b>Risk exposure amount for credit valuation adjustment</b>	<b>72</b>	<b>101</b>	<b>52</b>
<b>Total risk exposure amount (with full IFRS9 impact)</b>	<b>124 867</b>	<b>107 785</b>	<b>108 689</b>
Risk Exposure adjustment according to IFRS9 Transitional rules	261	316	316
<b>Total risk exposure amount (with IFRS9 transitional rules)</b>	<b>125 127</b>	<b>108 102</b>	<b>109 006</b>
<b>Total exposure for Leverage Ratio</b>			
Derivatives: Add-on under market-to-market method	353	409	177
Off-balance sheet items with 10% CCF	3 196	2 437	2 700
Off-balance sheet items with 20% CCF	419	839	202
Off-balance sheet items with 50% CCF	38	37	37
Adjusted On balance sheet exposure	177 385	148 484	153 947
<b>Total exposure for Leverage Ratio (with full IFRS9 impact)</b>	<b>181 391</b>	<b>152 206</b>	<b>157 063</b>
Exposure adjustment according to IFRS9 Transitional rules	348	423	423
<b>Total exposure for Leverage Ratio (with IFRS9 transitional rules)</b>	<b>181 740</b>	<b>152 629</b>	<b>157 486</b>
<b>Minimum Regulatory Capital</b>			
Minimum Core Equity	4,50%	4,50%	4,50%
Pillar 2 Requirement	3,30%	2,60%	3,30%
Pilar 2 Guidance	1,00%	0,00%	1,00%
Countercyclical Buffer (combined)	0,40%	1,47%	2,10%
Conservation Buffer	2,50%	2,50%	2,50%
Systemic Risk Buffer	3,00%	3,00%	3,00%
<b>Minimum Regulatory Capital ratio (CET1)</b>	<b>14,70%</b>	<b>14,07%</b>	<b>16,40%</b>
<b>Minimum Regulatory Capital</b>			
Minimum Core Equity	5 619	4 850	4 891
Pillar 2 Requirement	4 121	2 802	4 000
Pilar 2 Guidance	1 249	-	1 087
Countercyclical Buffer (combined)	499	1 584	2 282
Conservation Buffer	3 122	2 695	2 717
Systemic Risk Buffer	3 746	3 234	3 261
<b>Minimum Regulatory Capital amount (full IFRS9 impact)</b>	<b>18 355</b>	<b>15 165</b>	<b>18 238</b>
Surplus of Core Equity Tier 1 capital (full IFRS9 impact)	3 819	3 069	2 115
<b>Minimum Regulatory Capital amount (with IFRS9 transitional rules)</b>	<b>18 394</b>	<b>15 210</b>	<b>17 877</b>
Surplus of Core Equity Tier 1 capital (after IFRS9 transitional rules)	4 042	3 343	2 794
<b>Common equity tier 1 capital ratio (full IFRS9 impact)</b>	<b>17,76%</b>	<b>16,92%</b>	<b>18,73%</b>
<b>Common equity tier 1 capital ratio (with IFRS9 transitional rules)</b>	<b>17,93%</b>	<b>17,16%</b>	<b>18,96%</b>
CET1 regulatory requirements	14,70%	14,07%	16,40%
<b>Tier 1 capital ratio (full IFRS9 impact)</b>	<b>19,56%</b>	<b>19,01%</b>	<b>20,80%</b>
<b>Tier 1 capital ratio (with IFRS9 transitional rules)</b>	<b>19,73%</b>	<b>19,24%</b>	<b>21,03%</b>
Tire 1 regulatory requirements	16,20%	15,57%	17,90%
<b>Total capital ratio (full IFRS9 impact)</b>	<b>21,58%</b>	<b>20,57%</b>	<b>23,02%</b>
<b>Total capital ratio (with IFRS9 transitional rules)</b>	<b>21,75%</b>	<b>20,81%</b>	<b>23,24%</b>
Total capital regulatory requirements	18,20%	17,57%	19,90%

