Annual report 2016

Santander Consumer Bank Nordic Group

and

Santander Consumer Bank AS

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Annual Report of the Board of Directors 2016

2016 has been a strong performance year for the Santander Consumer Bank Nordic Group (here after the Group). During the year the focus has been on drawing synergies from the merger in 2015 and implementing our Nordic strategy. This work has resulted in a growing lending portfolio to customers, maintaining our position as market leaders within auto financing, lower funding cost, diversified funding and growth on both the top and bottom line of the profit and loss.

The total growth in loans to customers in 2016 was 7,2%. The profit before tax over the average net earning assets (ROA) was 2,5%, which is up compared to last year. The Group profit after tax was NOK 2 311 MM. The group total assets at year-end was NOK 142 729 MM.

The Group's strategy to maintain a high self-funding ratio proceeded according to plan in 2016 with issuances of unsecured and secured bonds, as well as an increase in deposits of 9,6% in 2016.

The Group's risk management focus is strong and risks are closely monitored and well handled.

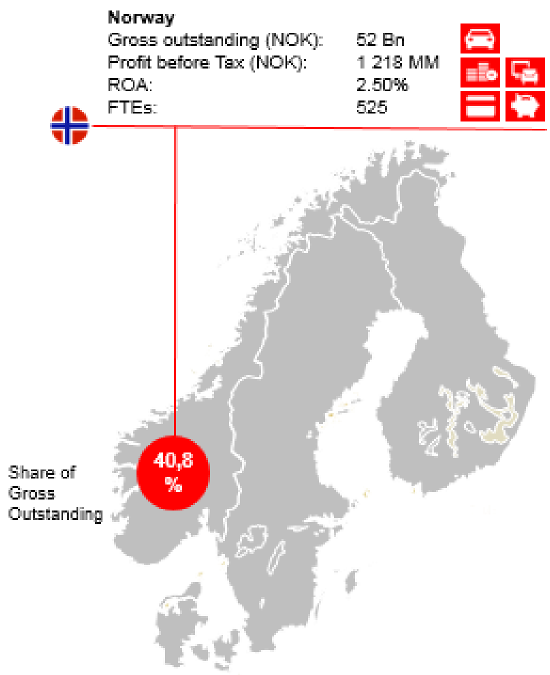
The Group

Santander Consumer Bank AS (hereafter SCB AS) is a wholly owned subsidiary of Santander Consumer Finance S.A. which is part of Grupo Santander, one of the world's leading banks. Santander Consumer Finance S.A. is one of the leading companies in Europe within auto and consumer finance. The goal of the Nordic Group is to realize Grupo Santander's vision in the Nordics by gradually expanding the business with new products. The Nordic Group's products are auto related lending such as car loans, financial leasing, operational leasing and warehouse financing. In addition, the Group offers unsecured lending such as credit cards, consumer loans and sales finance. In addition, the Group offers insurance products as well as deposits. Deposits is an important part of the funding of the business.

The lending portfolio of the Group consists of 75% auto financing, and 25% unsecured financing. The large auto portfolio makes the Group more robust to macroeconomic changes in the Nordics.

At the end of 2016, SCB AS had branches in Sweden and Denmark, as well as a wholly owned subsidiary in Finland (hereafter SCF OY). SCB AS' head office is in Lysaker, Norway. The Nordic Group is organized as a Nordic cluster with central staff functions and four Business units, one in each country of operation. In addition, the Nordic group consists of funding units (Special Purpose Vehicles) that issue auto assets-backed securities as part of the self-funding strategy.

NORWAY



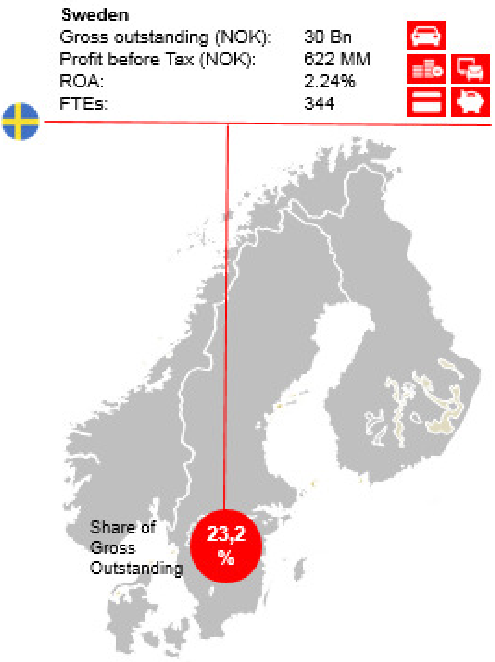
2016 has been a strong year for the Norwegian business, with record results. The branch delivered record profits before tax at NOK 1 218 MM. The total net outstanding was NOK 52 398 MM.

Norway Auto continues to strengthen its position as market leader, and the last overview from the Norwegian Finance Association shows a market share of 31 %, with number two coming in at 18,8 %. The number of partnerships has been stable, with volumes at an all-time high. For our unsecured products, we have maintained a strong market share of 13 % in a highly competitive market.

Developing and delivering outstanding customer experiences is key to ensuring further growth. We invested in outstanding customer experience with new online portals that significantly improve the digital user experience for our partners and consumers. Significant improvements to internal processes and systems across functions has resulted in increased efficiency and cost reduction.

With great results comes great responsibility, and the Norwegian branch is proud to continue its Gold Partnership with Right to Play; a global organization that uses the power of play to educate and empower children in disadvantaged communities to overcome the effects of poverty, conflict and disease. This partnership fuels positive employee engagement, and in June 2016 over 100 employees participated in a relay charity bicycle race called "Norway on bicycle", which raised 100 000 NOK for Right to Play.

SWEDEN



2016 was a year of significant growth for the Swedish business. The Swedish branch is one of the three largest car-financing companies in Sweden. 2016 was the best year ever in number of sold new cars in the market. In addition, the branch managed to increase dealer penetrations and gain market shares during the year, which resulted in a new sale of NOK 10,2 Bn and 17% growth in auto portfolio.

Brokers continues to be an important acquisition channel in the consumer loan market of Sweden. In 2016, the branch launched several new partnerships with consumer loan brokers. The consumer loan portfolio grew by 7% and ended the year with a balance of NOK 11,4 Bn.

The sales finance and credit card portfolios decreased during the year by NOK 0,2 Bn as a result of heavy competition and ended the year with a portfolio of NOK 1,4 Bn. In 2017 a new system and other commercial activities and projects will be implemented for sales finance and credit cards, which will enable pivoting these products back to growth.

The branch continues to have a strong market position amongst savings providers. The deposits portfolio decreased by 11% in 2016 and ended the year at NOK 11,7 Bn. In 2017, an increase in the deposit portfolio is expected through growth in the notification deposit product (launched in December 2016) and continuous pricing reviews on existing deposit products.

A sponsoring agreement with a well established Swedish national sporting event was successfully launched, which together with multichannel marketing campaigns, helps grow the brand awareness. A new system to leverage on CRM opportunities was implemented, collection operations were outsourced to external debt collection agencies and parts of the Bank's organization shifted into an agile structure and way of working. Still a continued focus has been on aligning processes and systems following the merger in the previous year.

DENMARK

With a solid foundation in the new strategy, 2016 was another year of growth for the activities in the Danish branch. The growth in new sales volume was up 25% compared with 2015.

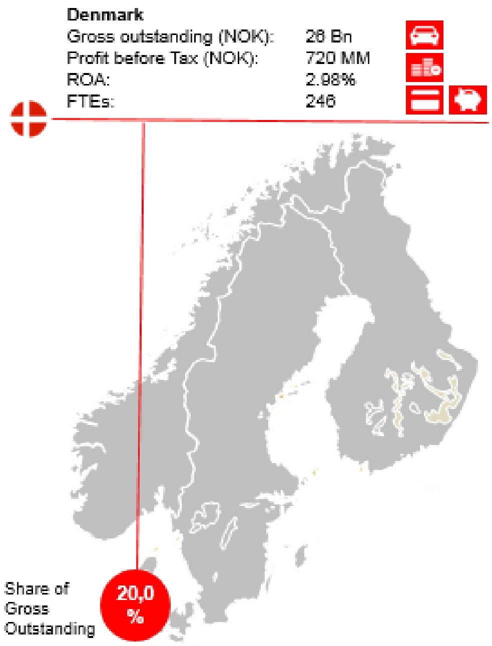
The auto finance and leasing business is still the main activity in Denmark (app. 85% of the total portfolio). In 2016 the new business sales volumes reached a new record level with an increase of 23%. Despite increased competition and a minor decrease in the market share, the Danish branch has maintained the leading position in the market with a market share of approximately 20%.

The consumer loan product is also an important product for the Danish branch, and has in 2016 showed an increase of 30% in new sales volumes.

2016 was the first full year of the sales finance product, which has increased month by month. The expectation for this area is high in the coming years.

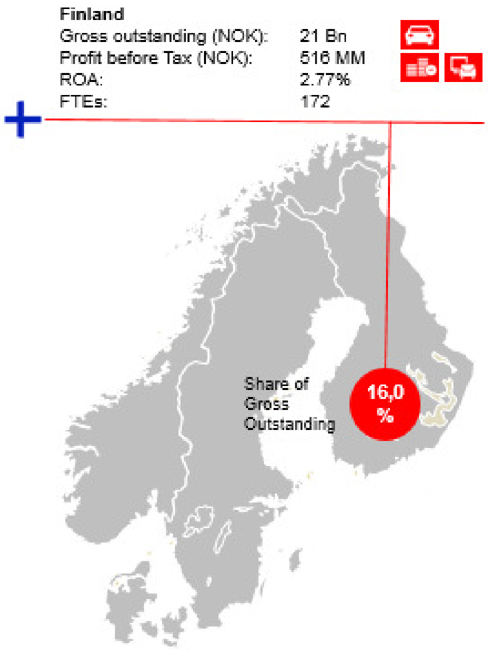
Deposit is part of the funding strategy, and the positive interest from both saving customers and the media has continued. The Danish branch achieved a portfolio of just below NOK 10 000 MM in deposits at year-end.

The Danish branch has high focus on innovative solutions towards the market. In 2016 the branch has successfully launched a fully digitalized application process by using technology in NemID and Digital. In the year to come, all products will have the same digitalized application process.



The Danish branch has focused on several marketing activities 2016 and especially the "Race the Money" event, where the famous Formula1 driver Kimi Raikonnen raced for the cause of charity. The branch has also shown a high level of Social Responsibility by being involved in social activities within charities like the Danish Cancer Society.

FINLAND



2016 was the 10-year anniversary for SCF Oy, and a year with record volumes and profitability in all business areas. During the first 10 years, SCF Oy has grown a strong market presence in Finland, being nr.1 in auto with a market share of more than 32%. SCF Oy offers a full range of products in auto including auto loans, operational and financial leasing, demo leasing, consignment and insurance. Innovative new products and concepts such as “all in one” and “all in one pop up stores” were further developed in 2016. Auto finance represents the core of the Finnish business

In the unsecured consumer loan business SCF Oy made once again all-time high new sales volumes in a market with more and more competition from several new startups entering the market. The sales finance product continued its growth and reached an all-time- high new sale volumes and profits in 2016.

SCF Oy exceeded its targets, both in terms of volume and in terms of profits. SCF Oy also implemented the public securitization (Kimi5) as part of its receivables portfolio in the financial year in order to safeguard its strong liquidity.

FUNDING

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

Customer deposits are a strategic priority for the Group. Deposit-taking capabilities have been developed, to-date, in Norway, Sweden and Denmark. The Group has total outstanding volumes of NOK 40 971 MM in deposits across all three countries, representing an increase of NOK 3 590 MM from 2015.

The Group is well established in the Nordic and European senior unsecured bond markets and have increased its issuances under its Euro Medium Term Note program (EMTN). The bank has during 2016 issued EUR 1000 MM of senior unsecured bonds in the Euro-market, NOK 3 651 MM of senior unsecured bonds in the Norwegian market and SEK 1 450 MM of senior unsecured bonds in the Swedish market. During the first half of 2016, SCB AS obtained a rating of A3 with stable outlook from Moody’s and A- with stable outlook from Fitch. Issuances under the EMTN program are now based on standalone ratings without the guarantee from the parent.

Issuance of asset-backed securities is also an important funding source for the Group. The Group completed one asset-backed issuance in 2016; a EUR 543.4 MM (Class A) transaction backed by Finnish Auto Hire Purchase receivables (KIMI 5). This transaction represent the fifth issuance from the Finnish securitization program (KIMI). Issuances of asset-backed securities are strictly for funding purposes, and are not intended to give any change in risk exposure or give any capital relief to the bank.

The Group is also funded through loans and drawing rights from the parent bank and companies within the Santander Group. Credit markets and access to funding have been satisfactory throughout 2016.

SOLVENCY AND CAPITAL ADEQUACY

The bank is supervised by the Norwegian FSA and has to comply with the capital requirements for banks in Norway. The bank has to comply with the capital requirements both at group level and at stand-alone level (SCB AS). The bank had per December 2016 a strong capital adequacy position, well above regulatory requirements.

Norwegian banks are subject to ongoing capital adequacy requirements, which implement EU Directives and Regulations based on the Basel III regime. In line with the recommendations of the Basel Committee on Banking Supervision (the "Basel Committee"), the regulatory approach in the Financial Undertakings Act is divided into three pillars;

- Pillar I - Calculation of minimum regulatory capital: Norwegian banks shall at all times satisfy capital adequacy requirements reflecting credit risk, operational risk and market risk. The minimum capital adequacy requirement of 8% shall consist of at least 4.5% common equity tier 1 capital ("**CET1 capital**") and the remaining 3.5% may consist of other eligible capital instruments. In addition, Norwegian banks need to hold a capital conservation buffer of 2.5% CET1 capital, a systemic risk buffer of 3% CET1 capital and a bank specific counter cyclical buffer ranging between 0 and 2.5%, which per 31.12.16 was 0.9% for SCB Group and 1.0% for SCB AS. Hence, the Pillar 1 requirement for SCB Group per December 2016, was 10.9% CET1-ratio,12.4% Tier-1 ratio and 14.4% Tier 2-ratio. The Pillar 1 requirement for SCB AS per December 2016, was 11.0% CET1-ratio,12.5% Tier-1 ratio and 14.5% Tier 2-ratio.

- Pillar 2 - Assessment of overall capital needs and individual supervisory review: The bank conducts at least annually an internal capital adequacy assessment process (ICAAP) assessing capital adequacy and thus its Pillar 2 capital requirement. The combined Pillar 1 and Pillar 2 requirements will be the basis for the bank's target capital ratios set by the Board of Directors. For 2017, the Pillar 2 requirement for the bank is set at 2.2% by the Norwegian FSA and must be met by CET1 capital.

- Pillar 3 - Disclosure of information: The bank is required to disclose relevant information on their activities, risk profile and capital situation. The bank's Pillar 3 Disclosure Report is published at least on an annual basis. The Board approves the policy for the disclosure requirements under Pillar 3, whilst the Capital Committee, consisting of Senior Management, approves the disclosure information.

Please see Note for "Capital adequacy" for details on risk weighted exposure and capital ratios for the bank per December 2016.

ANNUAL ACCOUNTS

The Group's profit before taxes was NOK 3 076 MM in 2016, which is up from NOK 1 942 MM in 2015. The increase of 58% is mainly because the 2015 comparable result only included the last six months of the profits from SCB AB (merged 1. July 2015).
An important element in organic growth of profit this year is due to lower funding costs.

Total net loans to customers for the Group have increased by 7%, reflecting a high activity level in all the Nordic countries. Total assets at yearend amounted to NOK 142 729 MM compared to NOK 135 874 MM the year before.

In the opinion of the Board the annual accounts provide a true and fair view of the company's result for 2016 and its financial position as at 31.12.16.

Profit after tax for SCB AS in 2016 was NOK 2 431 MM, and for the Group NOK 2 311 MM. SCB AS received a dividend from SCF OY of NOK 512 MM in 2016 and paid a dividend to SCF S.A of NOK 500 MM in 2016.

It is proposed to allocate NOK 1 200 MM of the years profit in dividend to the shareholder. The rest of the profit for the year and OCI is proposed allocated to other equity.

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

RISK MANAGEMENT

The Group's organizational structure is designed to support the risk management of the bank. The bank leverages from pan-Nordic initiatives and strategies, resulting in highly homogeneous risk practices across the business units while at the same time taking into consideration the local market's needs and climate.

Credit Risk Management
Credit risk management is divided into "Standardized" and "Non-Standardized" risk areas. This segmentation ensures enhanced understanding and monitoring of products and portfolios.

Standardized (Retail) exposures are managed through a highly automated credit approval process, based on Advanced-IRB (IRB-A) Approach scorecards for the underwriting of new applications as part of the bank's IRB-A rollout program. In December 2015, we received the IRB approval letter from Bank of Spain communicating the joint decision with the Norwegian FSA. Portfolios that were approved are the Norwegian auto lending to private persons, the Sweden auto lending to private persons, and the Finnish auto lending to private persons. The IRB approval was effective from December 2015 and reporting has been initiated in 2016 accordingly.

The Non-Standardized risk segment is defined as auto and stock finance, offered to corporate customers with a consolidated group turnover exceeding NOK 450 M and/or clients with credit exposure of over NOK 5 M.

The consolidated Loan Loss Reserve (LLR) increased from NOK 2.631 M in 2015 to NOK 2.926 M in 2016.

Portfolio growth in specific business units and individual exposures led to the increase in Loan Loss Reserves. Also additional reserves were built taking into account a worsening of macroeconomic conditions in Norway linked to the Oil & Gas industry.

The board considers the risk profile and provisioning level to be satisfactory for the credit risk profile of the Bank. Internal controls are also deemed sufficient.

Interest Rate Risk
The Group obtain a balance sheet composition which ensures that the interest rate risk is managed at prudent levels and within established limits set by the board of directors. The Group is not to actively take on interest rate risk in its operations. Interest rate risk in the Group is measured using the net interest margin (NIM) and market value of equity (MVE)

Liquidity Risk
Liquidity Risk in the Group is measured using the Minimum Liquidity Ratio (MLR), Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Additional Liquidity Monitoring Metrics (ALMM).

The Group's liquidity increased throughout 2016, always meeting the CRD IV's liquidity requirements. With higher liquidity and exposure to interest rate changes within defined limits, the Board considers the Group to have a satisfactory structural and liquidity risk profile with sufficient controls in place.

Foreign currency risk
The Group is exposed to currency risks in all the Nordic currencies. The risk is monitored continuously and measurements are in place through hedging instruments to lower the risk on large exposures. The hedging instruments are mainly loans in the exposed currency.

The board considers that foreign currency risk is appropriately monitored.

Compliance Risk
The Board approved on the 3rd of November, 2016, to split the Legal & Compliance organization in the Nordics, and to appoint a Chief Compliance Officer (CCO). The function will focus the monitoring and controlling activities of the risk management performed by the first line of defense.

Operational Risk
The Group monitor it operating risk closely. Cyber security is managed through internal systems and through service agreements with key infrastructure third parties. The focus on cyber security will continue in 2017 with added security through extensive training, risk assessments and the rollout of a business continuity program. The Board consider the operational risk management and cyber security of the Group to be satisfactory.

ORGANISATION, SOCIAL RESPONSIBILITY AND CERTIFICATIONS

The Group had 1287 employees (excluding temporary hired employees) at year-end 2016. 525 worked in Norway, 344 in Sweden, 246 in Denmark and 172 in Finland.

The Group has policies that aim to create equal opportunities for people regardless of the gender, age, race, religion, ideology, disability, sexual orientation or social background, and to foster and promote diversity. No discrimination has been reported during 2016. At year-end, the gender ratio was 52 % women and 48 % men. The Board of Directors consists of 8 members, of whereas 7 men and 1 woman. The Nordic senior management team consists of 12 men and 1 woman.

The Group focus on ensuring a good working environment, recognized by employees that feel engaged and enabled. The Group participate in Grupo Santander's annual Employee Engagement Survey, where all employees are invited to express their opinion relating to SCB AS' working environment. The response rate in 2016 increased to 87 %, from 76 % in 2015. The overall results were good.

The Group considers it important to facilitate a good work life balance, and has in place flexible work arrangements to enable this. The Group has a Working Environment Committee and Liaison Committee, where productive meetings are held, and the co-operation between the management and employee representatives is good. In 2016 the sick leave rate was just below 4 %.