<b>Leverage ratio (full IFRS9 impact)</b>	<b>13,47%</b>	<b>13,46%</b>	<b>14,39%</b>
<b>Leverage ratio (with IFRS9 transitional rules)</b>	<b>13,58%</b>	<b>13,63%</b>	<b>14,55%</b>
LR regulatory requirements	5,00%	5,00%	5,00%

**Specification of IFRS Transition rules (based on initial impact)**

IFRS 9 Increase in Loss Reserves	-498	-498	-498
- whereof Internal Rating Based	-	-	-
Tax impact from increased loss reserves	124	124	124
Deferred tax assets impact on capital	-	-	-
<b>Initial IFRS9 net impact on capital</b>	<b>-374</b>	<b>-374</b>	<b>-374</b>
Base amount for IFRS9 transitional rule on capital	374	374	374
Transition %	70%	85%	85%
<b>Capital adjustment due to Transitional rule</b>	<b>262</b>	<b>318</b>	<b>318</b>

Std Approach value adjustments Spec Reserves	-498	-498	-498
- whereof Retail (75%RW)	-496	-496	-496
- whereof Covered Bonds (10%RW)	-2	-2	-2
Deferred tax assets impact on Risk Exposure Amount (250%RW) *)	-	-	-
<b>Initial IFRS9 net impact on Risk Exposure Amount</b>	<b>-372</b>	<b>-372</b>	<b>-372</b>
Base amount for IFRS9 transitional rule on Risk Exposure Amount	372	372	372
Transition %	70,00%	85,00%	85,00%
<b>Risk Exposure adjustment due to Transitional rule</b>	<b>261</b>	<b>316</b>	<b>316</b>

Impact from Transitional rules on capital ratios (same impact for Tier 1 and 2)	0,17%	0,25%	0,24%
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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). The Pillar 3 Disclosure report is published at [www.santander.no](http://www.santander.no).

## Note 8 - Segment information

All amounts in millions of NOK

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.

### Product segmentation per country (gross lending before expected losses)

	Q2 2020				Total
	Unsecured loans	Secured loans	Financial lease	Operational lease	
Norway	8 865	37 347	10 229	-	56 442
Sweden	16 401	20 073	6 784	-	43 258
Denmark	7 600	27 197	2 592	464	37 853
<b>Total</b>	<b>32 866</b>	<b>84 618</b>	<b>19 605</b>	<b>464</b>	<b>137 553</b>

	Q2 2019				Total
	Unsecured loans	Secured loans	Financial lease	Operational lease	
Norway	10 513	38 086	10 576	-	59 176
Sweden	14 288	16 970	5 188	-	36 447
Denmark	6 752	23 088	2 305	340	32 485
<b>Total</b>	<b>31 554</b>	<b>78 144</b>	<b>18 069</b>	<b>340</b>	<b>128 108</b>

### P&L and Balance sheet per country

	Q2 2020				
	Norway	Sweden	Denmark	Eliminations	Total Group
Total interest income	937	489	506	12	1 945
Total interest expenses	-226	-82	-30	-12	-351
<b>Net interest income</b>	<b>711</b>	<b>408</b>	<b>476</b>	<b>-</b>	<b>1 595</b>
Fee and commission income	38	49	23	-	111
Fee and commission expenses	-40	-23	-5	-	-67
Value change and gain/loss on foreign exchange and securities	1	3	-5	-	-1
Other operating income	7	3	26	-	36
Other operating expenses	-11	-8	-21	-	-39
<b>Gross margin</b>	<b>707</b>	<b>432</b>	<b>495</b>	<b>-</b>	<b>1 634</b>
Salaries and personnel expenses	-149	-65	-70	2	-282
Administrative expenses	-77	-131	-113	-1	-321
Depreciation and amortisation	-26	-11	-5	-	-41
<b>Net operating income</b>	<b>455</b>	<b>225</b>	<b>308</b>	<b>1</b>	<b>989</b>
Other income and costs	-4	-	-4	-	-7
Impairment losses on loan, guarantees etc.	-84	-20	-125	-	-230
<b>Profit before taxes</b>	<b>367</b>	<b>206</b>	<b>178</b>	<b>1</b>	<b>752</b>
Income tax expense	-134	-44	-38	-	-216
<b>Profit after tax</b>	<b>233</b>	<b>161</b>	<b>140</b>	<b>-</b>	<b>535</b>

	YTD 2020				
	Norway	Sweden	Denmark	Eliminations	Total Group
Total interest income	1 950	929	994	-	3 873
Total interest expenses	-481	-148	-65	-	-693
<b>Net interest income</b>	<b>1 470</b>	<b>780</b>	<b>930</b>	<b>-</b>	<b>3 180</b>
Fee and commission income	83	99	49	-	231
Fee and commission expenses	-67	-44	-13	-	-124
Value change and gain/loss on foreign exchange and securities	-93	3	-3	-	-93
Other operating income	14	5	54	-	74
Other operating expenses	-22	-15	-37	-	-74
<b>Gross margin</b>	<b>1 385</b>	<b>829</b>	<b>979</b>	<b>-</b>	<b>3 193</b>
Salaries and personnel expenses	-319	-151	-152	2	-621
Administrative expenses	-173	-232	-183	-2	-589
Depreciation and amortisation	-52	-22	-9	-	-83
<b>Net operating income</b>	<b>841</b>	<b>424</b>	<b>635</b>	<b>-</b>	<b>1 900</b>
Other income and costs	3	1	-4	-	-
Impairment losses on loan, guarantees etc.	-233	-116	-278	-	-627
<b>Profit before taxes</b>	<b>611</b>	<b>309</b>	<b>353</b>	<b>-</b>	<b>1 273</b>
Income tax expense	-123	-69	-75	-	-267
<b>Profit after tax</b>	<b>489</b>	<b>240</b>	<b>278</b>	<b>-0</b>	<b>1 006</b>

Cash and receivables on central banks	2 066	3 305	-	-	5 371
Deposits with and receivables on financial institutions	1 783	1 148	805	-	3 735
Total gross loans to customers	56 442	40 246	37 390	3 012	137 089
Write-downs	-1 610	-892	-1 158	-	-3 660
Commercial papers and bonds	2 620	1 009	2 261	-	5 890
Financial derivatives	-	-	-	-	-
Investments in subsidiaries	2 496	-	-	-	2 496
Other assets	25 254	870	1 739	-7 243	20 619
<b>Total assets</b>	<b>89 050</b>	<b>45 686</b>	<b>41 036</b>	<b>-4 231</b>	<b>171 540</b>
Debt to credit institutions	4 557	10 956	13 243	-4 029	24 726
Deposits from customers	27 182	23 312	24 942	-	75 436
Debt established by issuing securities	28 161	7 936	1 879	-	37 977
Financial derivatives	-	-	-	-	-
Other liabilities	2 980	3 333	866	-202	6 977
Equity	26 169	150	106	-	26 425
<b>Total liabilities and equity</b>	<b>89 050</b>	<b>45 686</b>	<b>41 036</b>	<b>-4 231</b>	<b>171 540</b>

	Q2 2019				
	Norway	Sweden	Denmark	Eliminations	Total Group
Total interest income	998	397	447	-	1 842
Total interest expenses	-236	-61	-37	-	-335
<b>Net interest income</b>	<b>762</b>	<b>335</b>	<b>410</b>	<b>-</b>	<b>1 507</b>
Fee and commission income	46	44	42	-	132
Fee and commission expenses	-37	-6	-7	-	-49
Value change and gain/loss on foreign exchange and securities	1	0	0	-	2
Other operating income	6	2	24	-	32
Other operating expenses	-7	-5	-13	-	-25
<b>Gross margin</b>	<b>772</b>	<b>371</b>	<b>457</b>	<b>-</b>	<b>1 599</b>
Salaries and personnel expenses	-184	-74	-68	-	-326
Administration expenses	-78	-110	-112	-	-299
Depreciation and amortisation	-24	-10	-10	-	-45
<b>Net operating income</b>	<b>486</b>	<b>176</b>	<b>267</b>	<b>-</b>	<b>929</b>
Other income and costs	-7	-4	-4	-	-15
Impairment losses on other assets	-	-	-	-	-
Impairment losses on loan, guarantees etc.	169	188	90	-	448
<b>Profit before taxes</b>	<b>647</b>	<b>360</b>	<b>354</b>	<b>-</b>	<b>1 361</b>
Income tax expense	-173	-82	-68	-	-324
<b>Profit after tax</b>	<b>474</b>	<b>278</b>	<b>285</b>	<b>-</b>	<b>1 037</b>