The Groups business does not directly pollute the external environment. There has been two reported work-related personal injuries in 2016.

The Group is a responsible company, and aims to act in a manner that is in line with the Santander values; Simple, Personal and Fair. The Group takes an active role in CSR mainly by supporting the "Right to Play" foundation through our cooperation with Team Santander. On 1 December, the Group also supported the biggest CSR conference in Oslo, "Responsibility Works", partnering with

Right To Play. The seminar covered key challenges, issues and possibilities in order to succeed with sustainable and responsible ideas, actions and innovation.

The Group also cooperate with The Bellona Foundation in Norway, through identifying and implementing sustainable environmental solutions. For every electrical powered vehicle financed through the Group, we currently donate NOK 400 to their environmental fund. In Sweden, we support the Team Rynkeby which is an international charity cycling team. Every summer the team cycles from Scandinavia to Paris to raise money for children with cancer. In Denmark, the key initiative is the support of the organization “Kræftens Bekæmpelse”.

SCB AS has been certified as “Miljøfyrtårn” since 2009. The Group is compliant with all requirements regarding health, environment and safety, procurement, transportation, waste handling and energy consumption.

OUTLOOK FOR 2017

The focus for 2016 was to grow in profits and loans to customers by being true to our strategy with the customers at the core. This focus will continue for 2017. Our strategic initiatives will continue in 2017 with investment in innovation, investing in our employees and launching new products. The work on extracting synergies from the merger in 2015 will still be ongoing in 2017.

The macroeconomic picture is uncertain both locally in the Nordics, but also globally which creates challenges for stable growth. The Group does however have focus on monitoring macroeconomic factors in every day decisions, as well as a close follow up of the effect on our current and future asset and funding portfolio. The Group’s focus on funding and liquidity remains on securing a diverse and robust supply. Customer deposits, senior unsecured bonds, securitization and intra group funding form the main funding pillars.

We always strive to optimize and perfect our setup for system and process support, our innovation capabilities and margin management. The bank plans for another year of sustainable growth in both the top and bottom line.

Lysaker, 20th February 2017

The Board of Directors of Santander Consumer Bank

Erik Kongelf (Chairman)	Bruno Montalvo Wilmot (Deputy Chairman)	Manuel Angel Menendez Barrero
Francisco Javier Anton San Pablo	Niels Christian Aall	Henning Strøm
Vibeke Hamre Krey (Employee Representative)	Ola Tillberg (Employee Representative)	Michael Hvidsten (Chief Executive Officer)

Profit and Loss - Santander Consumer Bank Nordic Group

All amounts in millions of NOK

	Note	2016	2015
Interest income and similar income			
Interest and similar income on loans to and receivables from credit institutions		29	35
Interest and similar income on loans to and receivables from customers		7 479	6 368
Interest and similar income on comm. paper, bonds and other securities		149	41
Total interest income and similar income		**7 657**	**6 444**
Interest expenses and similar expenses			
Interest and similar expenses on debt to credit institutions		-219	-385
Interest and similar expenses on deposits from and debt to customers		-505	-468
Interest and similar expenses on issued securities		-441	-437
Interest on subordinated loan capital		-210	-209
Other interest expenses and similar expenses		-29	-27
Total interest expenses and similar expenses	14	**-1 405**	**-1 525**
Net interest income		**6 252**	**4 919**
Commissions and fees			
Commission and fee income		676	537
Commission and fee expenses		-301	-247
Net commissions and fees		**375**	**290**
Other product and funding related income and costs			
Value change and gain/loss on foreign exchange and securities		17	-14
Received dividend from investments		42	-
Operational leasing income		124	143
Depreciation of operational leasing		-102	-112
Other product and funding related income and costs		-11	11
Other product and funding related income and costs		**70**	**29**
Gross margin		**6 697**	**5 238**
Operating costs			
Salaries and personnel expenses	19, 20	-1 161	-1 014
Administration expenses		-1 303	-1 418
Depreciation and amortization of fixed and intangible assets		-109	-79
Total operating costs		**-2 573**	**-2 511**
Net margin		**4 124**	**2 727**
Other income and costs		-70	20
Impairment losses on other assets		-1	-8
Total losses on loans, guarantees etc.	8	-977	-797
Profit before tax		**3 076**	**1 942**
Income tax	15	-765	-435
Profit after tax		**2 311**	**1 507**
Allocation of profit after tax			
Transferred to other earned equity		**2 311**	**1 507**
Total allocations		**2 311**	**1 507**

All amounts in millions of NOK	Note		
Profit after tax for the period		2 311	1 507
Items not to be recycled to profit and loss			
Actuarial gain/loss on post employment benefit obligations		24	126
Items to be recycled to profit and loss			
Net exchange differences on translating foreign operations		-135	79
Value change of assets available for sale		-20	63
Cash flow hedge	15,22	-27	4
Net investment hedge	15,22	24	-22
Other comprehensive income for the period net of tax		**-134**	**248**
Total comprehensive income for the period		**2 177**	**1 756**

Balance Sheet - Assets - Santander Consumer Bank Nordic Group

All amounts in millions of NOK

	Note	2016	2015
Deposits with external institutions			
Cash and receivables on central banks		60	59
Deposits with and receivables on financial institutions		3 897	5 793
Total deposits with external institutions		**3 957**	**5 852**
Loans to customers			
Credit Card	8	5 743	7 298
Unsecured loans	8	23 193	22 184
Auto loans	8,13,17	92 817	84 185
Total Loans to customers	**2,9**	**121 698**	**113 666**
Other financial assets			
Commercial papers and bonds	12	10 944	9 203
Financial trading derivatives	12	362	1 141
Loans to subsidiaries and SPV's		-	-
Ownership interest in credit institutions		-	-
Other ownership interests		18	52
Total other financial assets		**11 325**	**10 395**
Intangible assets			
Goodwill	16	725	766
Deferred tax assets	15	258	236
Other intangible assets	16	260	254
Total intangible assets		**1 242**	**1 256**
Fixed assets			
Repossessed assets	18	6	13
Machinery, fittings and vehicles	16	77	69
Operational leasing	16	447	403
Consignment		3 228	2 694
Total fixed assets		**3 758**	**3 179**
Other non-financial assets			
Earned income not received and prepaid expenses		442	311
Other non-financial assets		307	1 215
Total other assets		**749**	**1 526**
Total assets		**142 729**	**135 874**

Balance sheet - Liabilities and Equity - Santander Consumer Bank Nordic Group

All amounts in millions of NOK

	Note	2016	2015
Debt to credit institutions			
Loans and deposits from credit institutions with an agreed term	23	35 019	33 571
Total loans and deposits from financial institutions		**35 019**	**33 571**
Deposits from customers			
Customer deposits		40 971	37 380
Total deposits from customers		**40 971**	**37 380**
Debt established by issuing securities			
Bonded debt	11	42 609	41 569
Total debt established by issuing securities		**42 609**	**41 569**
Other financial liabilities			
Financial derivatives	12	291	1 089
Other financial liabilities		153	188
Total other financial liabilities		**444**	**1 277**
Other non-financial liabilities			
Expenses incurred and earned income not received		853	1 101
Pension liabilities	19	218	277
Deferred tax	15	723	768
Other Allowances		60	168
Other Liabilities		1 262	684
Total other non-financial liabilities		**3 116**	**2 998**
Subordinated loan capital			
Other subordinated loan capital	23	3 576	3 827
Total subordinated loan capital		**3 576**	**3 827**
Total liabilities		**125 735**	**120 623**
Paid-in equity			
Share capital		9 652	9 652
Share capital premium		891	891
Total paid-in equity		**10 544**	**10 544**
Earned equity			
Retained earnings		6 603	4 727
OCI items		-153	-19
Total other equity		**6 450**	**4 708**
Total equity	6	**16 993**	**15 251**
Total liabilities and equity		**142 729**	**135 874**

Cash Flow - Santander Consumer Bank Nordic Group

All amounts in millions of NOK

	2016	2015
Cash flow from operations		
Profit before tax	3 076	1 942
Taxes paid in the period	-698	-334
Depreciation, amortization and impairment	109	191
Change in net loans to customers	-8 032	-13 159
Change in repossessed assets	7	0
Value adjustments over P&L	-17	34
Change in net loans from consignment and operational lease	-578	-414
Change in prepayments and earned income	-132	-37
Change in loans and deposits from customers	3 590	12 172
Change in other debt	188	-160
Differences in expensed pensions and payments in/out of the pension scheme	-10	-4
Change in other provisions	1 071	673
Net cash flow from operations	**-1 421**	**905**
Cash flow from investments		
Purchased bonds	-14 224	-10 491
Matured bonds	12 482	3 331
Net proceeds from purchase and sale of fixed and intangible assets	-122	-280
Net cash flow from investments	**-1 864**	**-7 440**
Cash flow from financing		
Receipts on issued bonds	18 342	22 055
Repayments on issued bonds	-17 219	-12 816
Change in loans and deposits from financial institutions	1 447	-5 406
Change in subordinated loans	-252	-
Paid out dividend	-500	-
Paid in share capital	-	1 100
Net cash flow from financing	**1 819**	**4 933**
Exchange gains / (losses) on cash and cash equivalents	-426	100
Net change in cash and cash equivalents	-1 892	-1 501
Cash and cash equivalents at the beginning of the period	5 850	6 024
Cash from merger on the 1.july 2015	-	1 327
Cash and cash equivalents at the end of the period	**3 957**	**5 850**

Statement of changes in equity - Santander Consumer Bank Nordic Group

2016

All amounts in millions of NOK	Share capital	Share capital premium	Retained earnings	Translation differences from foreign currencies	Value change available for sale assets	Cash flow hedge	Net investment hedge	Actuarial gain/loss	Total
Balance at 1 January 2016	9 652	891	4 727	99	49	-20	-	-147	15 251
Profit for the period	-	-	2 311	-	-	-	-	-	2 311
OCI movements (net of tax)	-	-	-	-70	-20	-27	24	24	-69
Capital increase	-	-	-	-	-	-	-	-	-
Dividend	-	-	-500	-	-	-	-	-	-500
Correction previous years	-	-	65	-65	-	-	-	-	-
Balance at 31 December 2016	**9 652**	**891**	**6 603**	**-36**	**29**	**-48**	**24**	**-123**	**16 993**

2015

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

1) Total shares registered as at December 31, 2016, was 965 241 842

2) Restricted capital as at December 31, 2016, was NOK 9 652 MM, unrestricted capital was NOK 7 341 MM.
The split between restricted and unrestricted capital is in accordance with the Norwegian limited companies act.

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

Profit and Loss - Santander Consumer Bank AS

All amounts in millions of NOK

	Note	2016	2015
Interest income and similar income			
Interest and similar income on loans to and receivables from credit institutions		660	741
Interest and similar income on loans to and receivables from customers		5 619	4 335
Interest and similar income on comm. paper, bonds and other securities		290	223
Total interest income and similar income		**6 569**	**5 298**
Interest expenses and similar expenses			
Interest and similar expenses on debt to credit institutions		-205	-306
Interest and similar expenses on deposits from and debt to customers		-505	-468
Interest and similar expenses on issued securities		-302	-217
Interest on subordinated loan capital		-210	-212
Other interest expenses and similar expenses		-13	-16
Total interest expenses and similar expenses	14	**-1 236**	**-1 217**
Net interest income		**5 333**	**4 081**
Commissions and fees			
Commission and fee income		701	591
Commission and fee expenses		-270	-230
Net commissions and fees		**431**	**361**
Other product and funding related income and costs			
Value change and gain/loss on foreign exchange and securities		14	-19
Received dividend from investments		554	-
Operational leasing income		-	-
Depreciation of operational leasing		-5	-
Other product and funding related income and costs		-22	-7
Other product and funding related income and costs		**542**	**-26**
Gross margin		**6 306**	**4 416**
Operating costs			
Salaries and personnel expenses	19, 20	-1 031	-908
Administration expenses		-1 174	-1 299
Depreciation and amortization of fixed and intangible assets		-101	-59
Total operating costs		**-2 306**	**-2 265**
Net margin		**4 000**	**2 150**
Other income and costs		-71	20
Impairment losses on other assets		-	-7
Total losses on loans, guarantees etc.	8	-850	-650
Profit before tax		**3 080**	**1 513**
Income tax	15	-649	-354
Profit after tax		**2 431**	**1 159**
Allocation of profit after tax			
Transferred to other earned equity		**2 431**	**1 159**
Total allocations		**2 431**	**1 159**

All amounts in millions of NOK	Note		
Profit after tax for the period		2 431	1 159
Items not to be recycled to profit and loss			
Actuarial gain/loss on post employment benefit obligations		24	126
Items to be recycled to profit and loss			
Net exchange differences on translating foreign operations		-31	28
Value change of assets available for sale		-23	63
Cash flow hedge	15,22	-18	-14
Other comprehensive income for the period net of tax		**-48**	**203**
Total comprehensive income for the period		**2 382**	**1 362**

Balance Sheet - Assets - Santander Consumer Bank AS

All amounts in millions of NOK

	Note	2016	2015
Deposits with external institutions			
Cash and receivables on central banks		60	59
Deposits with and receivables on financial institutions		1 500	920
Total deposits with external institutions		**1 560**	**979**
Loans to customers			
Credit Card	8	5 743	7 298
Unsecured loans	8	21 054	19 995
Auto Loans	8,13,17	76 936	70 505
Total Loans to customers	**2,9**	**103 733**	**97 798**
Other financial assets			
Commercial papers and bonds	12	12 552	15 775
Financial trading derivatives	12	355	1 186
Loans to subsidiaries and SPV's	23	6 494	6 259
Ownership interest in credit institutions	21	1 180	1 247
Other ownership interests		18	52
Total other financial assets		**20 598**	**24 519**
Intangible assets			
Goodwill	16	350	369
Deferred tax assets	15	80	116
Other intangible assets	16	251	243
Total intangible assets		**680**	**728**
Fixed assets			
Repossessed assets	18	5	9
Machinery, fittings and vehicles	16	61	61
Operational leasing	16	141	-
Consignment		1 348	1 068
Total fixed assets		**1 556**	**1 138**
Other non-financial assets			
Earned income not received and prepaid expenses		298	196
Other non-financial assets		91	115
Total other assets		**389**	**311**
Total assets		**128 517**	**125 473**

Balance sheet - Liabilities and Equity - Santander Consumer Bank AS

All amounts in millions of NOK

	Note	2016	2015
Debt to credit institutions			
Loans and deposits from credit institutions with an agreed term	23	38 420	46 593
Total loans and deposits from financial institutions		**38 420**	**46 593**
Deposits from customers			
Customer deposits		40 971	37 380
Total deposits from customers		**40 971**	**37 380**
Debt established by issuing securities			
Bonded debt	11	26 473	19 465
Total debt established by issuing securities		**26 473**	**19 465**
Other financial liabilities			
Financial derivatives	12	287	1 071
Other financial liabilities		161	187
Total other financial liabilities		**449**	**1 258**
Other non-financial liabilities			
Expenses incurred and earned income not received		772	1 006
Pension liabilities	19	218	277
Deferred tax	15	711	768
Other Allowances		60	168
Other Liabilities		740	486
Total other non-financial liabilities		**2 502**	**2 705**
Subordinated loan capital			
Other subordinated loan capital	23	3 576	3 827
Total subordinated loan capital		**3 576**	**3 827**
Total liabilities		**112 390**	**111 229**
Paid-in equity			
Share capital		9 652	9 652
Share capital premium		891	891
Total paid-in equity		**10 544**	**10 544**
Earned equity			
Retained earnings		5 735	3 803
OCI items		-151	-103
Total other equity		**5 583**	**3 700**
Total equity	6	**16 127**	**14 244**
Total liabilities and equity		**128 517**	**125 473**

Cash Flow - Santander Consumer Bank AS

All amounts in millions of NOK

	2016	2015
Cash flow from operations		
Profit before tax	3 080	1 513
Taxes paid in the period	-536	-295
Depreciation, amortization and impairment	5	72
Change in loans to customers	-5 937	-10 234
Change in repossessed assets	4	-4
Value adjustments over P&L	-14	-142
Change in net loans from consignment and operational lease	-422	-4 982
Change in prepayments and earned income	-101	46
Change in loans and deposits from customers	3 590	12 172
Change in other debt	-113	-319
Differences in expensed pensions and payments in/out of the pension scheme	-10	-4
Change in other provisions	55	586
Net cash flow from operations	**-400**	**-1 590**
Cash flow from investments		
Purchased bonds	-12 327	-9 939
Matured bonds	15 549	2 618
Net proceeds from purchase and sale of fixed assets	-109	-112
Net cash flow from investments	**3 113**	**-7 432**
Cash flow from financing		
Receipts on issued bonds	13 405	13 089
Repayments on issued bonds	-6 315	-1 105
Loans and deposits from financial institutions	-8 173	-7 410
Change in subordinated loans	-252	-
Paid out/in dividend	-500	-
Paid in share capital	-	1 100
Net cash flow from financing	**-1 834**	**5 674**
Exchange gains / (losses) on cash and cash equivalents	-302	26
Net change in cash and cash equivalents	578	-3 322
Cash and cash equivalents at the beginning of the period	981	2 977
Cash from merger on the 1.july 2015	-	1 327
Cash and cash equivalents at the end of the period	**1 560**	**979**

Statement of changes in equity - Santander Consumer Bank AS

2016

All amounts in millions of NOK	Share capital	Share capital premium	Retained earnings	Translation differences from foreign currencies	Value change available for sale assets	Cash flow hedge	Actuarial gain/loss	Total
Balance at 1 January 2016	9 652	891	3 803	8	50	-14	-147	14 244
Profit for the period	-	-	2 431	-	-	-	-	2 431
OCI movements (net of tax)	-	-	-	-31	-23	-18	24	-48
Capital increase	-	-	-	-	-	-	-	-
Dividend	-	-	-500	-	-	-	-	-500
Balance at 31 December 2016	**9 652**	**891**	**5 734**	**-22**	**26**	**-32**	**-123**	**16 127**

2015

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

1) Total shares registered as at December 31, 2016, was 965 241 842

2) Restricted capital as at December 31, 2016, was NOK 9 652 MM, unrestricted capital was NOK 6 474 MM. The split between restricted and unrestricted capital is in accordance with the Norwegian limited companies act.

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

Lysaker, 20th February 2017

The Board of Directors of Santander Consumer Bank

Erik Kongelf (Chairman)	Bruno Montalvo Wilmot (Deputy Chairman)	Manuel Angel Menendez Barrero
Francisco Javier Anton San Pablo	Niels Christian Aall	Henning Strøm
Vibeke Hamre Krey (Employee Representative)	Ola Tillberg (Employee Representative)	Michael Hvidsten (Chief Executive Officer)

Accounting principles

1. General information about Santander Consumer Bank AS

Santander Consumer Bank AS (the Company) is a limited liability company incorporated in Norway. The Company's principal offices are located at Lysaker, Norway. The Company is as wholly owned subsidiary of Santander Consumer Finance S.A. which is part of Grupo Santander. Key figures from Grupo Santander are available at www.santander.com

The financial statements show the activities of the Company in Norway, Sweden and Denmark. The Group accounts include, the Finnish subsidiary Santander Consumer Finance OY and the Special Purpose Vehicles ("SPV") as listed in note 24.

The 2016 consolidated financial statements of the Group and financial statements of the Company cover the period 01.01.2016 to 31.12.2016.

The financial statement is to be approved by the annual general assembly.

2. Summary of significant accounting policies

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

2.1. Basis of accounting

The financial reports and the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and interpretations of them. The financial statements are based on the historical cost basis, except for the fair value measurement of available-for-sale financial assets and financial assets and liabilities measured at fair value through profit or loss including derivatives.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies.

The financial statements are presented in Norwegian kroner ("NOK") and all figures are rounded to thousands of kroner unless indicated otherwise.

2.2. Changes in accounting policy and disclosures

2.2.1. New and amended standards adopted by the group

No new or amended IFRS and interpretations have been applied or have had a significant effect on the Group's financial position, results or disclosures for the financial year beginning on 1 January 2016.

2.2.2. New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Financial instruments (IFRS 9)
On July 25, 2014, the IASB completed the final elements of its comprehensive response to the financial crisis by issuing further amendments to IFRS 9, Financial Instruments, in respect of:

- (i) Revisions to its classification and measurement model; and
- (ii) A single, forward-looking 'expected loss' impairment model.
- (iii) Revisions to the requirements for hedge accounting

(i) IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an assets are managed. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The group have performed an assessment of potential classification and measurement changes to financial assets on the composition of the balance sheet as at 31 March 2016. This may not be fully representative of the impact as at January 1 2018 because IFRS 9 requires that business models are assessed based on the facts and circumstances on the date of initial application. In addition, the contractual terms and conditions of the financial assets assessed as at 31 March 2016 may not reflect the contractual terms and conditions of the group's financial assets at transition. However, based on the preliminary assessment performed as at 31 March 2016 and expectations around changes to balance sheet composition, the group does not expect a material impact resulting from the changes in classification and measurement requirements.

(ii) IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model.
Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. More specifically, loss allowances will be measure on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition or if the financial asset was credit impaired at initial recognition. Otherwise, 12-month ECL measurement applies. The amount of expected credit losses will be updated at each reporting date to reflect changes in credit risk since initial recognition.

The actual impact of adopting IFRS 9 on the group's consolidated financial statements is still being assessed by the Group and cannot yet be estimated reliably.

(ii) With respect to hedge accounting, the general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic' relationship. Retrospective assessment of hedge effectiveness is no longer required. When initially applying IFRS 9, the group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The group is currently assessing potential implementation of IFRS 9 compliant hedge accounting procedures starting from January 1st 2018.

IFRS 9 was approved by the EU in November 2016 and is effective for annual periods beginning on or after 1 January 2018.
The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application. The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.

Revenue from Contracts with Customers (IFRS 15)
IFRS 15 was issued in May 2014 and establishes the principles for reporting useful information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The standard introduces a five-step model to determine how and when to recognize revenue. The standard is based on the principle that revenue is accounted for when the customer receives control of the sold goods or service, which replaces the previous principle that revenue is accounted for when risks and rewards has been transferred to the buyer.

The standard also establishes new disclosures to provide more relevant information. IFRS 15 was approved by the EU in October 2016 and is applicable for annual periods starting from January 1st 2018.

The impacts on the Group's financial reports are still being assessed by the Group.

Leases (IFRS 16)
IFRS 16 was issued in January 2016 and is the new standard for lease accounting.

Under current rules, lessees generally account for lease transactions either as off-balance sheet operating or as on balance sheet finance leases. The new standard requires lessees to recognize nearly all leases on the balance sheet, which will reflect their right to use an asset for a period of time and the associated liability to pay rentals. Exceptions are applicable to agreements that are shorter than 12 months and for contracts relating to assets of smaller amounts. The lessor's accounting treatment largely remains unchanged.

The standard is applicable from 1 January 2019 and has not yet been approved by the EU.

The impacts on the Group's financial reports are still being assessed by the Group.

Other changes in IFRS standards and interpretations are not expected any material impact on the Company's financial statements.

2.3. Consolidation

The consolidated financial statement comprise the parent company and those entities, including SPV's, over which the parent company has control. The parent company controls an entity when the parent company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. These entities, subsidiaries, are included in the consolidated financial statements in accordance with the acquisition method from the day that control is obtained and are excluded from the day that control ceases.

According to the acquisition method, the acquired unit's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria are recognized and measured at fair value upon acquisition. The surplus between the cost of the business combination, transferred consideration measured at fair value on the acquisition date and the fair value of the acquired share of identifiable assets, liabilities and reported contingent liabilities is recognized as goodwill. If the amount is less than the fair value of the acquired company's net assets, the difference is recognized directly in the income statement as bargain purchase.

The consolidated financial statement comprise the Finnish subsidiary and the SPVs of which, based on the aforementioned analysis, it is considered that the group continues to exercise control

Intercompany transactions, balances and unrealized gains or loss on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the group's accounting policies.

2.4. Recognition of income and expenses

The group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities. The most significant criteria used by the group to recognize its income and expenses are summarized as follows:

Interest income, interest expenses and similar items are generally recognized on an accrual basis using the effective interest method. This implies that interest is recorded when incurred, with the addition of amortized fees which are regarded as an integral part of the effective interest rate. The effective interest rate is set by discounting contractual cash flows based on the expected life of the asset; either car leasing contract or consumer loan. Cash flows include fees and transaction costs which are not paid directly by the customer, plus any residual value at the expiry of the asset's expected life. Interest taken to income on impaired loans corresponds to the effective interest rate on the written-down value.

Fees which are not included in effective interest rate calculations, as well as commissions, are recorded during the period when the services are rendered or the transactions are completed.

Fees and commission income and expenses are recognized in the profit and loss accounts using criteria that vary based on their nature. The main criteria are as follows:

- Fee and commission income and expenses relating to financial assets and financial liabilities measured at fair value through profit or loss are recognized when they occur.
- Those arising from transactions or services that are performed over a period of time are recognized over the life of these transactions or services.
- Those relating to services provided in a single act are recognized when the single act is carried out.

Non-finance income and expenses are recognized for accounting purposes on an accrual basis.

2.5. Financial assets and liabilities

Financial assets and liabilities are recorded in the balance sheet at the time the instruments become contractual obligations. Financial assets and liabilities are any contract that gives rise to a financial asset in a company and a financial liability or equity instrument in another.

2.5.1. Financial assets

Financial instruments are initially recognized at cost, which is the instrument's fair value plus transaction costs, for all financial instruments except those belonging to the category of financial assets carried at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition. Subsequent measurement depends on how the financial instruments are classified according to the categories specified in IAS 39, as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Value change and gain/loss on foreign exchange and securities'. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other operating income when the group's right to receive payments is established.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity.

Held-to-maturity investments are at initial measurement, recognized at fair value plus any transaction costs that are directly attributable to the acquisition or issue of the investment. After initial recognition, held-to-maturity investments shall be measured at amortized cost using the effective interest rate method. A profit or loss is recorded in the income statement, when held-to-maturity investments are derecognized or impaired, and through the amortization process.

(c) Loans and receivables

Loans and receivables includes investments arising from ordinary lending activities, such as the cash amounts of loans drawn down and not yet repaid by customers or the deposits placed with other institutions, whatever the legal instrument, unquoted debt securities and receivables from the purchasers of goods, or the users of services, constituting part of the group's business. The consolidated entities generally intend to hold the loans and credits granted by them until their final maturity and, therefore, they are presented in the consolidated balance sheet at their amortized cost.

Loans and receivables carried at amortized cost are recognized at the transaction price plus direct transaction expenses. Recognition and subsequent measurement follow the effective interest method. Upon subsequent measurement, amortized cost is set at the net present value of contractual cash flows based on the expected life of the financial instrument, discounted by the effective interest rate. Interest income on financial instruments classified as lending is included in profit and loss using the effective interest method under 'Net interest and credit commission income'.

(d) Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Changes in the carrying amount of AFS monetary financial assets related to foreign currency rates, interest income calculated using the effective interest rate method and dividend on AFS equity investments are recognized in profit and loss. Other changes in the carrying amount of available-for-sale assets are recognized in other comprehensive income and accumulated in other equity under the heading of 'Value change available for sale assets'.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot exchange rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit and loss is determined based on the amortized cost of the monetary asset.

When securities classified as available for sale are actually sold or impaired, the accumulated fair value adjustments recognized in accumulated OCI are reversed in OCI and recognized in the profit and loss in the line 'Value change and gain/loss on foreign exchange and securities'.

2.5.2. Financial liabilities

Financial liabilities are classified as 'other financial liabilities' and measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

2.5.3. Financial guarantee contracts

Financial guarantee contracts issued by a group entity are initially measured at their fair values and subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37; and
- The amount initially recognized less, where appropriate, the cumulative amount of income recognized.

2.5.4. Impairment of financial assets

A financial asset is considered to be impaired, and therefore its carrying amount is adjusted to reflect the effect of impairment, when there is objective evidence that events have occurred which:

- In the case of debt instruments such as loans and debt securities, give rise to an adverse impact on the future cash flows that were estimated at the transaction date.
- In the case of equity instruments, mean that their carrying amount may not be fully recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the income statement for the period in which the impairment becomes evident. Any reversal of previously recognized impairment losses is recognized in the consolidated income statement for the period in which the impairment is reversed or reduced.

Balances are deemed to be impaired when there are reasonable doubts as to their full recovery and/or the collection of the related interest for the amounts and on the dates initially agreed upon. This is made after taking into account the guarantees received by the consolidated entities to secure, fully or partially, collection of the related balances. Collections relating to impaired loans and advances are used to recognize the accrued interest and the remainder, if any, to reduce the principal amount outstanding.

For the purpose of determining impairment losses on loans to customers, the group monitors its debtors as described below:

- *Specific,* for significant debt instruments and for instruments which, although not material, are not susceptible to being classified in a group of financial assets with similar credit risk characteristics. These are mainly non-performing loans.

- *Generic*, by grouping together instruments having similar credit risk characteristics indicative of the debtors' ability to pay all principal and interest amounts in accordance with the contractual terms. The credit risk characteristics considered for the purpose of grouping the assets are, inter alia, instrument type, debtor's industry and geographical location, type of guarantee or collateral, age of past-due amounts and any other relevant factor for the estimation of future cash flows.

The group assess whether objective evidence of impairment exists individually for loans that are individually significant, and collectively for loans that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment.

If there is objective evidence that a loan or group of loans has been subject to a fall in value, a write-down will be calculated for the decrease in value that is equal to the difference between capitalized value and the net present value of the most probable future cash flows, discounted by the financial asset's original effective interest, i.e. the effective interest calculated at initial rates. In estimating the most probable future cash flows of a debt instruments, the following factors are taken into account:

- All the amounts that are expected to be obtained over the remaining life of the instrument; including, where appropriate, those which may result from the collateral provided for the instrument, less the costs for obtaining and subsequently selling the collateral. The impairment loss takes into account the likelihood of collecting accrued past-due interest receivable.

- The various types of risk to which each instrument is subject; and

- The circumstances in which collections will foreseeably be made.

The group classifies transactions on the basis of the nature of the obligors, transaction status, type of guarantee or collateral and age of past-due amounts. For each risk group it establishes the impairment losses (“identified losses”) that must be recognized.

Objective evidence that a loan has decreased in value includes significant problems for the debtor, non-payment or other significant breach of contract, and if it is considered likely that a debtor will enter debt negotiations or if other concrete events have occurred. The Company follows Grupo Santander’s 12 month expected losses write-down model including write downs on incurred but not recognized (“IBNR”) exposures, which takes into account the historical experience of impairment and other circumstances known at the time of assessment. For these purposes, inherent losses are losses incurred at the reporting date, calculated using statistical methods that have not yet been allocated to specific transactions.

Allowance for credit losses represents management’s best estimates of losses incurred in our loan portfolio at the balance sheet date. Management’s best judgment is required in making assumptions and estimates when calculating allowances on both individually and collectively assessed loans. The underlying assumptions and estimates used for both individually and collectively assessed loans can change from period to period and may significantly affect the results of operations.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

2.5.5. Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or are transferred and the group has transferred substantially all risks and rewards of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received are recognized in profit or loss.
The group enters into transactions whereby it transfers assets recognized on the statement of financial position, but retains substantially all of the risks and rewards of the transferred asset. In such cases, the transferred assets are not derecognized. The group transfers financial assets that are not derecognized through the following transactions:

- Sale and repurchase of securities
- Securitization activities in which loans to customers are transferred to securitization vehicles.

The group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

2.5.6. Fair value measurement

‘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 at that date. When one is available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the group uses 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.

2.6. Offsetting

Financial assets and liabilities are offset and recognized net in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.
Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.
Master netting agreements or similar agreements give the right to offset in the event of default, but do meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognized amounts only following an event of default, insolvency or bankruptcy of the group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets simultaneously.

2.7. Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.
The group designates certain derivatives as either:

a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
c) hedges of a net investment in a foreign operation (net investment hedge).

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

2.8. Leases

A lease is classified as a financial lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

2.8.1. Santander Consumer Bank as lessor

The Company offers car leasing. When the group is a lessor in a lease agreement that transfers substantially all of the risk and rewards incidental to ownership of the car to the lessee, the arrangement is classified as financial lease. Financial lease receivables are recognized and presented within ‘loans to customers’. Contracts with residual value are depreciated to agreed residual value, distributed over the lease term. The interest part of the leasing fee is entered as interest income in the profit and loss account in accordance with the principles described under the point for loans, whereas the repayment of the principal reduces the balance sheet value. In taxation terms, the leasing objects depreciate according to the diminishing balance method. Sales profits from leasing objects, repossessed assets, are entered under ‘Other operating income’ in the profit and loss account.

Income from financial lease consists of the net of interest income, fees and commissions and is classified under the item interest income in the profit and loss account.

Contracts in which the Company guarantees residual value, are classified as operational lease. Operational lease income is recognized as occurring in accordance with the underlying contracts. Initial direct costs incurred in negotiating and arranging the lease that are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Operating equipment is included under the item fixed assets in the balance sheet.

2.8.2. Santander Consumer Bank as lessee

The group leases certain property, plant and equipment. Payments made under these operating leases, net of any incentives received from the lessor, are expensed linearly over the lease term.

2.9. Foreign currency translation

The presentation currency in the group’s consolidated financial statements is Norwegian kroner (NOK).The group has foreign branches and subsidiary whose functional currency is different from NOK. Foreign currency is translated to presentation currency NOK in two consecutive stages, which are further described in the following sections:

1) Translation of foreign currency transactions into the functional currency of the group entities, and;
2) Translation of group entities whose functional currency is different from the presentation currency NOK.

2.9.1. Translation of foreign currency transactions

Foreign currency transactions performed by consolidated entities are initially recognized in their respective functional currencies using the spot exchange rate at the date of the transaction. At the end of the reporting period, balance sheet items and income and expenses are retranslated as follows:

- Monetary items in foreign currency are subsequently translated to their functional currencies using the closing exchange rate.
- Non-monetary items measured at historical cost are translated to the functional currency at the exchange rate at the date of acquisition.
- Non-monetary items measured at fair value are translated at the exchange rate at the date when the fair value was determined.
- Income and expenses are translated at the average exchange rates for the year for all the transactions performed during the year. When applying this criterion, the Group considers whether there have been significant changes in the exchange rates in the year which, in view of their materiality with respect to the consolidated financial statements taken as a whole, would make it necessary to use the exchange rates at the transaction date rather than the aforementioned average exchange rates.

The exchange differences arising on the translation of foreign currency balances to the functional currency are generally recognized at their net amount under exchange differences in the consolidated profit and loss account, except for exchange differences arising on financial instruments at fair value through profit or loss, which are recognized in the consolidated profit and loss account without distinguishing them from other changes in fair value, and for exchange differences arising on non-monetary items measured at fair value through equity, which are recognized under 'Value change and gain/loss on foreign exchange and securities'.

2.9.2. Translation of branches and subsidiary to presentation currency NOK

If the functional currency of a consolidated or equity accounted entity is not NOK, the balances in the financial statements of the consolidated entities are translated to NOK as follows:

- Assets and liabilities, at the closing exchange rates.
- Income and expenses, at the average exchange rates for the year.
- Equity items, at the historical exchange rates.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

The exchange differences arising on the translation to NOK of the financial statements denominated in functional currencies other than NOK are recognized in other comprehensive income and accumulated in 'Other equity' under the heading 'Net exchange differences on translating foreign operations'.

2.9.3. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment are calculated using the linear method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

• Machines, fittings, equipment	3-10 years (average 5 years)
• IT tangible	5-10 years (average 5 years)
• IT intangible	3-5 years (average 3 years)
• Operational and financial leased vehicles	1 month – 10 years (average 3 years)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount, less costs to sell, if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the profit and loss.

2.10. Intangible assets

2.10.1. Goodwill

Goodwill arises on acquisitions, and represents the excess of the purchase consideration over the interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired business and the fair value of the non-controlling interest in the acquired business.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each or groups of the cash generating units ("CGU") that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. An impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other non-financial assets of the CGU proportionally based on the carrying amount of each asset. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2.10.2. Computer software and IT-systems

Acquired software is recognized at cost with the addition of expenses incurred to make the software ready for use. Costs for internally developed software which are controlled by the group are recognized as intangible assets when the following criteria are met:

- Management intends to complete the software and use it
- There is an ability to use the software as it can be demonstrated how the software is contributing to probable future economic benefits and the expenditure attributable to the software during its development can be reliably measured.

Costs associated with maintaining computer software programs and IT-systems are expensed as incurred. Directly attributable costs that are capitalized as part of the software, include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Computer software development costs recognized as assets are amortized over their expected life.

2.11. Pension benefit plans

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans. The Norwegian company and the Swedish branch both have defined contribution and defined benefit schemes, whilst the Danish branch and the Finnish company only have defined contribution schemes.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using demographic assumptions based on the current population. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. The fixing of the input parameters in the actuary's calculation at year-end is disclosed in note 19. The major part of the assets covering the pension liabilities is invested in liquid assets and valued at quoted prices at year-end.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately into the profit and loss account.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.12. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In these cases the tax effect of the transactions as presented both gross and net in the other comprehensive income and/or in the equity reconciliation.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.13. Cash and cash equivalents

The cash flow statements show cash flows grouped according to source and use. Cash is defined as cash, deposits with central banks and deposits with credit institutions with no agreed period of notice. This means that all cash and cash equivalents are immediately available. The cash flow statement has been prepared in accordance with the indirect method.

2.14. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the decisions makers, including the Senior management team and CEO.

2.15. Dividends

Dividend income is recognized when the right to receive payment is established. Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Critical accounting estimates and judgments

The presentation of consolidated financial statements in conformity with IFRS requires the management to make judgments and estimates that affect the recognized amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the closing day as well as recognized income and expenses during the report period. The management continuously evaluates these estimates and judgments based on its judgments and assumptions on previous experience and several other factors that are considered reasonable under the circumstances. Actual results may deviate from judgments and estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- Impairment of loans requires judgment in determining future cash flows for individual and grouping of loans. Loan loss provision is based on estimates on the expected loss on identified non-performing loans, as well as estimates on the portfolio as a total.
- The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy based on value-in-use calculations. These calculations require the use of estimates.
- The group is subject to income taxes in different jurisdictions. Judgment is required in determining the provision for income taxes. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. See note 15.
- The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. See note 19.

4. Capitalization policy and capital adequacy

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital while maintaining solid solvency above regulatory minimum requirements.

The Group's minimum capital requirement is defined by Norwegian legislation (*Finansforetaksloven*)

5. Provisions

The provisions are liabilities of uncertain timing or amount and are recognized when the group has a present legal or constructive obligation arising from a past event and it is likely that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligations. Provisions are tested on each closing day and adjusted when needed, so that they correspond to the current estimate of the value of the obligations.
Significant judgment is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows.

The Group is required to estimate the results of ongoing legal proceedings, and credit losses on undrawn commitments and guarantees. The forward-looking nature of these estimates requires the use of a significant amount of judgment in projecting the timing and amount of future cash flows. The Group records provisions on the basis of all available information at the end of the reporting period and make adjustments on a quarterly basis to reflect current expectations. Should actual results differ from the expectations, expenses in excess of the provisions recognized may incur.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, such as an insurer, a separate asset is recognized if it is virtually certain that reimbursement will be received.

Santander Consumer Bank Group

Notes

Note 1 Risk Management

The group's activities are exposed to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk, risk and price risk), liquidity risk and operational risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central risk department under policies approved by the board of directors. The risk department identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as liquidity risk, foreign exchange risk, interest rate risk, credit risk and operational risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk/counterparty risk

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

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

The assessment of customers or transactions using rating or scoring systems constitutes a judgment of their credit quality, which is quantified through the probability of default (PD), in accordance with Basel II terminology. In addition to customer assessment, the quantification of credit risk requires the estimation of other parameters, such as exposure at default (EAD) and the percentage of EAD that will not be recovered (loss given default or LGD). Therefore, other relevant factors are taken into account in estimating the risk involved in transactions, such as the quantification of off-balance-sheet exposures, which depends on the type of product, or the analysis of expected recoveries, which is related to existing guarantees and other characteristics of the transaction: type of product, term, etc. These factors are the main credit risk parameters. Their combination facilitates calculation of the probable loss or expected loss (EL). This loss is considered to be an additional cost of the activity which is reflected in the risk premium and must be charged in the transaction price.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The group's strategy is to avoid taking on market risk in excess of what follows directly from the operation of the bank.