	YTD Q2 2019				
	Norway	Sweden	Denmark	Eliminations	Total Group
Total interest income	1 994	781	901	-	3 676
Total interest expenses	-472	-112	-78	-	-662
<b>Net interest income</b>	<b>1 522</b>	<b>670</b>	<b>823</b>	<b>-</b>	<b>3 014</b>
Fee and commission income	88	94	101	-	283
Fee and commission expenses	-57	-12	-14	-	-83
Value change and gain/loss on foreign exchange and securities	25	0	-4	-	21
Other operating income	14	4	44	-	62
Other operating expenses	-15	-9	-24	-	-48
<b>Gross margin</b>	<b>1 577</b>	<b>746</b>	<b>926</b>	<b>-</b>	<b>3 249</b>
Salaries and personnel expenses	-334	-161	-140	-	-635
Administration expenses	-223	-208	-199	-	-630
Depreciation and amortisation	-47	-21	-21	-	-89
<b>Net operating income</b>	<b>973</b>	<b>356</b>	<b>567</b>	<b>-</b>	<b>1 895</b>
Other income and costs	28	-4	-7	-	17
Impairment losses on other assets	-	-	-	-	-
Impairment losses on loan, guarantees etc.	-41	84	1	-	44
<b>Profit before taxes</b>	<b>960</b>	<b>436</b>	<b>561</b>	<b>-</b>	<b>1 956</b>
Income tax expense	-266	-100	-114	-	-481
<b>Profit after tax</b>	<b>693</b>	<b>335</b>	<b>447</b>	<b>-</b>	<b>1 475</b>
Cash and receivables on central banks	65	-	-	-	65
Deposits with and receivables on financial institutions	1 411	867	45	-	2 323
Total gross loans to customers	58 346	32 055	32 145	5 222	127 767
Write-downs	-1 436	-755	-711	-	-2 901
Commercial papers and bonds	3 324	2 917	1 780	-	8 021
Financial derivatives	17	-	-	-	17
Investments in subsidiaries	1 258	-	-	-	1 258
Other assets	19 745	510	1 627	-9 178	12 704
<b>Total assets</b>	<b>82 732</b>	<b>35 595</b>	<b>34 886</b>	<b>-3 957</b>	<b>149 256</b>
Debt to credit institutions	4 363	7 720	14 478	-3 945	22 617
Deposits from customers	25 020	19 049	17 757	-	61 826
Debt established by issuing securities	28 922	7 035	1 701	-	37 658
Financial derivatives	10	-	-	-	10
Other liabilities	2 714	1 604	845	-12	5 151
Equity	21 703	188	104	-	21 995
<b>Total liabilities and equity</b>	<b>82 732</b>	<b>35 595</b>	<b>34 886</b>	<b>-3 957</b>	<b>149 256</b>

## Note 9 - Net interest income

All amounts in millions of NOK			YTD Q2	YTD Q2	FY 2019
	Q2 2020	Q2 2019	Q2 2020	2019	
Interest and similar income on loans to and receivables from credit institutions	1	-86	6	10	359
Interest and similar income on loans to and receivables from customers	1 855	1 740	3 703	3 466	7 048
Interest and similar income on comm. paper, bonds and other securities	90	188	165	200	59
<b>Total interest income</b>	<b>1 946</b>	<b>1 842</b>	<b>3 874</b>	<b>3 676</b>	<b>7 466</b>
Interest and similar expenses on debt to credit institutions	-45	-34	-66	-88	-159
Interest and similar expenses on deposits from and debt to customers	-205	-199	-411	-374	-788
Interest and similar expenses on issued securities	-79	-87	-176	-172	-346
Interest on subordinated loan capital	-18	-13	-36	-25	-54
Other interest expenses and similar expenses	-4	-1	-5	-3	-6
<b>Total interest expense</b>	<b>-351</b>	<b>-335</b>	<b>-694</b>	<b>-662</b>	<b>-1 352</b>
<b>Net interest income</b>	<b>1 595</b>	<b>1 507</b>	<b>3 180</b>	<b>3 014</b>	<b>6 114</b>

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			YTD Q2	YTD Q2	FY 2019
	Q2 2020	Q2 2019	Q2 2020	2019	
<b>To credit institutions</b>					
Interest expenses	-45	-34	-66	-88	-159
Average loan	23 267	26 666	23 267	26 666	25 538
<b>Average nominal interest rate</b>	<b>0,78%</b>	<b>0,51%</b>	<b>0,57%</b>	<b>0,66%</b>	<b>0,62%</b>

To customers			YTD Q2	YTD Q2	FY 2019
	Q2 2020	Q2 2019	Q2 2020	2019	
Interest expenses	-205	-199	-410	-374	-788
Average deposit	70 460	57 237	70 460	57 237	60 065
<b>Average nominal interest rate</b>	<b>1,17%</b>	<b>1,39%</b>	<b>1,16%</b>	<b>1,31%</b>	<b>1,31%</b>

To bondholders			YTD Q2	YTD Q2	FY 2019
	Q2 2020	Q2 2019	Q2 2020	2019	
Interest expenses	-79	-87	-176	-172	-346
Average issued notes and bonds	37 748	34 814	37 748	34 814	37 383
<b>Average nominal interest rate</b>	<b>0,84%</b>	<b>1,00%</b>	<b>0,93%</b>	<b>0,99%</b>	<b>0,92%</b>

Subordinated loan capital*			YTD Q2	YTD Q2	FY 2019
	Q2 2020	Q2 2019	Q2 2020	2019	
Interest expenses	-18	-13	-36	-25	-54
Average subordinated loan capital	2 491	1 689	2 491	1 689	2 076
<b>Average nominal interest rate</b>	<b>2,94%</b>	<b>3,04%</b>	<b>2,91%</b>	<b>2,98%</b>	<b>2,58%</b>

Total of tables above:			YTD Q2	YTD Q2	FY 2019
	Q2 2020	Q2 2019	Q2 2020	2019	
Interest expenses	-348	-333	-689	-659	-1 346
Loan	133 966	120 407	133 966	120 407	125 062
<b>Average nominal interest rate</b>	<b>1,04%</b>	<b>0,55%</b>	<b>1,03%</b>	<b>1,09%</b>	<b>1,08%</b>

## Note 10 - Classification of financial instruments

### Q2 2020

All amounts in millions of NOK

Classification of financial assets 30 June 2020	Financial assets at fair value through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Cash and receivables on central banks	-	-	5 371	5 371
Deposits with and receivables on financial institutions	-	-	3 735	3 735
Loans to customers	-	-	133 429	133 429
Commercial papers and bonds	-	-	5 890	5 890
Financial derivatives	-	-	-	-
Loans to subsidiaries and SPV's	-	-	16 544	16 544
Other ownership interests	-	38	-	38
<b>Total financial assets</b>	-	<b>38</b>	<b>164 969</b>	<b>165 007</b>
			Non financial assets	6 533
			<b>Total assets</b>	<b>171 540</b>

Classification of financial liabilities 30 June 2020	Financial liabilities at fair value through P&L	Financial liabilities at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	24 726	24 726
Deposits from customers	-	-	75 436	75 436
Debt established by issuing securities	-	-	37 977	37 977
Financial derivatives	-	-	-	-
Other financial liabilities	-	-	671	671
Subordinated loan capital	-	-	2 560	2 560
<b>Total financial liabilities</b>	-	-	<b>141 370</b>	<b>141 370</b>
			Non financial liabilities and equity	30 170
			<b>Total liabilities and equity</b>	<b>171 540</b>