Market risk comprises three types of risk; interest rate risk, currency risk, and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk affects, loans, deposits, debt securities, most financial assets and liabilities held for trading and derivatives.

The Group seeks to limit interest risk between asset and debt items by balancing time to interest regulation for the items. Treasury Policy limits interest risk exposure for each of the currencies the bank has operations in. Interest rate risk is assessed based on two methods; the Net Interest Margin (NIM) and the Market Value of balance sheet equity (MVE). SCB monitor the sensitivity of NIM and MVE for +/- 100 bp parallel shift in market interest rates. Note 5

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group strives for a composition of the balance sheet that minimizes currency risk by ensuring that assets, liabilities and incoming and outgoing cash flows are, to a large extent, denominated in the same currency. Practical considerations and requirements laid down by the parent company will play a central role in connection with the management of currency risk.

The Group currency risk is connected to currency positions as a result of operations in Sweden, Finland, and Denmark. Treasury policy limits possible exposure for each currency and the same limit applies to the total net currency position. Treasury policy further specifies that currency risk should be minimized as far as possible through asset and debt items being in the same currency.

Routines which ensure that the bank's currency exposure is continuously monitored and controlled are in place.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

Santander Consumer Bank AS does not have a trading portfolio or positions in securities, commodities etc. Risk that follows from the company's net currency position is considered low in relation to the company's size, and is considered to involve an increased capital requirement in excess of the Pillar 1 requirement with 10 % of maximum allowed net position from currency in Treasury policy.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The risk includes the risk of having limited or no access to funding markets that are paramount to the bank. The group's liquidity situation is monitored continuously. Treasury policy lays down minimum levels for available liquidity and trigger levels for obtaining new liquidity. Santander Consumer Bank has a goal of establishing more financing from outside the Santander group through securitization, through unsecured issuance, and deposits. Reducing Santander Group dependencies and establishing the group as an issuer in the Nordic and International debt capital markets gives the bank on a standalone basis a better position to cope with a short to medium term liquidity crisis. The short dated nature of the bank's assets also constitutes a significant liquidity risk reducing factor. This gives a possibility to generate liquidity by reducing new business should the need arise. Note 4

Operational risk

The Group defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". It includes events that may arise due to legal or regulatory risk, but does not include events arising due to strategic or reputational risk. The aim pursued by the Group in operational risk control and management is primarily to identify, measure/assess, control/mitigate and report on this risk. Operational risk is reduced through securing a good internal control environment. The Group continuously strives to improve the internal control environment.

The Group is using the Basic Indicator Approach for the calculation of regulatory capital for operational risk.

Note 2 - Risk classification

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

All amounts in millions of NOK	Balance		Loss reserves	
	2016	**2015**	**2016**	**2015**
Current - not past due date	115 699	107 657	-1 084	-817
Current - past due date	6 349	6 196	-251	-285
Total impaired loans	2 577	2 444	-1 592	-1 528
Total gross loans to customers	**124 625**	**116 297**	**-2 926**	**-2 631**

Ageing of past due but not impaired loans	Balance		Loss reserves	
	2016	**2015**	**2016**	**2015**
1 - 29 days	5 172	4 938	-110	-130
30 - 59 days	893	920	-77	-84
60 - 89 days	284	338	-64	-72
Total loans due but not impaired	**6 349**	**6 196**	**-251**	**-285**

Ageing of impaired loans	Balance		Loss reserves	
	2016	**2015**	**2016**	**2015**
90 - 119 days	213	204	-72	-76
120 - 149 days	148	168	-65	-89
150 - 179 days	121	127	-63	-95
180 + days	929	1 053	-711	-832
Economic doubtful*	1 166	892	-679	-437
Total impaired loans	**2 577**	**2 444**	**-1 592**	**-1 528**

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

After the legal merge with Santander Consumer Bank AB (former GE Money Bank AB), the SCB portfolio now consists of 75% of Auto Finance and 25% Unsecured finance (credit cards, consumer loans, sales finance); where for auto finance the underlying assets serve as collateral.
Auto Finance, collateral is held as security. Carrying amount in relationship with object value and financed amount is influenced by specific mileage, use and
maintenance among others, which varies from object to object. This value is embedded into Write Downs calculation as part of recoveries.

Note 3 - Net foreign currency position

All amounts in millions of NOK	Balance		Net positions	
	Asset	**Debt**	**in NOK**	**in foreign currency**
SEK	33 880	33 650	231	243
DKK	36 341	36 215	125	103
EUR	37 122	36 624	498	55
Total 2016	**107 343**	**106 489**	**854**	
Total 2015	108 369	108 159	209	-

A 5,00 % increase in SEK fx rate will result in a Agio gain of NOK 11,5 MM in comprehensive income
A 5,00 % decrease in SEK fx rate will result in a Agio loss of NOK 11,5 MM in in comprehensive income
A 5,00 % increase in DKK fx rate will result in a Agio gain of NOK 6,3 MM in in comprehensive income
A 5,00 % decrease in DKK fx rate will result in a Agio loss of NOK 6,3 MM in in comprehensive income
A 5,00 % increase in EUR fx rate will result in a Agio loss of NOK 24,9 MM in in comprehensive income
A 5,00 % decrease in EUR fx rate will result in a Agio gain of NOK 24,9 MM in in comprehensive income

Note 4 - Liquidity risk

Contractual cash flow at certain intervals of maturity presented in NOK.

All amounts in millions of NOK

2016	=< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	With no specific maturity	Total
Cash and receivables on central banks	60						60
Deposits with and receivables on financial institutions	2 472	213	724	488	-	-	3 897
Net loans to customers	6 273	9 280	35 753	66 931	1 319	2 588	122 145
Commercial papers, bonds and other fixed-income securities	327	729	2 586	2 320	4 983	-	10 944
Financial trading derivatives	32	62	187	81	-	-	362
Other assets	25	45	133	34	-	-	237
Consignment	1 921	810	477	20	-	-	3 228
Total cash from assets	11 110	11 138	39 860	69 875	6 302	2 588	140 873
Loans and deposits from financial institutions	8 645	9 911	15 495	968	-	-	35 019
Customer deposits	40 971	-	-	-	-	-	40 971
Bonds and other long term loan raising	696	1 379	8 470	32 065	-	-	42 609
Subordinated loan capital	-	-	80	-	1 216	2 279	3 576
Derivatives	25	49	153	63	-	-	291
Other debt	70	68	228	74	-	-	440
Total cash from debt	50 406	11 407	24 426	33 170	1 216	2 279	122 905
Net cash flow	-39 297	-269	15 434	36 705	5 086		

The Board of Santander Consumer Bank AS has decided limits for the liquidity risk to ensure the bank has a solid liquidity position. The limits for liquidity risk are reviewed at least on a yearly basis. The bank manages the liquidity position by matching maturities of the assets and the liabilities. The average duration of the asset side is low with a duration below two years. The liabilities side is financed by customer deposits, secured bonds, unsecured bonds and intragroup loans.

Liquidity coverage ratio

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

Liquidity Coverage Ratio (LCR) %	2016	2015
Liquidity Coverage Ratio (LCR) Total	119	83
Liquidity Coverage Ratio (LCR) NOK	124	156
Liquidity Coverage Ratio (LCR) SEK	129	76
Liquidity Coverage Ratio (LCR) DKK	66	52
Liquidity Coverage Ratio (LCR) EUR	98	43

2015	=< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	With no specific maturity	Total
Cash and receivables on central banks	59	-	-	-	-	-	59
Deposits with financial institutions	2 779	512	1 094	1 405	-	-	5 791
Net loans to customers	4 687	8 259	33 857	65 286	1 528	-	113 619
Commercial papers, bonds and other fixed-income securities	472	1 485	5 524	1 723	-	-	9 203
Financial trading derivatives	154	146	588	1 343	-	-	2 230
Consignments	1 303	767	592	33	-	-	2 695
Other assets	549	-	-	-	-	-	549
Total cash from assets	10 002	11 169	41 655	69 790	1 528	0	134 144
Loans and deposits from financial institutions	7 544	10 520	12 474	3 034	-	-	33 571
Customer deposits	3 122	2 650	9 987	18 786	2 836	-	37 381
Bonds and other long term loan raising	1 186	1 931	12 860	25 509	-	-	41 487
Subordinated loan capital	34	-	180	80	1 284	2 250	3 827
Derivatives	76	72	291	658	-	-	1 097
Other debt (mostly accounts payable)	863	-	-	-	-	-	863
Total debt and equity	12 825	15 173	35 791	48 068	4 120	2 250	118 227
Net cash flow	-2 823	-4 004	5 864	21 722	-2 592		

Note 5 - Interest rate risk

The table show the interest rate risk. Changes in market interest rates will affect our assets and debt by the timing displayed below due to fixed interest rate contracts. A change in market interest rate will affect our short term positions immediately, but our long term positions later.

Santander Consumer Bank Group

All amounts in millions of NOK

2016	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Cash and receivables on central banks	60	-	-	-	-	-	60
Deposits with and receivables on financial institutions	3 897	-	-	-	-	-	3 897
Net loans to costumers	52 181	42 922	10 607	12 817	245	2 926	121 698
Commercial papers and bonds	4 532	3 712	2 700	-	-	-	10 944
Financial trading derivatives	193	168	-	-	-	-	362
Consignments	2 473	754	-	-	-	-	3 228
							-
Other non interest bearing assets	-	-	-	-	-	2 540	2 540
Total assets	63 337	47 556	13 308	12 817	245	5 466	142 729
Debt to credit institutions	13 018	15 812	5 202	987	-	-	35 019
Customer deposits	4 011	15 687	19 644	1 628	-	-	40 971
Bonds and other long term loan raising	6 569	18 590	1 955	15 496	-	-	42 609
Financial derivatives	136	155	-	-	-	-	291
Subordinated loans	392	905	-	-	-	-	1 297
Hybrid capital	2 279	-	-	-	-	-	2 279
Other non interest bearing debt	-	-	-	-	-	3 270	3 270
Equity	-	-	-	-	-	16 993	16 993
Total debt and equity	26 405	51 148	26 801	18 112	-	20 263	142 729
Net interest risk exposure	36 931	-3 592	-13 492	-5 295	245	-14 797	-

The tables below show the same as the table above, but split per country. The accumulated tables below will not reconcile with the table above due to difference in classification between assets and liabilities in the presented tables.

Santander Consumer Bank AS Norway

All amounts in millions of NOK

	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	8 177	43 264	4 278	925	91	2 023	58 758
Liabilities	10 294	19 772	9 286	0	0	19 406	58 758
Net balance	-2 117	23 493	-5 008	925	91	-17 383	-
Repricing gap	-2 117	23 493	-5 008	925	91	-17 383	-

A +1,00 % parallel increase in market rates will result in a 33,66 million NOK decrease in profit in Norway.

Santander Consumer Bank AS Norway

All amounts in millions of EUR

	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	37	-	32	-	-	215	284
Liabilities	50	54	52	90	-	38	284
Net balance	-13	-54	-20	-90	-	177	-
Repricing gap	-13	-54	-20	-90	-	177	-

A +1,00 % parallel increase in market rates will result in a 2,4 million EUR increase in profit in Norway.

Santander Consumer Bank AS Finland

All amounts in millions of EUR

	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	656	161	733	953	6	19	2 528
Liabilities	861	219	544	694	-	211	2 528
Net balance	-205	-58	190	259	6	-192	-
Repricing gap	-205	-58	190	259	6	-192	-

A +1,00 % parallel increase in market rates will result in a 4,55 million EUR decrease in profit in Finland.

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	30 485	2 747	1 199	337	28	511	35 307
Liabilities	10 313	14 902	7 361	1 460	-	1 272	35 307
Net balance	20 172	-12 155	-6 162	-1 123	28	-761	-
Repricing gap	20 172	-12 155	-6 162	-1 123	28	-761	-

A +1,00 % parallel increase in market rates will result in a 39,62 million SEK increase in profit in Sweden.

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	16 107	1 149	1 701	2 911	70	1 048	22 986
Liabilities	6 644	5 722	3 551	6 140	-	930	22 986
Net balance	9 463	-4 573	-1 850	-3 229	70	118	-
Repricing gap	9 463	-4 573	-1 850	-3 229	70	118	-

A +1,00 % parallel increase in market rates will result in a -5,98 million DKK decrease in profit in Denmark

2015	0 - 1 months	1 - 3 months.	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Cash and receivables on central banks	59	-	-	-	-	-	59
Deposits with and receivables on financial institutions	923	-	-	-	-	-	923
Net loans to costumers	45 619	38 307	5 881	5 226	568	2 227	97 829
Commercial papers and bonds	7 538	4 625	3 612	-	-	-	15 775
Financial trading derivatives	566	592	-	-	-	-	1 157
Consignments	674	395	-	-	-	-	1 068
Total assets	55 378	43 919	9 493	5 226	568	2 227	116 811
Debt to credit institutions	15 113	25 683	3 851	1 947	-	-	46 593
Customer deposits	3 626	14 506	18 583	665	-	-	37 381
Bonds and other long term loan raising	4 335	9 132	2 659	3 257	-	-	19 383
Financial derivatives	526	550	-	-	-	-	1 076
Subordinated loans	337	1 240	-	-	-	-	1 577
Hybrid capital	2 250	-	-	-	-	-	2 250
Total debt and equity	26 187	51 111	25 093	5 869	-	-	108 261
Net interest risk exposure	29 191	-7 192	-15 600	-643	568		

The tables below show the same as the table above, but split per country. The accumulated tables below will not reconcile with the table above due to difference in classification between assets and liabilities in the presented tables.

Santander Consumer Bank AS Norway

All amounts in millions of NOK

	0 - 1 months	1 - 3 months.	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Assets	7 425	38 390	5 192	2 313	445	2 038	55 804
Liabilities	12 382	16 753	8 071	150	-	18 448	55 804
Net balance	-4 957	21 638	-2 879	2 163	445	-16 410	-
Repricing gap	-4 957	21 638	-2 879	2 163	445	-16 410	-

A +1,00 % parallel increase in market rates will result in a 99,2 million NOK decrease in profit in Norway.

Santander Consumer Bank AS Norway

All amounts in millions of EUR

	0 - 1 months.	1 - 3 months.	3 - 12 months	1 - 5 years	>5 years	Non-Interest Bearing	Total
Assets	79	-	30	-	-	90	198
Liabilities	42	62	117	-	-	107	328
Net balance	37	-62	-87	-	-	-17	-130
				-			
Repricing gap	37	-62	-87	-	-	-17	-130

A +1,00 % parallel increase in market rates will result in a 0,47 million EUR increase in profit in Norway.

Santander Consumer Bank AS Sweden
All amounts in millions of SEK

	0 - 1 months.	1 - 3 months.	3 - 12 months	1 - 5 years	>5 years	Non-Interest Bearing	Total
Assets	27 505	2 125	1 805	466	30	251	32 182
Liabilities	8 979	13 513	7 054	1 533	-	1 102	32 182
Net balance	18 525	-11 388	-5 248	-1 067	30	-852	0
			-	-			
Repricing gap	18 525	-11 388	-5 248	-1 067	30	-852	0

A +1,00 % parallel increase in market rates will result in a 37,47 million SEK increase in profit in Sweden.

Santander Consumer Bank AS Denmark
All amounts in millions of DKK

	0 - 1 months.	1 - 3 months.	3 - 12 months	1 - 5 years	>5 years	Non-Interest Bearing	Total
Assets	13 288	2 305	1 836	2 052	90	807	20 378
Liabilities	6 234	6 452	4 854	1 949	-	890	20 378
Net balance	7 055	-4 147	-3 017	103	90	-83	0
			-	-			
Repricing gap	7 055	-4 147	-3 017	103	90	-83	0

A +1,00 % parallel increase in market rates will result in a 12,2 million DKK increase in profit in Denmark

Note 6 - Capital adequacy

All amounts in millions of NOK	2016	2015
Balance sheet equity		
Paid in equity	9 652	9 652
Share premium	891	891
Retained earnings	6 603	4 727
Other reserves	-153	-19
Total Equity	**16 993**	**15 251**
Common Equity Tier 1 Capital		
(-) Profit not-eligible as capital	-1 200	-
Cash-flow hedge adjustment	-	-4
IRB Expected Loss - Reserves	-236	-304
Goodwill	-647	-766
Other intangible assets	-260	-254
Deferred tax assets	-	-236
Adjustment Prudent Valuation (AVA)	-12	-
Total common Equity Tier 1 Capital	**14 639**	**13 688**
Tier 1 Capital		
Paid in Tier 1 capital instruments	2 250	2 250
Total Tier 1 Capital	**16 889**	**15 938**
Total Capital		
Paid up subordinated loans	1 291	1 471
Subordinated loans not eligible	-80	-244
Total Capital	**18 100**	**17 165**
Risk exposure		
Regional governments or local authorities	63	65
Institutions	1 522	1 643
Corporates	6 178	5 735
Retail Standard Approach	45 017	45 865
Retail Internal Rating Based	25 699	23 525
Exposures in default SA	901	707
Covered bonds	864	642
Other Exposures	5 820	4 095
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**86 065**	**82 278**
Foreign exchange (zero if under threshold)	854	-
Risk exposure amount for position, foreign exchange and commodities risks	**854**	**-**
Risk exposure amount for operational risk	**9 835**	**7 100**
Standardized method	269	313
Risk exposure amount for credit valuation adjustment	**269**	**313**
Allowance which apply on the standardized approach for credit risk	-	-
Deductions of risk exposure amount	**-**	**-**
Total risk exposure amount	**97 023**	**89 691**

All amounts in millions of NOK	2016	2015
Common equity tier 1 capital ratio	**15,09 %**	**15,26 %**
Tier 1 capital ratio	**17,41 %**	**17,77 %**
Total capital ratio	**18,66 %**	**19,14 %**
Leverage ratio	**11,53 %**	**11,43 %**

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. Information according to Pillar 3 will be published at www.santander.no.

Note 7 - Segment information

Financial management in Santander is oriented towards the various geographical markets. Monitoring of the overall profitability of the geographic areas are important dimensions of the strategic priorities and allocation of resources in the SCB Group. Reported figures for the various segments reflect the SCB Group's total sales of products and services in the geographical area.
Segment information is based on the internal financial reporting as it is reported to SCB Group management. SCB Group management uses the segment reporting as an element to assess historical and expected future development and allocation of resources.
Reporting from the segments is based on Santander's governance model and the SCB Group's accounting policies. The figures are based on a number of assumptions and estimates.
The Segments are responsible for profits after tax, with the corresponding return on allocated capital according to the SCB Group's governance model. All the SCB Group's trade activities are divided into the reported segments with corresponding balances, income and expenses.
Deficit liquidity from the segments are funded by the SCB Group treasury at market conditions. Surplus liquidity is transferred to the SCB Group treasury at market conditions.
Internal agreements at market conditions or simulated market conditions are made when segments cooperate on the delivery of financial services to customers.
Services provided by the Group's central functions and staff are charged segments based on an allocation agreement.

Product segmentation per country (gross lending before losses)

31 December 2016

All amounts in millions of NOK	**Unsecure loans**	**Secured loans**	**Financial lease**	**Operational lease**	**Consignment**	**Total**
Norway	10 768	32 949	8 681	-	-	**52 398**
Sweden	12 739	11 739	4 260	-	1 017	**29 755**
Denmark	4 941	18 182	2 013	141	331	**25 609**
Finland	2 314	14 697	1 342	305	1 879	**20 537**
Total	**30 762**	**77 567**	**16 295**	**447**	**3 228**	**128 299**

31 December 2015

All amounts in millions of NOK	**Unsecure loans**	**Secured loans**	**Financial lease**	**Operational lease**	**Consignment**	**Total**
Norway	10 520	29 635	7 852	-	-	**48 008**
Sweden	13 373	10 993	3 967	-	821	**29 155**
Denmark	4 760	17 083	1 899	-	247	**23 989**
Finland	2 446	12 651	1 177	402	1 626	**18 302**
Total	**31 099**	**70 363**	**14 895**	**402**	**2 694**	**119 452**

Balance sheet and P&L per country

31 December 2016

All amounts in millions of NOK	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Net interest income	2 850	1 348	1 264	792	-1	6 252
Net fees and commissions	79	140	121	34	-	375
Other product and funding related income and costs	581	-10	-30	34	-505	70
Total operating costs	-1 063	-744	-503	-249	-14	-2 573
Other income and costs	-58	0	-12	1	-	-70
Impairment losses on other assets	-	-	-	-1	-	-1
Total losses on loans, guarantees etc.	-650	-111	-121	-95	-	-977
Profit before tax	**1 738**	**622**	**720**	**516**	**-520**	**3 076**
Total tax	-72	-139	-438	-103	-12	-765
Profit after tax	**1 666**	**483**	**282**	**412**	**-532**	**2 311**
Cash and receivables on central banks	60	-	-	-	-	60
Deposits with and loans to financial institutions	2 278	654	1	929	35	3 897
Total gross loans to customers	52 397	28 738	25 137	18 352	-	124 624
Write-downs	-1 724	-463	-352	-388	-	-2 926
Commercial papers and bonds	4 253	2 897	2 140	1 655	-	10 944
Financial trading derivatives	355	-	-	7	-	362
Ownership interests in group companies and other entities	1 180	-	-	-	-1 180	0
Other assets	16 006	1 150	898	2 405	-14 689	5 769
Total assets	**74 805**	**32 975**	**27 823**	**22 961**	**-15 835**	**142 729**
Debt to credit institutions	8 624	10 692	16 585	14 239	-15 122	35 019
Deposits from customers	18 573	11 936	10 462	-	-	40 971
Bonded debt	26 914	8 867	-6	6 835	-	42 609
Financial derivatives	287	-	-	3	-	291
Other liabilities	4 677	1 242	642	183	102	6 846
Equity	15 729	239	140	1 701	-815	16 993
Total liabilities and equity	**74 805**	**32 975**	**27 823**	**22 961**	**-15 835**	**142 729**

31 December 2015

All amounts in millions of NOK	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Net interest income	2 342	949	945	683	-	4 919
Net fees and commissions	80	92	90	28	-	290
Other product and funding related income and costs	-29	-16	8	43	22	29
Total operating costs	-1 249	-619	-412	-228	-	-2 509
Other income and costs	-65	83	2	0	-	20
Impairment losses on other assets	-	0	-7	-1	-	-8
Total losses on loans, guarantees etc.	-143	-426	-124	-105	-	-798
Operating result	**935**	**64**	**501**	**420**	**22**	**1 942**
Total tax	-293	-20	-38	-84	-	-435
Profit after tax	**642**	**44**	**463**	**336**	**22**	**1 507**

All amounts in millions of NOK	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Cash and receivables on central banks	59	-	-	-	-	59
Deposits with and loans to financial institutions	3 492	912	463	913	-	5 781
Total gross loans to customers	48 008	28 334	23 741	16 274	-	116 356
Write-downs	-1 398	-477	-352	-404	-	-2 631
Commercial papers and bonds	4 485	2 561	1 567	589	-	9 203
Financial trading derivatives	1 125	-	13	3	-	1 141
Ownership interests in group companies and other entities	1 247	-	-	-	-1 247	0
Other assets	12 789	1 018	427	2 300	-10 568	5 966
Total assets	**69 808**	**32 349**	**25 858**	**19 675**	**-11 815**	**135 874**
Debt to credit institutions	6 681	8 255	16 745	11 858	-10 876	32 663
Deposits from customers	14 934	14 404	8 043	-	-	37 380
Bonded debt	28 442	8 244	364	5 677	-	42 728
Financial derivatives	1 069	-	13	5	-	1 087
Other liabilities	4 846	1 454	467	240	-49	6 958
Equity	13 835	-9	225	1 896	-890	15 057
Total liabilities and equity	**69 808**	**32 349**	**25 858**	**19 675**	**-11 815**	**135 874**

Note 8 – Loan reserves

All amounts in millions of NOK

Specific loan reserves	**2016**	**2015**
Specific loan reserves 01.01.	1 520	588
+ Acquired through legal merger 01.07	-	4 280
+/- Rate adjustment opening balance	-33	322
Reclassification between specific and generic loan reserves	-58	-165
Gross outstanding adjustment	-	15
+ Specific loan reserves for the period	126	-3 520
= Specific loan reserves period end	1 555	1 520

Generic loan reserves		
Generic loan reserves 01.01	1 111	1 029
+ Acquired through legal merger 01.07	-	374
+/- Rate adjustment opening balance	-50	47
Release of reserves related to bad debt sale	-19	-
Reclassification between specific and generic loan reserves	58	165
+/- Generic loan reserves for the year	270	-503
= Generic loan reserves period end	1 371	1 111
Total Loan Reserves in Balance Sheet	2 926	2 631

Loan losses expenses	**2016**	**2015**
Change in loan reserves provision	-397	4 023
+/- Fx rate adjustment opening balance	-1	-253
+ Total realized losses	-1 472	-5 162
- Recoveries on previously realized losses	893	595
= Loan losses in the period	-977	-797

Loan reserves calculated separately for each business unit, using internal parameters.
-Specific loan reserves calculated by arrears following portfolio ageing and specific assessment of the exposure by specific contracts, also referred to as non performing loans.
-Generic loan reserves calculated by arrears, including incurred but not reported impaired loans following portfolio ageing, and reserves based on macro parameters.

Note 9 - Loans and losses by main sectors

All amounts in millions of NOK

2016	Gross carrying amount	Accumulated impairment	Total
Private individuals	105 611	-2 694	102 917
Professional, scientific and technical activities	6 501	-66	6 435
Construction	3 050	-41	3 009
Real estate activities	3 026	-33	2 992
Transport and storage	1 595	-26	1 569
Manufacturing	615	-7	609
Human health services and social work activities	432	-6	427
Governments	385	-	385
Wholesale and retail trade	2 707	-48	2 659
Accommodation and food service activities	227	-3	223
Education	156	-2	154
Agriculture, forestry and fishing	146	-1	145
Electricity, gas, steam and air conditioning supply	74	-	74
Other financial corporations	33	-	33
Mining and quarrying	31	-	31
Information and communication	31	-	31
Public administration and defense, compulsory social security	5	-	5
Other services	-	-	-
Total	**124 625**	**-2 926**	**121 698**

2015	Gross carrying amount	Accumulated impairment	Total
Private individuals	98 755	-2 421	96 334
Professional, scientific and technical activities	5 868	-58	5 810
Construction	2 552	-21	2 532
Real estate activities	2 935	-50	2 884
Transport and storage	1 593	-33	1 561
Manufacturing	656	-4	653
Human health services and social work activities	450	-2	448
Governments	396	-	396
Wholesale and retail trade	2 402	-39	2 364
Accommodation and food service activities	226	-1	225
Education	148	-1	147
Agriculture, forestry and fishing	142	-1	141
Electricity, gas, steam and air conditioning supply	48	-	47
Other financial corporations	54	-	54
Mining and quarrying	29	-	28
Information and communication	33	-	33
Public administration and defense, compulsory social security	9	-	9
Other services	-	-	-
Total	**116 297**	**-2 631**	**113 666**

Note 10 – Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 31 December 2016	Financial assets at fair value through P&L	Available for sale financial assets at fair value	Held to maturity investments	Loans and receivables	Book value
Cash and receivables on central banks	-	-	-	60	60
Deposits with and receivables on financial institutions	-	-	-	3 897	3 897
Net loans to costumers	-	-	-	121 698	121 698
Commercial papers and bonds	-	10 944	-	-	10 944
Financial trading derivatives	362	-	-	-	362
Other ownership interests	-	18	-	-	18
Other financial assets	-	-	-	-	-
Total financial assets	362	10 963	-	125 655	136 980
				Non financial assets	5 749
				Total assets	**142 729**

Classification of financial liabilities 31 December 2016	Financial liabilities at fair value through P&L	Financial liabilities measured at amortized cost	Booked value
Loans and deposits from credit institutions	-	35 019	35 019
Customer deposits	-	40 971	40 971
Bonded debt	-	42 609	42 609
Financial derivatives	291	-	291
Other financial liabilities	-	153	153
Subordinated loan capital	-	3 576	3 576
Total financial liabilities	291	122 328	122 619
		Non financial liabilities and equity	20 110
		Total liabilities	**142 729**

Classification of financial assets 31 December 2015	Financial assets at fair value through P&L	Available for sale financial assets at fair value	Held to maturity investments	Loans and receivables	Book value
Cash and receivables on central banks	-	-	-	59	59
Deposits with and receivables on financial institutions	-	-	-	5 793	5 793
Net loans to costumers	-	-	-	113 666	113 666
Commercial papers and bonds	-	9 203	-	-	9 203
Financial trading derivatives	1 141	-	-	-	1 141
Other ownership interests	-	52	-	-	52
Total financial assets	**1 141**	**9 255**	**-**	**119 518**	**129 914**
				Non financial assets	5 961
				Total assets	**135 874**

Classification of financial liabilities 31 December 2015	Financial liabilities at fair value through P&L	Financial liabilities measured at amortized cost	Booked value
Loans and deposits from credit institutions	-	33 571	33 571
Customer deposits	-	37 380	37 380
Bonded debt	-	41 569	41 569
Financial derivatives	1 089	-	1 089
Other financial liabilities	-	188	188
Subordinated loan capital	-	3 827	3 827
Total financial liabilities	**1 089**	**116 536**	**117 625**

Non financial liabilities and equity	18 249
Total liabilities	**135 874**

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

Note 11 - Issued securities

All amounts in millions of NOK

	2016	2015
Issued bonds	42 609	41 569
Total liability issued securities	**42 609**	**41 569**

Changes in liability issued securities

	Book value 31.12.15	New issues/ repurchase	Monthly payments and at maturity	Book value 31.12.16
Issued bonds	41 569	18 260	-17 219	42 609
Total liability issued securities	**41 569**	**18 260**	**-17 219**	**42 609**

Specification of issued securities

Bonds

Issuer	Net nominal value	Currency	Interest	Call date	Book value NOK 31.12.16
Senior unsecured issued securities					
Santander Consumer Bank AS	2 400	NOK	Floating	19.02.2018	2 405
Santander Consumer Bank AS	1 700	NOK	Floating	14.03.2019	1 702
Santander Consumer Bank AS	1 751	NOK	Floating	08.08.2019	1 756
Santander Consumer Bank AS	500	EUR	Fixed	25.02.2019	4 584
Santander Consumer Bank AS	500	EUR	Fixed	30.09.2019	4 537
Santander Consumer Bank AS	750	EUR	Fixed	20.04.2018	6 857
Santander Consumer Bank AS	1 450	SEK	Floating	18.11.2019	1 380
Santander Consumer Bank AS	1 000	SEK	Fixed	12.06.2017	955
Santander Consumer Bank AS	500	SEK	Fixed	12.06.2018	481
Santander Consumer Bank AS	500	SEK	Floating	12.06.2018	476
Santander Consumer Bank AS	1 410	SEK	Floating	10.08.2017	1 341
Asset backed issued securities	-				-
Bilkreditt 4 ltd A	28	EUR	Floating	26.12.2027	257
Bilkreditt 5 ltd A	57	EUR	Floating	25.03.2028	518
Bilkreditt 6 ltd A	180	EUR	Floating	25.07.2029	1 632
Bilkreditt 7 ltd A	293	EUR	Floating	25.03.2030	2 659
SAF WH 1 Ltd	4 030	SEK	Floating	09.06.2029	4 237
SCFI Rahoituspalvelut DAC	48	EUR	Floating	25.01.2020	438
SCFI Rahoituspalvelut DAC	44	EUR	Floating	25.01.2020	395
SCF Rahoituspalvelut I DAC	156	EUR	Floating	25.11.2024	1 421
SCF Rahoituspalvelut II DAC	504	EUR	Floating	25.11.2025	4 581
Totals issued bonds					**42 609**

Note 12 - Valuation Hierarchy

Financial instruments measured at fair value

2016 *All amounts in millions of NOK*		**Quoted market price Level 1**	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
Financial assets					
Name	*Type*				
Bilkreditt 4	Fixed amort.profile BK4	-	44	-	44
Bilkreditt 5	Fixed amort.profile BK5	-	56	-	56
Bilkreditt 6	Fixed amort.profile BK6	-	198	-	198
Bilkreditt 7	Pass-through swap BK7	-	57	-	57
KIMI5	Pass-through swap KIMI5	-	2	-	2
KIMI5	Fixed amort.profile KIMI5	-	2	-	2
KIMI4	Pass-through swap KIMI4	-	3	-	3
Total financial derivatives		-	**362**	**-**	**362**
Name	*Type*				
Government bonds and Treasury Bills	Bonds	2 307	-	-	2 307
Covered Bonds	Bonds	8 637	-	-	8 637
VISA	Equity	**-**	18	**-**	18
Total commercial papers and bonds		**10 944**	**-**	**-**	**10 962**
Total Assets		**10 944**	**380**	**-**	**11 325**
Financial liabilities					
Name	*Type*				
Bilkreditt 4	Pass-through swap BK4	-	31	-	31
Bilkreditt 5	Pass-through swap BK5	-	44	-	44
Bilkreditt 6	Pass-through swap BK6	-	155	-	155
Bilkreditt 7	Fixed swap BK7	-	58	-	58
KIMI4	Fixed swap KIMI	-	3	-	3
Total financial derivatives		-	**291**	**-**	**291**
Total Liabilities		**-**	**291**	**-**	**291**
Derivatives designated for hedge accounting - assets					
Name	*Type*				
Bilkreditt 4	Front swap BK4	-	31	-	31
Bilkreditt 5	Front swap BK5	-	44	-	44
Bilkreditt 6	Front swap BK6	-	155	-	155
EMTN SEK	EMTN SEK	-	5	-	5
EMTN MEUR 240	EMTN FV hedge fixed floating	-	3	-	3
Total derivatives designated for hedging - assets*		-	**237**	**-**	**237**

All amounts in millions of NOK		Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Derivatives designated for hedge accounting - liabilities					
Name	*Type*				
Bilkreditt 7	Front swap BK7	-	57	-	57
EMTN MEUR 100	EMTN CF hedge fixed fixed	-	7	-	7
EMTN MEUR 350	EMTN FV hedge fixed floating	-	1	-	1
DK EMTN MEUR 245	DK EMTN FV hedge	-	15	-	15
SW EMTN MEUR 100	SW EMTN FV hedge	-	7	-	7
KIMI4	Front swap Kimi4	-	3	-	3
KIMI5	Front swap Kimi5	-	5	-	5
Total derivatives designated for hedging - liabilities*		-	**95**	**-**	**95**

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.

* 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.

Offsetting of financial assets and financial liabilities

The disclosure in the table below include financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar arrangements.
The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The Group receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:
- derivatives;
- sale-and-repurchase, and reverse sale-and-repurchase agreements.

This collateral is subject to standard industry terms including, when appropriate, an ISDA credit support annex.

All amounts in millions of NOK	Gross amounts	Amounts offset in the statement of financial position	Net amount presented in the financial statements	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Collateral	Net amount after possible netting
Financial assets						
Derivatives	599	-	599	-	346	253
Reverse repurchase arrangements	692	-	692	692	-	-
Financial liabilities	-	-	-	-	-	-
Derivatives	385	-	385	-	127	258
Repurchase arrangements	-	-	-	-	-	-

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the statement of financial position on the following bases:
• derivative assets and liabilities – fair value;
• assets and liabilities resulting from sale-and-repurchase agreements, reverse sale-and repurchase agreements – amortized cost;

All amounts in million NOK	**2015**	**Quoted market price Level 1**	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
Financial assets					
Name	*Type*				
Bilkreditt 3	Front swap BK3	-	-	-	-
Bilkreditt 4	Front swap BK4	-	163	-	163
Bilkreditt 4	Fixed amort.profile BK4	-	179	-	179
Bilkreditt 5	Front swap BK5	-	204	-	204
Bilkreditt 5	Fixed amort.profile BK5	-	215	-	215
Bilkreditt 6	Front swap BK6	-	543	-	543
Bilkreditt 6	Fixed amort.profile BK6	-	571	-	571
Bilkreditt 7	Front swap BK7	-	158	-	158
Bilkreditt 7	Pass-through swap BK7	-	158	-	158
TIVOLI	Basis swap (Back)	-	12	-	12
EMTN Bond	DKK fixed to float	-	7	-	7
New EMTN	DKK fixed to float	-	12	-	12
EMTN Bond	EMTN SEK	-	0	-	0
KIMI4	Pass-through swap KIMI	-	4	-	4
Total financial derivatives		-	**2 226**	**-**	**2 226**
Name	*Type*				
Government bonds and Treasury Bills	Bonds	2 782	-	-	2 782
Covered Bonds	bonds	6 420	-	-	6 420
Total commercial papers and bonds		**9 202**	-	-	**9 202**
Total		**9 202**	**2 226**		**11 428**
Financial liabilities					
Name	*Type*				
Bilkreditt 4	Pass-through swap BK4	-	164	-	164
Bilkreditt 5	Pass-through swap BK5	-	204	-	204
Bilkreditt 6	Pass-through swap BK6	-	543	-	543
Bilkreditt 7	Fixed swap BK7	-	158	-	158
TIVOLI	Basis swap (Front)	-	13	-	13
EMTN Bond	DKK fixed to fixed	-	4	-	4
EMTN2 Bond	DKK fixed to fixed	-	1	-	1
SEK IRS 3Y	SEK IRS	-	2	-	2
KIMI4	Front Swap KIMI	-	4	-	4
KIMI4	Fixed swap KIMI	-	5	-	5
Total financial derivatives		-	**1 097**	-	**1 097**
Total		-	**1 097**	-	**1 097**

Note 13 - Securitization

The Group securitizes auto loans by selling portfolios of eligible auto loans to a SPV, which finances the purchase by issuing bonds in the market with security in the assets.

All securitized assets are transferred to related parties, as all the SPV's buying the assets are consolidated into the group accounts. There are no transfers of securitized assets to unrelated parties.

Note 14 - Interest Expenses

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

All amounts in millions of NOK

To credit institutions	**2016**	**2015**
Interest expenses	-219	-385
Average loan	34 295	31 961
Average nominal interest rate	**0,64%**	**1,20%**

To customers	**2016**	**2015**
Interest expenses	-505	-468
Average deposit	39 176	27 735
Average nominal interest rate	**1,29%**	**1,69%**

To bondholders	**2016**	**2015**
Interest expenses	-441	-437
Average issued notes and bonds	42 309	36 867
Average nominal interest rate	**1,04%**	**1,19%**

Subordinated loan capital	**2016**	**2015**
Interest expenses	-210	-209
Average subordinated loan capital	3 702	3 343
Average nominal interest rate	**5,68%**	**6,25%**

Total of tables above:	**2016**	**2015**
Interest expenses	-1 376	-1 498
Loan	119 482	99 906
Average nominal interest rate	**1,15%**	**1,50%**

Note 15 - Tax

All amounts in millions of NOK

	2016	2015
Tax payable	787	257
Adjustments in respect of prior years	0	4
Currency effects foreign tax credits	4	260
Total current tax	**791**	**228**
Change in temporary differences	-36	-56
Impact of change in the Norwegian tax rate	-	3
Currency effects	8	-
Adjustments in respect of prior years	2	-
Total change in deferred tax	**-27**	**175**
Income tax expense	**765**	**435**

	2016	2015
Profit before tax	3 076	1 942
Estimated income tax at nominal tax rate 25%	769	524
Tax effects of:	-	-
- Income not subject to tax*	-10	0
- Non deductible expenses	6	0
Impact of lower tax rate in subsidiary	-26	-40
Remeasurement of deferred tax due to change in Norwegian tax rate	-	-56
Adjustments in respect of prior years	14	4
Currency effects	12	3
Tax charge	**765**	**435**

The tax charge/credit relating to components of other comprehensive income is as follows:

	2016		
All amounts in thousands of NOK	**Before tax**	**Tax (charge)/ credit**	**After tax**
Actuarial assumption related to pension	32	8	24
Cash flow hedges	-39	-11	27
Net investment Hedge	32	8	24
Value change of assets held for sale	-16	4	-20
Currency translation differences	-163	-29	-134
Other comprehensive income	**-154**	**-21**	**-133**
Tax payable		-	
Deferred tax		-21	
Tax in OCI		**-21**	

	2016	2015
Deferred tax assets/deferred taxes as at 1 January	532	319
Changes recognized in income statement	-36	172
Changes recognized in OCI	-21	56
Transfer due to legal merger	-	-34
Adjustment of OCI opening balances	-	20
Adjustments in respect of prior years	-11	-
Deferred tax assets/deferred taxes at 31 December	**465**	**532**

	2016	2015
Fixed assets	2 411	2 739
Net pension commitments	-218	-277
Financial instruments	-21	17
Net other taxable temporary differences	-472	-600
Net translation differences	-18	57
Total deferred tax assets	**1 682**	**1 937**

	2016	2015
Fixed assets	603	685
Net pension commitments	-54	-69
Financial instruments	-5	4
Net other taxable temporary differences	-74	-112
Net translation differences	-4	24
Total deferred taxes	**465**	**532**

Tax effect of different tax rates in other countries
The Group has operations in a number of countries whose tax rates are different from that in Norway (25 per cent).