### Q2 2019

All amounts in millions of NOK

Classification of financial assets 30 June 2019	Financial assets at fair value through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Cash and receivables on central banks	-	-	65	65
Deposits with and receivables on financial institutions	-	-	2 323	2 323
Loans to customers	-	-	124 867	124 867
Commercial papers and bonds	-	-	8 021	8 021
Financial derivatives	17	-	-	17
Loans to subsidiaries and SPV's	-	-	9 758	9 758
Other ownership interests	-	26	-	26
<b>Total financial assets</b>	<b>17</b>	<b>26</b>	<b>145 034</b>	<b>145 077</b>
			Non financial assets	4 179
			<b>Total assets</b>	<b>149 256</b>



## Note 11 - Valuation Hierarchy

Q2 2020

All amounts in millions of NOK

Financial instruments measured at fair value			Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
<i>Name</i>	<i>Type</i>					
VISA	Equity		-	38	-	38
<b>Total other ownership interests</b>			<b>-</b>	<b>38</b>	<b>-</b>	<b>38</b>
<b>Total Assets</b>			<b>-</b>	<b>38</b>	<b>-</b>	<b>38</b>
<b>Derivatives designated for hedge accounting - assets</b>						
<i>Name</i>	<i>Type</i>	<i>Notional</i>				
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	51	-	51
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	7	-	7
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	1	-	1
<b>Total derivatives designated for hedging - assets*</b>			<b>-</b>	<b>59</b>	<b>-</b>	<b>59</b>
<b>Derivatives designated for hedge accounting - liabilities</b>						
<i>Name</i>						
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	15	-	15
<b>*Total derivatives designated for hedging - liabilities*</b>			<b>-</b>	<b>15</b>	<b>-</b>	<b>15</b>

\* Derivatives designated for hedge accounting are included in the balance sheet line "Other Assets" for the derivatives that represent an asset and in "Other liabilities" for derivatives that represent a liability for the entity.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access to at that date. When available, the fair value of an instrument is measured using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the instruments fair value is measured using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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 is obtained from relevant observable market data. This includes prices based on identical instruments, as well as prices based on similar assets and price indicators that are observable for the asset or liability. 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 known from contractual conditions, in addition to a marked regulated interest rate element (e.g. EURIBOR).

Level 3:

Instruments at Level 3 have no observable market inputs, or they traded on markets that are considered inactive. The price is based mainly on calculations based on internal data and the best information available given the circumstances.

Q2 2019

All amounts in millions of NOK

Financial instruments measured at fair value			Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
<b>Financial assets</b>						
<b>Name</b>	<b>Type</b>	<b>Notional</b>				
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 40	-	17	-	17
<b>Total financial trading derivatives</b>			-	17	-	17
<b>Financial liabilities</b>						
<b>Name</b>	<b>Type</b>					
VISA	Equity		-	26	-	26
<b>Total other ownership interests</b>			-	26	-	26
<b>Total Assets</b>			-	43	-	43
<b>Financial liabilities</b>						
<b>Name</b>	<b>Type</b>	<b>Notional</b>				
Bilkreditt 7 Pass Through	Cross Currency Swap	MM EUR 22	-	10	-	10
<b>Total financial derivatives</b>			-	10	-	10
<b>Total Liabilities</b>			-	10	-	10
<b>Derivatives designated for hedge accounting - assets</b>						
<b>Name</b>	<b>Type</b>	<b>Notional</b>				
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	14	-	14
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	90	-	90
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	7	-	7
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	64	-	64
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	15	-	15
<b>Total derivatives designated for hedging - assets*</b>			-	190	-	190

\* Derivatives designated for hedge accounting are included in the balance sheet line "Other Assets" for the derivatives that represent an asset and in "Other liabilities" for derivatives that represent a liability for the entity.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access to at that date. When available, the fair value of an instrument is measured using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the instruments fair value is measured using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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 is obtained from relevant observable market data. This includes prices based on identical instruments, as well as prices based on similar assets and price indicators that are observable for the asset or liability. 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 known from contractual conditions, in addition to a marked regulated interest rate element (e.g. EURIBOR).

Level 3:

Instruments at Level 3 have no observable market inputs, or they traded on markets that are considered inactive. The price is based mainly on calculations based on internal data and the best information available given the circumstances.

## Note 12 - Loans to customers

All amounts in millions of NOK	YTD		FY 2019
	Q2 2020	Q2 2019	
Credit Card	6 128	6 526	7 016
Unsecured loans	26 738	25 028	25 473
Auto loans	104 223	96 214	97 059
- <i>Installment loans</i>	84 618	78 144	78 661
- <i>Financial leasing</i>	19 605	18 069	18 398
<b>Total gross loans to customers</b>	<b>137 089</b>	<b>127 767</b>	<b>129 548</b>
- Loan loss allowance - Stage 1	-887	-822	-819
- Loan loss allowance - Stage 2	-468	-447	-489
- Loan loss allowance - Stage 3	-2 305	-1 632	-2 142
<b>Total net loans to customers</b>	<b>133 429</b>	<b>124 867</b>	<b>126 098</b>

## Note 13 - Impairment losses on loan, guarantees etc.

All amounts in millions of NOK

The following tables explain the changes in the loan loss provisions between the beginning and the end of the reporting period due to these factors:

	Q2 2020	Q2 2019	Q2 2020 YTD	Q2 2019 YTD
Change in loss allowance - Unsecured loans	423	211	149	86
Change in loss allowance - Secured loans	-132	-19	-174	-51
Change in loss allowance - Commercial papers and bonds	-1	-	-1	-
+/- Fx rate adjustment opening balance	-	-	-	-
+ Total realized losses	-802	-509	-936	-854
- Recoveries on previously realized losses	54	63	110	162
- Gain on sold portfolios	224	702	224	702
<b>Impairment losses on loan, guarantees etc.</b>	<b>-231</b>	<b>448</b>	<b>-627</b>	<b>44</b>

## Note 14 - Issued securities

All amounts in millions of NOK

	Q2 2020	Q2 2019	FY 2019
Issued certificates	812	1 919	1 999
Senior unsecured issued securities	37 165	35 739	35 520
Asset backed issued securities	-	-	-
<b>Total issued securities</b>	<b>37 977</b>	<b>37 658</b>	<b>37 519</b>

Santander Consumer Bank AS issued certificates of deposits in January to a value of SEK 100 MM (NOK 94 MM)

Santander Consumer Bank AS issued certificates of deposits in January to a value of SEK 100 MM (NOK 94 MM)

Santander Consumer Bank AS issued certificates of deposits in January to a value of SEK 80 MM (NOK 75 MM)

Santander Consumer Bank AS issued certificates of deposits in January to a value of SEK 100 MM (NOK 94 MM)

Santander Consumer Bank AS issued certificates of deposits in January to a value of SEK 100 MM (NOK 94 MM)

Santander Consumer Bank AS issued certificates of deposits in January to a value of SEK 100 MM (NOK 94 MM)

Santander Consumer Bank AS issued certificates of deposits in February to a value of SEK 90 MM (NOK 86 MM)

Santander Consumer Bank AS issued certificates of deposits in February to a value of SEK 110 MM (NOK 105 MM)

Santander Consumer Bank AS issued certificates of deposits in February to a value of SEK 100 MM (NOK 95 MM)

Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exchange in February to a value of NOK 250 MM

Santander Consumer Bank AS issued bonds on the Irish Stock exchange in February to a value of SEK 1 000 MM (NOK 957 MM)

Santander Consumer Bank AS issued bonds on the Irish Stock exchange in February to a value of EUR 500 MM (NOK 5 080 MM)

Santander Consumer Bank AS issued certificates of deposits in June to a value of SEK 50 MM (NOK 51 MM)

Santander Consumer Bank AS issued certificates of deposits in June to a value of SEK 50 MM (NOK 52 MM)

Santander Consumer Bank AS issued certificates of deposits in June to a value of SEK 50 MM (NOK 52 MM)

The additional change in balance sheet value of senior unsecured issued securities is the revaluation of the Euro, SEK and DKK bonds.