2016 figures: The Danish tax rate have been reduced to 22%
2015 figures: Relevant deferred tax balances have been re-measured as a result of the change in Norwegian tax rate from 27% to 25% that was substantively enacted in 2015 was effective from 1 January 2016. The Danish tax rate was reduced by 1% in 2015 to 23,5%.

Estimated taxes on tax-related losses which cannot be utilized
No deferred taxes are calculated on tax-related losses if the Group considers the future scope of such losses to be uncertain.

Note 16 - Fixed assets, intangible assets and lease financing

2016

All amounts in millions of NOK	Machines, fittings, equipment	Intangible assets (software)	Leasing portfolio (operational)	Goodwill	**Total**
Acquisition cost 1.1	126	510	605	1 362	2 603
Rate difference opening balance	-5	-10	-33	-74	-121
Acquisition cost 1.1 rate 31.12	121	500	573	1 288	2 482
Additions during the year	48	112	454	-	615
Disposals during the year	-23	-115	-366	-	-505
Impairment	-	-	-	-	-
Acquisition cost 31.12	**145**	**497**	**661**	**1 288**	**2 591**
					-
Acc. ordinary depreciation 1.1	-57	-256	-202	-596	-1 111
Rate difference 01.01	2	7	11	33	52
Acc. ordinary depreciation 1.1 rate 31.12	-55	-249	-192	-563	-1 059
Year's ordinary depreciation and amortization	-29	-77	-131	-	-237
Impairment	-	-	-12	-	-12
Rate difference year's depreciation average rate	0	1	2	-	3
Reversed depreciation on disposals	15	88	140	-	244
Acc. depreciation 31.12	**-68**	**-238**	**-193**	**-563**	**-1 062**
Accrued fees and provisions	**-**	**-**	-21	**-**	-21
Book value in the balance sheet 31.12	**77**	**260**	**447**	**725**	**1 509**

2015

All amounts in millions of NOK	Machines, fittings, equipment	Intangible assets	Leasing portfolio (operational)	Goodwill	**Total**
Acquisition cost 1.1	93	321	692	497	1 604
Rate difference opening balance	3	8	43	31	85
Acquisition cost 1.1 rate 31.12	96	330	735	527	1 688
+ Acquired through legal merger 01.07	36	115	-	764	915
Rate difference legal merger balance	0	0	-	71	71
Additions during the year	54	68	159	-	281
Disposals during the year	-60	-3	-289	-	-352
Impairment	-	-	-	-	-
Acquisition cost 31.12	**126**	**510**	**605**	**1 362**	**2 603**
Acc. ordinary depreciation 1.1	-53	-78	-224	-	-355
Rate difference 01.01	-1	-5	-14	-	-20
Acc. ordinary depreciation 1.1 rate 31.12	-55	-82	-238	-	-375
+ Acquired through legal merger 01.07	-34	-106	-	-545	-685
Rate difference legal merger balance	0	0	-	-50	-51
Year's ordinary depreciation and amortization	-18	-61	-112	-	-191
Impairment	-	-	-	-	-
Rate difference year's depreciation average rate	-1	-2	-8	-	-11
Reversed depreciation on disposals	52	-5	155	-	201
Acc. depreciation 31.12	**-57**	**-256**	**-202**	**-596**	**-1 111**
Accrued fees and provisions	**-**	**-**	**-**	**-**	**-**
Book value in the balance sheet 31.12	**69**	**254**	**403**	**766**	**1 492**

Method on measurement	Acquisition cost	Acquisition cost	Acquisition cost	Acquisition cost
Depreciation method	Linear	Linear	Linear	-
Plan of depreciation and useful life	3 – 10 years	3 – 7 years	1 month – 10 years	-
Average useful life	5 years	5 years	3 years	

Intangible assets include software. The useful life is evaluated annually. Goodwill is related to the purchase of the portfolio from Eik Sparebank in 2007 and purchase of GE Money Oy in 2009.

Note 17 - Financial lease

Santander Consumer Bank AS owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as loans to costumers included in "Financial leasing" in the balance sheet, and are valued at the present value of future cash flows.

All amounts in millions of NOK	2016	2015
Present value of future minimum lease payments receivable		
Due in less than 1 year	6 669	5 692
Due in 1 - 5 years	9 579	9 059
Due later than 5 years	48	144
Total present value of future minimum lease payments receivable	**16 295**	**14 895**

Note 18 - Repossessed assets

All amounts in millions of NOK	2016	2015
Vehicles	6	13
Net	**6**	**13**

The company classifies vehicles as repossessed assets where it is a court ruling or consent regarding transfer of property of the object. Repossessed assets are booked at the lowest value of book value of the default contract or the fair value according to an external valuation.

When sold the difference between the transaction price and booked value is recognized in the profit and loss statement.

Note 19 - Pension expenses and provisions

All amounts in millions of NOK

In Norway Santander Consumer Bank AS has a collective defined benefit pension scheme under the Occupational Pensions Act insured through DNB, which has been closed to new entrants since 1 April 2007. In addition employees can take an early retirement pension at the age of 62 through the collectively agreed AFP scheme. This scheme only applies to employees in Norway and forms part of a collective agreement. The scheme gives the right to defined future benefits, which are mainly dependent on number of years worked, salary level at time of retirement and the amount of payment from national insurance fund. The agreement also includes a spouse's pension and a child pension. There are pension commitments to certain employees in addition to the ordinary collective agreements. This applies to employees with salaries above 12 G and others with supplementary pensions. Employees hired after 1 April 2007, have defined contribution pensions.

In Sweden Santander Consumer Bank AS has a collectively agreed pension scheme for the banking sector, the BTP plan. The plan includes both defined benefit and defined contribution sections. Old-age, early retirement, disability and death benefits are provided under the BTP plan which are funded via insurance with different insurance providers.

The defined benefit pension schemes expose Santander Consumer Bank AS to risks associated with longevity, inflation and salaries and also market risks on plan assets.

Denmark and Finland has defined contribution plans.

Starting 1 July 2015, the results below include the former GE Money Bank pension schemes acquired in Norway (supplementary pensions for employees with salary over 12G and certain employees between ages 65 and 67) and Sweden (BTP plan consistent with description above).

Due to legislative changes in Norway, the disability portion of the main plan has been settled as at 31 December 2016.

Pension expenses for defined benefit plans	**2016**	**2015**
Present value of year's pension earnings	31	34
Curtailment (gain) / loss	-	1
Settlement (gain) / loss	-13	-3
Interest cost on accrued liability	19	16
Interest income on plan assets	-13	-8
Allowance for taxes	6	7
Net Pension expenses	**30**	**47**

Pension expenses for defined contribution plans	**2016**	**2015**
Total expenses	88	66

Pension liabilities in balance sheet	**2016**	**2015**
Pension funds at market value	441	445
Estimated pension liability	-659	-722
Net pension liability	**-218**	**-277**

The movement in the defined benefit obligation and fair value of plan assets over the year is as follows:

	Present value of obligation	**Fair value of plan assets**	**Net pension liability**
At 1 January 2015	-619	272	-346
Current service cost	-34	-	-34
Curtailment gain / (loss)	-1	-	-1
Settlement gain / (loss)	3	-	3
Interest expense / Income	-16	8	-8
	-48	8	-40

	Present value of obligation	Fair value of plan assets	Net pension liability
Remeasurements:			
- Return on plan assets	-	1	1
- Loss from change in demographic assumptions	-	-	-
- Loss from change in financial assumptions	160	-	160
- Loss from plan experience	5	-	5
- Change in asset ceiling	-	-	-
	165	1	165
Exchange rate differences	-21	17	-3
Contributions:			
- Employer	19	33	51
- Plan participants	-	-	-
Payments from plans:			
- Benefit payments	16	-16	-
Acquired in a business combination	-226	129	-97
Others	-7	-	-7
	-220	164	-56
At 31 December 2015	**-722**	**445**	**-277**

	Present value of obligation	Fair value of plan assets	Net pension liability
At 1 January 2016	-722	445	-277
Current service cost	-31	-	-31
Curtailment gain / (loss)	-	-	-
Settlement gain / (loss)	13	-	13
Interest expense / Income	-19	13	-6
	-37	13	-24
Remeasurements:			
- Return on plan assets	-	6	6
- Gain/(Loss) from change in demographic assumptions	-	-	-
- Gain/(Loss) from change in financial assumptions	8	-	8
- Gain/(Loss) from plan experience	17	-	17
- Change in asset ceiling	-	-	-
	25	6	31
Exchange rate differences	45	-41	4
Contributions:			
- Employer	10	44	54
- Plan participants	-	-	-
Payments from plans:			
- Benefit payments	26	-26	-
Acquired in a business combination	-	-	-
Others	-6	-	-6
	75	-23	52
At 31 December 2016	**-659**	**441**	**-218**

The defined benefit obligation and plan assets are composed by country as follows:

	2016			2015		
	Norway	**Sweden**	**Total**	**Norway**	**Sweden**	**Total**
Present value of obligation	-390	-269	-659	-472	-250	-722
Fair value of plan assets	221	220	441	237	207	445
Total	**-169**	**-49**	**-218**	**-234**	**-43**	**-277**

The following assumptions have been used calculating future pensions:

	2016		2015	
	Norway	Sweden	Norway	Sweden
Discount rate	2,75%	3,00%	2,50%	3,50%
Inflation	N/A	1,75%	N/A	1,75%
Salary growth rate	2,25%	3,25%	2,50%	3,25%
Pension growth rate	1,99%	1,75%	2,10%	1,75%
Rate of social security increases	2,00%	2,75%	2,25%	2,75%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2016		2015	
	Norway	Sweden	Norway	Sweden
Retiring at the end of the reporting period:				
- Male	22	22	22	22
- Female	25	25	25	25
Retiring 20 years after the end of the reporting period:				
- Male	24	24	24	24
- Female	27	26	27	26

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Impact on defined benefit obligation - Norway		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 18,94%	Increase by 23,88%
Salary growth rate	1,00%	Increase by 14,52%	Decrease by 11,57%

	Impact on defined benefit obligation - Sweden		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 26,46%	Increase by 37,06%
Salary growth rate	1,00%	Increase by 14,46%	Decrease by 12,73%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognized within the statement of financial position.

The main defined benefit pension schemes in Norway and Sweden are funded via insurance policies. The insurance companies have placed the assets in consolidated portfolios of domestic and foreign interest bearing securities, shares, properties and other investment instruments.

The group's expected contributions for defined benefit plans, including pension payments paid directly by the company and pension related taxes, for the next financial year amount to 27,866 TNOK.

The weighted average duration of the defined benefit obligation is 21.8 years in Norway and 31.8 years in Sweden.

Expected maturity analysis of undiscounted pension benefit payments:

At 31 December 2016	Less than 1 year	Between 1 - 2 years	Between 2 - 5 years	Between 5 - 10 years	**Total**
Pension benefit payments	18	17	57	108	**200**

Note 20 - Remuneration

All values in thousands of NOK
Santander Consumer Bank has established a Remuneration Committee, and the Company established Remuneration Guidelines in 2011 to be aligned with FSA regulations. The Guidelines were updated in June 2016. The Guidelines apply to employees in the Company's operations in Norway, Denmark and Sweden, as well as the subsidiary in Finland. In addition, there are special regulations for Senior Management's employees with duties of material importance to risk exposure, employees heading the main control functions and directors.

The overall objectives are to support the Company's strategies for recruiting, retaining, developing and rewarding employees who contribute to creating shareholder value at the Company and to support the Company's performance culture. The Guidelines are intended to ensure the credibility, effectiveness and fairness of the Company's remuneration practices and the adequacy, proportionality and balance of the ratio of fixed versus variable salary. Additionally, the Guidelines intend to ensure that the overall remuneration structure reflects sound and effective risk management principles. As a result, a key element in these Guidelines is to counteract risk-taking that exceeds the level of tolerated risk at the Bank while, at the same time, offer a flexible remuneration structure.

The Guidelines are further intended to ensure that the total variable remuneration that the Company is committed to pay out will not conflict with the requirement of maintaining a sound capital base. Fixed salary to Senior Management Team is approved by the Corporate Compensation Committee and fixed salary to CEO Nordic is approved by the Board of Directors. Variable compensation shall each year after being approved by the Corporate Compensation Committee be presented to the Remuneration Committee for approval before implementation. Variable compensation to the rest of the Senior Management Team is approved by the Corporate Compensation Committee only.

Senior Management Team is included in the Corporate Bonus Scheme (CBS). The CBS is decided by the Banco Santander S.A. Board of Directors and the Group Remuneration Committee on an annual basis. Each participant of the bonus scheme has a Base Bonus level which is the reference bonus.

Principles for Bonus Schemes:
The scheme consists of four equal elements; 1) cash bonus, 2) unrestricted shares subject to 1 year of holding, 3) cash bonus subject to 1 year of holding with three years deferral and 4) shares subject to 1 year of holding with three years deferral. Based on this 50 % of the CBS bonus is awarded in shares and 50 % of the bonus is deferred.

Conditions for bonus scheme are to be based on a combination of an individual appraisal of each employee, the performance of the Company and Business Unit (except for those in Control functions), as well as the business of the Bank as a whole measured over a two year period, but the pool calculation is still measured against annual results, hereunder Annual Targets set each year in compliance with legislation.
The bonus scheme is based on a combined set of metrics measuring financial results eg. Net Income or Risk adjusted Profit Before Tax; also risk results eg. Management delinquency variation. In addition, non-financial measures are also taken into account eg. Employee satisfaction, compliance and alignment with non-financial targets.

Granted options are not part of the corporate plan.

Remuneration for members of the Board of directors etc. is to be decided by the General Assembly.

Pension schemes
The Company offers different pension and insurance schemes in the Nordic countries:
Norway
1. Defined Benefit - Up to approximately 70 per cent of the final salary maximized to 12 G (G = Grunnbeløp, Base amount)
2. Contribution Benefit - Contribution is 5 per cent of salary between 1 G and 6 G, plus 8 per cent of salary between 6 G and 12 G, or 5 per cent of up to 7.1 G and 14 per cent of salary over 12 G
3. Pensions Scheme for wages above 12 G - Approximately 70 per cent of the final salary that exceeds 12 G

Sweden
Two different types of pensions schemes. BTP1 & BTP2 according to the collective agreement. All new employees goes into the BTP1 plan.

BTP1 – Santander pays a monthly premium, but the actual outcome of pension is unknown.
1. 2 % on salary up to 7,5 "Inkomstbasbelopp" (IBB) - Valbar del
2. 2,5 % on salary up to 7,5 "Inkomstbasbelopp" (IBB) – Trygg del
3. 30 % of salary between 7,5 – 30 IBB.

BTP2 is defined by promising different per cent of the pension entitling salary:
1. 10 % on salary up to 7,5 "Inkomstbasbelopp" (IBB)
2. 65 % of the salary-parts between 7,5 and 20 IBB
3. 32.5 % on salary-parts between 20 and 30 IBB
The pension is normally paid from the age of 65.

Denmark
Pensions Scheme with employer contribution 11.0 % of salary, and employee contribution 5.25 % of salary (Optional additional payment). *Det er korrekt for DK. Dog skal du være opmærksom på at nogle kontrakter først er ændret i 2016 mht medarbejderdelen på 5,25%.

Finland
The Bank does not offer any pension scheme for employees in Finland.

Key management compensation:
The tables below show the accrued salary, bonus, pension and compensations for CEO and other Key management:

	Salary	Bonus	Pension	Other benefits	Total 2016
Michael Hvidsten, Chief Executive Officer	2 784	1 188	114	769	4 855
Knut Øvernes, Managing Director Norway	1 677	630	96	390	2 793
Bo Jakobsen, Managing Director Denmark	2 432	420	270	415	3 537
Arttu Nykanen, Managing Director Finland	2 209	477	-	256	2 942
Carolina Brandtman, Managing Director Sweden	1 745	554	577	303	3 179
Olav Hasund, Nordic Auto Director	1 832	310	213	474	2 829
Christoph Reuter, Nordic Controlling Director	1 278	417	-	2 037	3 732
Anders Bruun-Olsen, Nordic Financial Management Director	1 620	445	120	427	2 612
Peter Sjøberg, Nordic Risk Director (until 01.01.2017)	1 428	325	116	388	2 257
Juan Garcia Bolos, Nordic Collection Director	845	223	-	1 402	2 470
Rasmus Forssblad, Nordic Internal Audit Director	969	169	490	281	1 909
Trond Debes, Nordic Legal & Compliance Director	1 290	309	96	479	2 174
Juan Calvera, Nordic IT&OPS Director	1 396	536	127	888	2 947
Total	**21 505**	**6 003**	**2 219**	**8 509**	**38 236**

In addition to the amounts above, the group is committed to pay the members of the Executive Committee in the event of a change of control in the group.

Bonus shares (part of CBS program)	Number of shares earned in 2016 *	Total Number of shares earned, but not issued per 31.12.2016 *	Value of the shares earned, but not issued per 31.12.2016* (thousand NOK)
Michael Hvidsten, Chief Executive Officer	13 171	23 101	1 041
Knut Øvernes, Managing Director Norway	6 988	9 004	406
Bo Jakobsen, Managing Director Denmark	4 664	9 713	438
Arttu Nykanen, Managing Director Finland	5 286	8 748	394
Carolina Brandtman, Managing Director Sweden	6 145	11 038	498
Olav Hasund, Nordic Auto Director	3 437	6 834	308
Christoph Reuter, Nordic Controlling Director	4 620	9 124	411
Anders Bruun-Olsen, Nordic Financial Management Director	4 930	9 490	428
Peter Sjøberg, Nordic Risk Director (until 01.01.2017)	3 605	7 059	318
Juan Garcia Bolos, Nordic Collection Director	2 475	4 164	188
Rasmus Forssblad, Nordic Internal Audit Director	1 875	3 231	146
Trond Debes, Nordic Legal & Compliance Director	3 432	5 646	255
Juan Calvera, Nordic IT&OPS Director	539	8 342	376
Total	**61 167**	**115 494**	**5 206**

Defined share value	**2016**	**2015**	**2014**
Share value - Banco Santander (EUR) *	5	4	6
Share value - Banco Santander (NOK) *	45	38	56

*Value of shares is an estimate based on the share price decided by corporate level and the currency exchange rate per 12.02.2017

Board of Directors		**2016**	**2015**
Erik Kongelf	Chairman	-	-
Bruno Montalvo Wilmot	Deputy Chairman	-	-
Javier Anton San Pablo	Member	-	-
Manuel A. Menendez	Member	-	-
Maria Del Rosario Vacas Roldan	Member (not a member 31.12.2015)	-	-
Bjørn Elvestad	Member (not a member 31.12.2015)	-	617
Henning Strøm	Member	450	617
Niels Aall	Member	450	595
Vibeke Hamre Krey	Employee representative	200	200
Stine Camilla Rygh	Deputy Employee representative (sluttdato 31.07.2016)	100	100
Ola Tillberg	Employee representative	200	67
Bent Ole Petersen	Deputy Employee representative	25	17
Sigrid Dale	Deputy board member, employee representativ	30	-
Ulla Aronen	Observer	25	17
Total		**1 480**	**2 230**

Supervisory Board (ended 2015)	**2016**	**2015**
Total	-	67

Control Committee		**2016**	**2015**
Finn Myhre	Chairman	145	145
Egil Dalviken	Deputy Chairman	20	-
Tone Bjørnhov	Member	15	15
Terje Sommer	Deputy Member	-	119
Total		**180**	**279**

Staff *(permanent employees only)*	**2016** Number of employees as of 31.12	FTE year as of 31.12	**2015** Number of employees as of 31.12	FTE year as of 31.12
Norway	525	479	585	500
Sweden	344	299	391	335
Denmark	246	212	279	244
Finland	172	150	155	132
Total	**1 287**	**1 140**	**1 410**	**1 212**

Audit services and advisory services (without VAT)	**2016**	**2015**
Audit services	8 391	13 538
Other certification services		310
Tax advice	489	2 561
Other non-audit services	3 304	543
Total	**12 184**	**16 952**

Note 21 – Ownership interests in group companies

Santander Consumer Bank AS owns 100% of the shares in Santander Consumer Finance OY. Santander Consumer Bank AS retains most of the risk and rewards of the sale of loans to the securitization-vehicles. (Se note 24 in AS for list of SPV's) These are fully consolidated into the Nordig Group Financial statement.

Note 22 - Hedging

All amounts in millions of NOK

Net investment Hedge
The Group hedge the net asset in the Finnish subsidiary against exposure of fluctuations in the spot exchange rate.

	2016		2015	
	Book value 31.12	Amount recognized in OCI	Book value 31.12	Amount recognized in OCI
Hedging instrument (EUR-loan)	-1 190	32	-1 431	30
Change in translation of hedged net assets in foreign operation	1 190	-32	1 431	-30
Net exposure over OCI		-		-

Cash Flow Hedge

The Group has cash flow hedges on bonds issued in EUR, and cash flow hedge on the issued bonds in the SPV's.

	2016		2015	
	Book value 31.12	Amount recognized in OCI	Book value 31.12	Amount recognized in OCI
Hedge item (Bond)	-25	42	8	-18
Hedge instruments (Swaps)	164	23	1 066	-7
Net exposure over OCI		66		-25

	2016	2015
Inefficiency	Ineffectiveness recognized in P&L	Ineffectiveness recognized in P&L
Cash flow hedging ineffectiveness	10	3

Fair Value Hedges
The Group have fair value hedges on issued fixed interest-notes to hedge changes in market price

	2016		2015	
	Book value 31.12	Amount recognized in P&L	Book value 31.12	Amount recognize d in P&L
Hedged item (Bonds)	16 934	-4	1 070	-3
Hedge instruments (SWAPS)	6	1	-2	2
Net exposure over P&L		**-3**		**-1**

Fair value hedges:
Fair value hedges are used to protect Santander Consumer Bank AS against exposures to changes in the market prices of recognized fixed interest-notes issued in EUR and in SEK issued in EUR and SEK by the entity. The Bank uses cross currency interest rate swaps and interest rate swaps that qualify as hedging instruments, and designates these to the hedge relationship at time of inception if all criterias for hedge accounting are met. Changes in fair value of the hedging instruments are recognized in the income statement together with changes in the fair value of the hedged liability that are attributable to the hedged risk.

For our fair value hedges the Bank assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in fair value of the hedged item using the dollar offset method. This method is a quantitative method that consists of comparing the change in fair value or cash flows of the hedging instrument (including any counterparty credit risk) with the change in fair value of the hedged item attributable to the hedged risk. As counterparties credit risk is not hedged this is a source of ineffectiveness.

Cash flow hedges:
Cash flow hedging is applied for the exposure to variation in future interest payments due to exchange rate risk on issued notes in foreign currency (EUR). Cross currency swaps (NOK swapped to EUR) are used as hedging instruments and they are designated into hedge relationships at inception when all criterias for hedge accounting are met.

Further, cash flow hedging is applied for the exposure of variation in future interest payments from issued floating rate-notes with floating EURIBOR-rate. Interest rate swaps (fixed interest swapped to floating) are used as hedging instruments and they are designated into hedge relationships at inception when all criterias for hedge accounting are met.

The portion of the gain or loss in the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. Gains or losses on hedging instruments that have been accumulated in equity are recognized in profit or loss in the same period as interest expense from the hedged liability. The ineffective portion of the gain or loss on hedging instruments is recognized in profit or loss.

The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in cash flows of the hedged item (prospectively and retrospectively) using the hypotethical derivative method. This method measures hedge ineffectiveness by comparing the change in fair value of the actual derivative designated as the hedging instrument and the change in fair value of a "hypothetical derivative" that would result in perfect hedge effectiveness for the designated item. The hypothetical derivative would have terms that exactly match the critical terms of the hedged item with the lower of the two cumulative changes always appearing in Equity.

Net investment hedge:
Santander Consumer Bank has a subsidiary in Finland. Foreign currency exposure arises from the net investment in the Finnish subsidiary Santander Consumer Finance OY, which have a different functional currency from that of the parent entity. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiary (EUR) and the Bank's functional currency (NOK), which causes the amount of the net investment to vary. The hedged risk in the net investment hedges is the risk of fluctuations in EUR against NOK, which will result in fluctuating values of the net investment in the subsidiary.

Loans from external parties nominated in EUR is designated are used as hedging instruments and designated into the hedging relationship when hedge accounting requirements are met. The Bank assesses whether the EUR nominated loans designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in cash flows of the hedged item (prospectively and retrospectively) using the dollar offset method.

Note 23 - Receivables and liabilities to related parties

Debt to related parties: *All amounts in millions of NOK*	**2016**	**Accrued interest 2016**	**2015**	**Accrued interest 2015**
Santander Benelux	2 028	10	5 877	22
Santander Consumer Finance S.A.	32 230	14	25 331	8
Banco Madesant	754	-	2 334	-
Banco Santander	-	-	-	-
Abbey National Treasury Services plc	-	-	-	-
Total	**35 012**	**24**	**33 541**	**30**
Balance sheet line: "Subordinated loan capital" - Bonds				
MNOK 180, maturity September 2016, 3 months NIBOR +0.55% (Banco Santander S.A)	-	-	180	-
MNOK 80, maturity October 2017, 3 months NIBOR +1.75% (Santander Consumer Finance S.A)	80	-	80	-
MNOK 250, maturity March 2025, 3 months NIBOR + 2.2575% (Santander Consumer Finance S.A)	250	-	250	2
Hybrid capital - perpetual bond, 3M NIBOR + 6,50% (Santander Consumer Finance S.A)	2 250	29	2 250	30
MNOK 250, maturity July 2025, 3 months NIBOR+3.135% (Santander Consumer Finance S.A)	250	2	250	-
MSEK 750, maturity December 2024, 3 months STIBOR+2.2825% (Santander Consumer Finance S.A)	713	-	784	-
Total	**3 543**	**32**	**3 794**	**34**

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

Note 24 - Transaction with related parties

All amounts in millions of NOK

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

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

The following transactions were carried out with related parties:

	2016	2015
Interest income	39	27
Interest expenses	-513	-652
Fees	133	232
Other	-	-
Net transactions	**-341**	**-394**

Santander Consumer Bank Group had transactions with the following related parties per 31.12.2016

Banco Santander S.A
Santander Benelux B.V.
Santander Consumer Finance S.A.
Santander Insurance Europe Ltd.
Santander Insurance Services Ireland Ltd.
Banco Madesant
Abbey National Treasury Services plc
Santander Global Facilities S.L
Santander Securities Services, S.A

Note 25 - Contingent liabilities & commitments

All amounts in millions of NOK	2016	2015
Contingent liabilities*	111	139
Commitments		
Granted undrawn credits	18 397	17 802

* Contingent liabilities relates mainly to payment guarantees issued to customers.

Note 26 - Result over total assets

All amounts in millions of NOK

	2016	2015
Profit after tax (PAT)	2 311	1 507
Total assets (Assets)	142 729	135 874
PAT over Assets	1,62%	1,11%

Santander Consumer Bank AS

Notes

Note 1 Risk Management

The group's activities are exposed to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk, risk and price risk), liquidity risk and operational risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central risk department under policies approved by the board of directors. The risk department identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as liquidity risk, foreign exchange risk, interest rate risk, credit risk and operational risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk/counterparty risk

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

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

The assessment of customers or transactions using rating or scoring systems constitutes a judgment of their credit quality, which is quantified through the probability of default (PD), in accordance with Basel II terminology. In addition to customer assessment, the quantification of credit risk requires the estimation of other parameters, such as exposure at default (EAD) and the percentage of EAD that will not be recovered (loss given default or LGD). Therefore, other relevant factors are taken into account in estimating the risk involved in transactions, such as the quantification of off-balance-sheet exposures, which depends on the type of product, or the analysis of expected recoveries, which is related to existing guarantees and other characteristics of the transaction: type of product, term, etc. These factors are the main credit risk parameters. Their combination facilitates calculation of the probable loss or expected loss (EL). This loss is considered to be an additional cost of the activity which is reflected in the risk premium and must be charged in the transaction price.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The group's strategy is to avoid taking on market risk in excess of what follows directly from the operation of the bank.

Market risk comprises three types of risk; interest rate risk, currency risk, and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk affects, loans, deposits, debt securities, most financial assets and liabilities held for trading and derivatives.

The Group seeks to limit interest risk between asset and debt items by balancing time to interest regulation for the items. Treasury Policy limits interest risk exposure for each of the currencies the bank has operations in. Interest rate risk is assessed based on two methods; the Net Interest Margin (NIM) and the Market Value of balance sheet equity (MVE). SCB monitor the sensitivity of NIM and MVE for +/- 100 bp parallel shift in market interest rates. Note 5

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group strives for a composition of the balance sheet that minimizes currency risk by ensuring that assets, liabilities and incoming and outgoing cash flows are, to a large extent, denominated in the same currency. Practical considerations and requirements laid down by the parent company will play a central role in connection with the management of currency risk.

The Group currency risk is connected to currency positions as a result of operations in Sweden, Finland, and Denmark. Treasury policy limits possible exposure for each currency and the same limit applies to the total net currency position. Treasury policy further specifies that currency risk should be minimized as far as possible through asset and debt items being in the same currency.

Routines which ensure that the bank's currency exposure is continuously monitored and controlled are in place.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

Santander Consumer Bank AS does not have a trading portfolio or positions in securities, commodities etc. Risk that follows from the company's net currency position is considered low in relation to the company's size, and is considered to involve an increased capital requirement in excess of the Pillar 1 requirement with 10 % of maximum allowed net position from currency in Treasury policy.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The risk includes the risk of having limited or no access to funding markets that are paramount to the bank. The group's liquidity situation is monitored continuously. Treasury policy lays down minimum levels for available liquidity and trigger levels for obtaining new liquidity. Santander Consumer Bank has a goal of establishing more financing from outside the Santander group through securitization, through unsecured issuance, and deposits. Reducing Santander Group dependencies and establishing the group as an issuer in the Nordic and International debt capital markets gives the bank on a standalone basis a better position to cope with a short to medium term liquidity crisis. The short dated nature of the bank's assets also constitutes a significant liquidity risk reducing factor. This gives a possibility to generate liquidity by reducing new business should the need arise. Note 4

Operational risk

The Group defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". It includes events that may arise due to legal or regulatory risk, but does not include events arising due to strategic or reputational risk. The aim pursued by the Group in operational risk control and management is primarily to identify, measure/assess, control/mitigate and report on this risk. Operational risk is reduced through securing a good internal control environment. The Group continuously strives to improve the internal control environment.

The Group is using the Basic Indicator Approach for the calculation of regulatory capital for operational risk.

Note 2 - Risk classification

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

	Balance		Loss reserves	
All amounts in millions of NOK	2016	2015	2016	2015
Current - not past due date	99 056	92 743	-818	-537
Current - past due date	4 784	4 968	-210	-237
Total impaired loans	2 432	2 313	-1 511	-1 453
Total gross loans to customers	**106 272**	**100 023**	**-2 539**	**-2 227**

	Balance		Loss reserves	
Ageing of past due but not impaired loans	2016	2015	2016	2015
1 - 29 days	3 807	3 904	-89	-106
30 - 59 days	730	778	-66	-70
60 - 89 days	247	286	-56	-61
Total loans due but not impaired	**4 784**	**4 968**	**-210**	**-237**

	Balance		Loss reserves	
Ageing of impaired loans	2016	2015	2016	2015
90 - 119 days	191	183	-66	-65
120 - 149 days	136	152	-60	-80
150 - 179 days	114	119	-59	-89
180 + days	927	1 052	-710	-832
Economic doubtful*	1 063	806	-616	-387
Total impaired loans	**2 432**	**2 313**	**-1 511**	**-1 453**

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

After the legal merge with Santander Consumer Bank AB (former GE Money Bank AB), the SCB portfolio now consists of 73% of Auto Finance and 27% Unsecured finance (credit cards, consumer loans, sales finance); where for auto finance the underlying assets serve as collateral.
Auto Finance, collateral is held as security. Carrying amount in relationship with object value and financed amount is influenced by specific mileage, use and
maintenance among others, which varies from object to object. This value is embedded into Write Downs calculation as part of recoveries.

Note 3 - Net foreign currency position

All amounts in millions of NOK	Balance		Net positions	
	Asset	Debt	in NOK	in foreign currency
SEK	34 199	33 969	231	243
DKK	36 341	36 215	125	103
EUR	22 474	22 499	-25	-3
Total 2016	**93 014**	**92 683**	**331**	-
Total 2015	73 261	73 062	199	-

A 5,00 % increase in SEK fx rate will result in a Agio gain of NOK 11,5 MM in in comprehensive income
A 5,00 % decrease in SEK fx rate will result in a Agio loss of NOK 11,5 MM in in comprehensive income
A 5,00 % increase in DKK fx rate will result in a Agio gain of NOK 6,3 MM in in comprehensive income
A 5,00 % decrease in DKK fx rate will result in a Agio loss of NOK 6,3 MM in in comprehensive income
A 5,00 % increase in EUR fx rate will result in a Agio loss of NOK 1,2 MM in in comprehensive income
A 5,00 % decrease in EUR fx rate will result in a Agio gain of NOK 1,2 MM in in comprehensive income

Note 4 - Liquidity Risk

Contractual cash flow at certain intervals of maturity presented in NOK.

All amounts in millions of NOK

2016	=< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	With no specific maturity	Total
Cash and receivables on central banks	60	-	-	-	-	-	60
Deposits with and receivables on financial institutions	951	82	279	188	-	-	1 500
Net loans to customers	4 651	7 424	30 144	58 138	1 074	2 443	103 875
Commercial papers, bonds and other fixed-income securities	553	1 334	3 385	4 019	3 262	-	12 552
Financial trading derivatives	31	61	184	78	-	-	355
Loans to subsidiaries and SPV's	160	142	397	5 795	-	-	6 494
Other assets	3	2	3	-	-	-	8
Consignments	856	339	154	-	-	-	1 348
Total cash from assets	7 264	9 383	34 546	68 217	4 336	2 443	126 073
Loans and deposits from financial institutions	9 742	12 451	15 447	781	-	-	38 420
Customer deposits	40 971	-	-	-	-	-	40 971
Bonds and other long term loan raising	303	587	5 168	20 415	-	-	26 473
Subordinated loan capital	-	-	80	-	1 216	2 279	3 576
Derivatives	25	49	152	61	-	-	287
Other debt	6	11	39	69	-	-	124
Total cash from debt	51 047	13 097	20 887	21 325	1 216	2 279	109 852
Net liquidity risk	-43 782	-3 714	13 659	46 892	3 120		

The Board of Santander Consumer Bank AS has decided limits for the liquidity risk to ensure the bank has a solid liquidity position. The limits for liquidity risk are reviewed at least on a yearly basis. The bank manages the liquidity position by matching maturities of the assets and the liabilities. The average duration of the asset side is low with a duration below two years. The liabilities side is financed by customer deposits, secured bonds, unsecured bonds and intragroup loans.

Liquidity coverage ratio

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

Liquidity Coverage Ratio (LCR) %	2016	2015
Liquidity Coverage Ratio (LCR) Total	117	90
Liquidity Coverage Ratio (LCR) NOK	124	156
Liquidity Coverage Ratio (LCR) SEK	129	76
Liquidity Coverage Ratio (LCR) DKK	66	52
Liquidity Coverage Ratio (LCR) EUR	-	57

2015	=< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	With no specific maturity	Total
Cash and receivables on central banks	59	-	-	-	-	-	59
Deposits with financial institutions	443	82	174	224	-	-	923
Net loans to customers	4 036	7 111	29 152	56 213	1 316	-	97 829
Commercial papers, bonds and other fixed-income securities	472	1 485	4 947	1 723	7 149	-	15 775
Financial trading derivatives	79	75	303	699	-	-	1 157
Consignments	479	356	234	-	-	-	1 068
Other assets	6 627	-	-	-	-	-	6 627
Total cash from assets	12 194	9 109	34 810	58 859	8 465	-	123 437
Loans and deposits from financial institutions	10 899	14 532	16 484	4 678	-	-	46 593
Customer deposits	3 122	2 650	9 987	18 786	2 836	-	37 381
Bonds and other long term loan raising	511	792	5 770	12 311	-	-	19 383
Subordinated loan capital	34	-	180	80	1 284	2 250	3 827
Derivatives	75	71	285	646	-	-	1 076
Other debt (mostly accounts payable)	668	-	-	-	-	-	668
Total debt and equity	15 308	18 045	32 705	36 501	4 120	2 250	108 929
Net cash flow	-3 113	-8 936	2 105	22 358	4 345		

Note 5 - Interest rate risk

The table show the interest rate risk. Changes in market interest rates will affect our assets and debt by the timing displayed below due to fixed interest rate contracts. A change in market interest rate will affect our short term positions immediately, but our long term positions later.

Santander Consumer Bank AS

All amounts in millions of NOK

2016	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Cash and receivables on central banks	60	-	-	-	-	-	60
Deposits with and receivables on financial institutions	1 500	-	-	-	-	-	1 500
Net loans to costumers	48 470	42 244	5 630	4 653	197	2 539	103 733
Commercial papers and bonds	3 639	3 683	1 967	-	3 263	-	12 552
Financial trading derivatives	187	168	-	-	-	-	355
Loans to subsidiaries and SPV's	593	190	-	5 711	-	-	6 494
Consignments	869	480	-	-	-	-	1 348
Other non interest bearing assets	-	-	-	-	-	2 475	2 475
Total assets	55 317	46 765	7 597	10 364	3 459	5 014	128 517
Debt to credit institutions	16 298	20 657	685	780	-	-	38 420
Customer deposits	4 011	15 687	19 644	1 628	-	-	40 971
Bonds and other long term loan raising	3 578	10 126	1 065	8 441	3 263	-	26 473
Financial derivatives	133	155	-	-	-	-	287
Subordinated loans	331	966	-	-	-	-	1 297
Hybrid capital	2 279	-	-	-	-	-	2 279
Other non interest bearing debt	-	-	-	-	-	2 663	2 663
Equity	-	-	-	-	-	16 127	16 127
Total debt and equity	26 631	47 590	21 394	10 850	3 263	18 790	128 517
Net interest risk exposure	28 687	-826	-13 797	-485	197		

The tables below show the same as the table above, but split per country. The accumulated tables below will not reconcile with the table above due to difference in classification between assets and liabilities in the presented tables.

Santander Consumer Bank AS Norway

All amounts in millions of NOK

	0 - 1 months	1 - 3 months.	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	8 177	43 264	4 278	925	91	2 023	58 758
Liabilities	10 294	19 772	9 286	0	-	19 406	58 758
Net balance	-2 117	23 493	-5 008	925	91	-17 383	-
Repricing gap	-2 117	23 493	-5 008	925	91	-17 383	-

A +1,00 % parallel increase in market rates will result in a 33,66 million NOK decrease in profit in Norway.

Santander Consumer Bank AS Norway

All amounts in millions of EUR

	0 - 1 months.	1 - 3 months.	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	37	-	32	-	-	215	284
Liabilities	50	54	52	90	-	38	284
Net balance	-13	-54	-20	-90	-	177	-
Repricing gap	-13	-54	-20	-90	-	177	-

A +1,00 % parallel increase in market rates will result in a 2,4 million EUR increase in profit in Norway.

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

	0 - 1 months.	1 - 3 months.	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	30 485	2 747	1 199	337	28	511	35 307
Liabilities	10 313	14 902	7 361	1 460	-	1 272	35 307
Net balance	20 172	-12 155	-6 162	-1 123	28	-761	-
Repricing gap	20 172	-12 155	-6 162	-1 123	28	-761	-

A +1,00 % parallel increase in market rates will result in a 39,62 million SEK increase in profit in Sweden.