## Note 15 - Receivables and liabilities to related parties

Amounts in millions of NOK

Debt to related parties:	Q2 2020	Accrued Interest Q2 2020	Q2 2019	Accrued Interest Q2 2019	FY 2019	Accrued Interest FY 2019
Santander Benelux	-	-	-	-	-	-
Santander Consumer Finance S.A.	21 439	13	17 189	9	17 268	3
Debt to SPV on future cash flow of securitized loans	3 012	-	5 222	-	4 427	-
<b>Total</b>	<b>24 451</b>	<b>13</b>	<b>22 411</b>	<b>9</b>	<b>21 696</b>	<b>3</b>

### Balance sheet line: "Subordinated loan capital" - Bonds

MNOK 250, maturity March 2025, 3 months NIBOR +2.2575% (Santander Consumer Finance S.A)	250	1	250	-	250	-
MNOK 250, maturity July 2025, 3 months NIBOR +3.135% (Santander Consumer Finance S.A)	250	-	250	2	250	3
MSEK 750, maturity December 2024, 3 months STIBOR +2.2825% (Santander Consumer Finance S.A)	-	-	688	-	-	-
MNOK 500, maturity September 2027, 3 months NIBOR + 1,66% (Santander Consumer Finance S.A)	500	2	500	1	500	1
MSEK 750, maturity December 2029, 3 months STIBOR +2.08% (Santander Consumer Finance S.A)	778	1			708	1
MSEK 750, maturity December 2030, 3 months STIBOR +2.29% (Santander Consumer Finance S.A)	778	-			708	-
<b>Total</b>	<b>2 556</b>	<b>4</b>	<b>1 688</b>	<b>3</b>	<b>2 416</b>	<b>5</b>

\* Subordinated loan at MSEK 750 with maturity December 2024 was redeemed by exercising the call option in December 2019.

Receivables on related parties:	Q2 2020	Accrued Interest Q2 2020	Q2 2019	Accrued Interest Q2 2019	FY 2019	Accrued Interest FY 2019
Balance sheet line: "Commercial papers and bonds" <i>B and C notes issued by SPVs</i>	483	-	1 141	-	1 062	-
Balance sheet line : "Loans to subsidiaries and SPV's" <i>Loan to subsidiary (Santander Consumer Bank OY)</i>	14 585	39	9 666	31	12 295	68
<i>Loan to subsidiary (FORSO Nordic AB)</i>	1 915	8				
<i>Subordinated loan to SPVs</i>	-	-	61	-	48	-

The interest rate on intercompany loans are carried out on market terms.

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

## Note 16 - 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 expenses on funding from the parent company and the ultimate parent company. The Bank 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:

			YTD	YTD	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019	FY 2019
Interest income	48	71	115	150	312
Interest expenses	-21	-33	-54	-66	-125
Interest payments additional Tier 1 capital	-38	-34	-76	-68	-141
Fees	4	7	9	15	28
Other	5	-2	1	4	-2
<b>Net transactions</b>	<b>-1</b>	<b>10</b>	<b>-4</b>	<b>34</b>	<b>73</b>

Santander Consumer Bank AS had transactions with the following related parties per 30 June 2020:

Banco Santander S.A.

Santander Consumer Finance S.A.

Santander Consumer Finance OY

Santander Consumer Finance Global Services, S.L.

Santander Global Operations, S.A.

Santander Global Technology, S.L.

SPV:

Bilkreditt 7 (3147)

SV Autofinans Warehousing 1 LTD (03104)

## Note 17 - Business combination

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*All amounts in millions of NOK*

February 28th, 2020 the Group acquired 100 % of the shares in Forso Nordic AB, a captive finance operation. Forso Nordic AB is headquartered in Sweden, Gothenburg, with a subsidiary in Finland and branches in Norway and Denmark. The acquisition is fully financed through an intra group loan from the parent company of Santander Consumer Bank AS. The agreement also includes a long term partnership offering financial services to Ford dealers and customers in the Nordic region.

Statement of the acquisition appears in the Group notes.