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

	0 - 1 months.	1 - 3 months.	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	16 107	1 149	1 701	2 911	70	1 048	22 986
Liabilities	6 644	5 722	3 551	6 140	-	930	22 986
Net balance	9 463	-4 573	-1 850	-3 229	70	118	-
Repricing gap	9 463	-4 573	-1 850	-3 229	70	118	-

A +1,00 % parallel increase in market rates will result in a -5,98 million DKK decrease in profit in Denmark

2015	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Cash and receivables on central banks	59	-	-	-	-	-	59
Deposits with and receivables on financial institutions	923	-	-	-	-	-	923
Net loans to costumers	45 619	38 307	5 881	5 226	568	2 227	97 829
Commercial papers and bonds	7 538	4 625	3 612	-	-	-	15 775
Financial trading derivatives	566	592	-	-	-	-	1 157
Consignments	674	395	-	-	-	-	1 068
Total assets	55 378	43 919	9 493	5 226	568	2 227	116 811
Debt to credit institutions	15 113	25 683	3 851	1 947	-	-	46 593
Customer deposits	3 626	14 506	18 583	665	-	-	37 381
Bonds and other long term loan raising	4 335	9 132	2 659	3 257	-	-	19 383
Financial derivatives	526	550	-	-	-	-	1 076
Subordinated loans	337	1 240	-	-	-	-	1 577
Hybrid capital	2 250	-	-	-	-	-	2 250
Total debt and equity	26 187	51 111	25 093	5 869	-	-	108 261
Net interest risk exposure	29 191	-7 192	-15 600	-643	568		

The tables below show the same as the table above, but split per country. The accumulated tables below will not reconcile with the table above due to difference in classification between assets and liabilities in the presented tables.

Santander Consumer Bank AS Norway
All amounts in millions of NOK

	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Assets	7 425	38 390	5 192	2 313	445	2 038	55 804
Liabilities	12 382	16 753	8 071	150	-	18 448	55 804
Net balance	-4 957	21 638	-2 879	2 163	445	-16 410	-
Repricing gap	-4 957	21 638	-2 879	2 163	445	-16 410	-

A +1,00 % parallel increase in market rates will result in a 99,2 million NOK decrease in profit in Norway.

Santander Consumer Bank AS Norway
All amounts in millions of EUR

	0 - 1 months.	1 - 3 months .	3 - 12 months	1 - 5 years	>5 years	Non-Interest Bearing	Total
Assets	79	-	30	-	-	90	198
Liabilities	42	62	117	-	-	107	328
Net balance	37	-62	-87	-	-	-17	-130
Repricing gap	37	-62	-87	- -	-	-17	-130

A +1,00 % parallel increase in market rates will result in a 0,47 million EUR increase in profit in Norway.

Santander Consumer Bank AS Sweden
All amounts in millions of SEK

	0 - 1 months.	1 - 3 months .	3 - 12 months	1 - 5 years	>5 years	Non-Interest Bearing	Total
Assets	27 505	2 125	1 805	466	30	251	32 182
Liabilities	8 979	13 513	7 054	1 533	-	1 102	32 182
Net balance	18 525	-11 388	-5 248	-1 067	30	-852	0
Repricing gap	18 525	-11 388	- -5 248	- -1 067	30	-852	0

A +1,00 % parallel increase in market rates will result in a 37,47 million SEK increase in profit in Sweden.

Santander Consumer Bank AS Denmark
All amounts in millions of DKK

	0 - 1 months.	1 - 3 months .	3 - 12 months	1 - 5 years	>5 years	Non-Interest Bearing	Total
Assets	13 288	2 305	1 836	2 052	90	807	20 378
Liabilities	6 234	6 452	4 854	1 949	-	890	20 378
Net balance	7 055	-4 147	-3 017	103	90	-83	0
Repricing gap	7 055	-4 147	- -3 017	- 103	90	-83	0

A +1,00 % parallel increase in market rates will result in a 12,2 million DKK increase in profit in Denmark

Note 6 - Capital adequacy

All amounts in millions of NOK	2016	2015
Balance sheet equity		
Paid in equity	9 652	9 652
Share premium	891	891
Retained earnings	5 735	3 803
Other reserves	-151	-103
Total Equity	**16 127**	**14 244**
Common Equity Tier 1 Capital		
(-) Profit not-eligible as capital	-1 200	-
Cash-flow hedge adjustment	-	-
IRB Expected Loss - Reserves	-125	-201
Goodwill	-272	-369
Other intangible assets	-251	-243
Deferred tax assets	-	-116
Adjustment Prudent Valuation (AVA)	-10	-
Total common Equity Tier 1 Capital	**14 269**	**13 314**
Tier 1 Capital		
Paid in Tier 1 capital instruments	2 250	2 250
Total Tier 1 Capital	**16 519**	**15 564**
Total Capital		
Paid up subordinated loans	1 291	1 471
Subordinated loans not eligible	-80	-244
Total Capital	**17 730**	**16 791**
Risk exposure		
Regional governments or local authorities	62	64
Institutions	789	217
Corporates	11 076	13 695
Retail Standard Approach	40 731	41 676
Retail Internal Rating Based	19 156	17 798
Exposures in default SA	863	673
Covered bonds	698	642
Other Exposures	8 708	8 553
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**82 084**	**83 319**
Foreign exchange (zero if under threshold)	-	-
Risk exposure amount for position, foreign exchange and commodities risks	**-**	**-**
Basic indicator approach	8 741	5 811
Risk exposure amount for operational risk	**8 741**	**5 811**
Standardized method	265	161
Risk exposure amount for credit valuation adjustment	**265**	**161**
Allowance which apply on the standardized approach for credit risk	-	-
Deductions of risk exposure amount	**-**	**-**
Total risk exposure amount	**91 090**	**89 290**

All amounts in millions of NOK	2016	2015
Common equity tier 1 capital ratio	**15,67 %**	**14,91 %**
Tier 1 capital ratio	**18,14 %**	**17,43 %**
Total capital ratio	**19,46 %**	**18,81 %**
Leverage ratio	**12,53 %**	**12,12 %**

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. Information according to Pillar 3 will be published at www.santander.no.

Note 7 - 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 SCB AS reported figures for the various segments reflect SCB AS' total sales of products and services in the geographical area.
Segment information is based on the internal financial reporting as it is reported to SCB AS management. SCB AS management uses the segment reporting as an element to assess historical and expected future development and allocation of resources.
Reporting from the segments is based on Santander's governance model and the SCB AS' accounting policies. The figures are based on a number of assumptions and estimates.
The Segments are responsible for profits after tax, with the corresponding return on allocated capital according to SCB AS' governance model. All SCB AS' trade activities are divided into the reported segments with corresponding balances, income and expenses.
Deficit liquidity from the segments are funded by SCB AS' Treasury at market conditions. Surplus liquidity is transferred to SCB AS' Treasury at market conditions.
Internal agreements at market conditions or simulated market conditions are made when segments cooperate on the delivery of financial services to customers.
Services provided by SCB AS' central functions and staff are charged segments based on an allocation agreement.

Product segmentation per country (gross lending before losses)

31 December 2016

	Unsecure loans	Secured loans	Financial lease	Operational lease	Consignment	Total
Norway	10 768	32 948	8 681	-	-	**52 397**
Sweden	12 739	11 739	4 260	-	1 348	**30 086**
Denmark	4 941	18 182	2 013	141	-	**25 278**
Total	**28 448**	**62 869**	**14 954**	**141**	**1 348**	**107 761**

31 December 2015

	Unsecure loans	Secured loans	Financial lease	Operational lease	Consignment	Total
Norway	10 520	29 635	7 852	-	-	**48 008**
Sweden	13 373	10 993	3 967	-	1 068	**29 402**
Denmark	4 907	16 876	1 899	-	-	**23 681**
Total	**28 800**	**57 505**	**13 718**	**-**	**1 068**	**101 091**

Balance sheet and P&L per country

31 December 2016

	Norway	Sweden	Denmark	Eliminations	Total AS
Net interest income	2 768	1 321	1 245	-	5 333
Net fees and commissions	133	164	134	-	431
Other product and funding related income and costs	583	-10	-30	-	542
Total operating costs	-1 059	-744	-503	-	-2 306
Other income and costs	-58	0	-12	-	-71
Impairment losses on other assets	-	-	-	-	-
Total losses on loans, guarantees etc.	-628	-108	-114	-	-850
Profit before tax	**1 738**	**622**	**720**	**-**	**3 080**
Income tax	-72	-139	-438	-	-649
Profit after tax	**1 666**	**483**	**282**	**-**	**2 431**

	Norway	Sweden	Denmark	Eliminations	Total AS
Cash and receivables on central banks	60	-	-	-	60
Deposits with and loans to financial institutions	1 069	408	1	22	1 500
Total gross loans to customers	52 397	28 738	25 137	-	106 271
Write-downs	-1 724	-463	-352	-	-2 539
Commercial papers and bonds	7 019	3 394	2 140	-	12 552
Financial trading derivatives	355	-	0	-	355
Ownership interests in group companies and other entities	1 180	-	-	-	1 180
Other assets	16 489	1 218	898	-9 466	9 138
Total assets	**76 844**	**33 294**	**27 823**	**-9 444**	**128 517**
Debt to credit institutions	16 011	15 250	16 585	-9 426	38 420
Deposits from customers	18 573	11 936	10 462	-	40 971
Bonded debt	21 849	4 630	-6	-	26 473
Financial derivatives	287	-	-	-	287
Other liabilities	4 375	1 239	642	-18	6 238
Equity	15 749	239	140	-	16 127
Total liabilities and equity	**76 844**	**33 294**	**27 823**	**-9 444**	**128 517**

31 December 2015

	Norway	Sweden	Denmark	Eliminations	Total AS
Net interest income	2 263	917	901	-	4 081
Net fees and commissions	132	118	111	-	361
Other product and funding related income and costs	-27	-16	16	-	-26
Total operating costs	-1 245	-619	-412	-	-2 277
Other income and costs	-57	83	2	-	29
Impairment losses on other assets	-	0	-7	-	-7
Total losses on loans, guarantees etc.	-121	-420	-110	-	-650
Profit before tax	**945**	**64**	**501**	**-**	**1 510**
Income tax	-293	-20	-38	-	-351
Profit after tax	**652**	**44**	**463**	**-**	**1 160**
Cash and receivables on central banks	59	-	-	-	59
Deposits with and loans to financial institutions	591	274	56	-	920
Total gross loans to customers	48 008	28 334	23 681	-	100 023
Write-downs	-1 398	-477	-352	-	-2 227
Commercial papers and bonds	8 314	3 611	3 850	-	15 775
Financial trading derivatives	1 125	-	61	-	1 186
Ownership interests in group companies and other entities	1 247	-	-	-	1 247
Other assets	6 122	1 361	774	233	8 490
Total assets	**64 068**	**33 102**	**28 070**	**233**	**125 472**
Debt to credit institutions	13 330	13 725	19 346	16 851	63 252
Deposits from customers	14 934	14 404	8 043	-	37 380
Bonded debt	16 051	3 589	-73	-	19 567
Financial derivatives	1 069	-	-	-	1 069
Other liabilities	4 758	1 335	529	-10 633	-4 011
Equity	13 925	48	225	-5 985	8 214
Total liabilities and equity	**64 068**	**33 102**	**28 070**	**233**	**125 472**

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

Note 8 – Loan reserves

All amounts in millions of NOK

Specific loan reserves	**2016**	**2015**
Specific loan reserves 01.01.	1 444	515
+ Acquired through legal merger 01.07	-	4 280
+/- Rate adjustment opening balance	-29	317
Reclassification between specific and generic loan reserves	-58	-165
Gross outstanding adjustment	-	15
+ Specific loan reserves for the period	118	-3 518
= Specific loan reserves period end	1 475	1 444

Generic loan reserves		
Generic loan reserves 01.01	783	719
+ Acquired through legal merger 01.07	-	374
+/- Rate adjustment opening balance	-32	28
Release of reserves related to bad debt sale	-19	-
Reclassification between specific and generic loan reserves	58	165
+/- Generic loan reserves for the year	274	-503
= Generic loan reserves period end	1 064	783
Total Loan Reserves in Balance Sheet	2 539	2 227

Loan losses expenses	**2016**	**2015**
Change in loan reserves provision	-392	4 021
+/- Fx rate adjustment opening balance	-1	-253
+ Total realized losses	-1 247	-4 939
- Recoveries on previously realized losses	790	521
= Loan losses in the period	-850	-650

Loan reserves calculated separately for each business unit, using internal parameters.
-Specific loan reserves calculated by arrears following portfolio ageing and specific assessment of the exposure by specific contracts, also referred to as non performing loans.
-Generic loan reserves calculated by arrears, including incurred but not reported impaired loans following portfolio ageing, and reserves based on macro parameters.

Note 9 - Loans and losses by main sectors

All amounts in millions of NOK

2016	Gross carrying amount	Accumulated impairment	Total
Private individuals	90 638	-2 361	88 278
Professional, scientific and technical activities	6 066	-63	6 004
Construction	2 910	-39	2 871
Real estate activities	2 890	-32	2 858
Transport and storage	1 508	-25	1 483
Manufacturing	569	-6	563
Human health services and social work activities	387	-5	382
Governments	382	-	382
Wholesale and retail trade	274	-2	272
Accommodation and food service activities	204	-3	201
Education	149	-2	147
Agriculture, forestry and fishing	134	-1	133
Electricity, gas, steam and air conditioning supply	65	-	65
Other financial corporations	33	-	33
Mining and quarrying	30	-	30
Information and communication	28	-	28
Public administration and defense, compulsory social security	3	-	3
Other services	-	-	-
Total	**106 272**	**-2 539**	**103 733**

2015	Gross carrying amount	Accumulated impairment	Total
Private individuals	85 427	-2 053	83 374
Professional, scientific and technical activities	5 469	-57	5 412
Construction	2 440	-19	2 421
Real estate activities	2 809	-49	2 760
Transport and storage	1 500	-32	1 468
Manufacturing	613	-3	610
Human health services and social work activities	408	-2	406
Governments	392	-	392
Wholesale and retail trade	315	-8	307
Accommodation and food service activities	207	-1	206
Education	141	-1	140
Agriculture, forestry and fishing	142	-1	141
Electricity, gas, steam and air conditioning supply	43	-	43
Other financial corporations	54	-	54
Mining and quarrying	29	-	28
Information and communication	30	-	30
Public administration and defense, compulsory social security	4	-	4
Other services	-	-	-
Total	**100 023**	**-2 227**	**97 797**

Note 10 – Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 31 December 2016	Financial assets at fair value through P&L	Available for sale financial assets at fair value	Held to maturity investments	Loans and receivables	Book value
Cash and receivables on central banks	-	-	-	60	60
Deposits with and receivables on financial institutions	-	-	-	1 500	1 500
Net loans to costumers	-	-	-	103 733	103 733
Commercial papers and bonds	-	12 552	-	-	12 552
Financial trading derivatives	355	-	-	-	355
Loans to subsidiaries and SPV's	-	-	-	6 494	6 494
Ownership interest in credit institutions	1 180	-	-	-	1 180
Other ownership interests	-	18	-	-	18
Total financial assets	1 534	12 570	3 263	111 787	125 891
Non financial assets					2 626
Total assets					**128 517**

Classification of financial liabilities 31 December 2016	Financial liabilities at fair value through P&L	Financial liabilities measured at amortized cost	Booked value
Loans and deposits from credit institutions	-	38 420	38 420
Customer deposits	-	40 971	40 971
Bonded debt	-	26 473	26 473
Financial derivatives	287	-	287
Other financial liabilities	-	161	161
Subordinated loan capital	-	3 576	3 576
Total financial liabilities	287	109 601	109 888
Non financial liabilities and equity			18 629
Total liabilities			**128 517**

Classification of financial assets 31 December 2015	Financial assets at fair value through P&L	Available for sale financial assets at fair value	Held to maturity investments	Loans and receivables	Book value
Cash and receivables on central banks	-	-	-	59	59
Deposits with and receivables on financial institutions	-	-	-	920	920
Net loans to costumers	-	-	-	97 797	97 797
Commercial papers and bonds	-	8 613	7 162	-	15 775
Financial trading derivatives	1 186	-	-		1 186
Loans to subsidiaries and SPV's	-	-	-	6 259	6 259
Ownership interest in credit institutions	1 247	-	-	-	1 247
Other ownership interests	-	52	-	-	52
Total financial assets	**2 433**	**8 665**	**7 162**	**105 035**	**123 295**
Non financial assets					2 178
Total assets					**125 473**

Classification of financial liabilities 31 December 2015	Financial liabilities at fair value through P&L	Financial liabilities measured at amortized cost	Booked value
Loans and deposits from credit institutions	-	46 593	46 593
Customer deposits	-	37 380	37 380
Bonded debt	-	19 465	19 465
Financial derivatives	1 071	-	1 071
Other financial liabilities	-	187	187
Subordinated loan capital	-	3 827	3 827
Total financial liabilities	**1 071**	**107 453**	**108 524**

Non financial liabilities and equity	16 949
Total liabilities	**125 473**

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

Note 11 - Issued securities

All amounts in million NOK

	2016	2015
Issued bonds	26 473	19 465
Total liability issued securities	**26 473**	**19 465**

Changes in liability issued securities

	Book value 31.12.2015	New issues/ repurchase	Matured	Amortization	Book value 31.12.2016
Issued commercial papers	-	-	-	-	-
Issued bonds	19 465	13 323	-6 315	-	26 473
Total liability issued securities	**19 465**	**13 323**	**-6 315**	**-**	**26 473**

Specification of issued securities

Bonds

Issuer	Net nominal value	Currency	Interest	Call date	Book value 31.12.2016
Senior unsecured issued securities					
Santander Consumer Bank AS	2 400	NOK	Floating	19.02.2018	2 405
Santander Consumer Bank AS	1 700	NOK	Floating	14.03.2019	1 702
Santander Consumer Bank AS	1 751	NOK	Floating	08.08.2019	1 756
Santander Consumer Bank AS	500	EUR	Fixed	25.02.2019	4 584
Santander Consumer Bank AS	500	EUR	Fixed	30.09.2019	4 537
Santander Consumer Bank AS	750	EUR	Fixed	20.04.2018	6 857
Santander Consumer Bank AS	1 450	SEK	Floating	18.11.2019	1 380
Santander Consumer Bank AS	1 000	SEK	Fixed	12.06.2017	955
Santander Consumer Bank AS	500	SEK	Fixed	12.06.2018	481
Santander Consumer Bank AS	500	SEK	Floating	12.06.2018	476
Santander Consumer Bank AS	1 410	SEK	Floating	10.08.2017	1 341
Totals issued bonds					**26 473**

Note 12 - Valuation Hierarchy

Financial instruments measured at fair value

All amounts in millions of NOK		Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Financial assets					
Name	*Type*				
Bilkreditt 4	Fixed amort.profile BK4	-	44	-	44
Bilkreditt 5	Fixed amort.profile BK5	-	56	-	56
Bilkreditt 6	Fixed amort.profile BK6	-	198	-	198
Bilkreditt 7	Pass-through swap BK7	-	57	-	57
Total financial derivatives		-	**355**	**-**	**355**
Name	*Type*				
Government bonds and Treasury Bills	Bonds	2 307	-	-	2 307
Covered Bonds	Bonds	6 982	-	-	6 982
Total commercial papers and bonds *		**9 289**	**-**	**-**	**9 289**
Total Assets		**9 289**	**355**	**-**	**9 644**
Financial liabilities					
Name	*Type*				
Bilkreditt 4	Pass-through swap BK4	-	31	-	31
Bilkreditt 5	Pass-through swap BK5	-	44	-	44
Bilkreditt 6	Pass-through swap BK6	-	155	-	155
Bilkreditt 7	Fixed amort profile BK6	-	58	-	58
Total financial derivatives		-	**287**	**-**	**287**
Total Liabilities		**-**	**287**	**-**	**287**
Derivatives designated for hedge accounting - assets					
Name	*Type*				
EMTN SEK	EMTN SEK	-	5	-	5
EMTN MEUR 240	EMTN FV hedge fixed floating	-	3	-	3
Total derivatives designated for hedging - assets**		-	**8**	**-**	**8**
Derivatives designated for hedge accounting - liabilities					
Name	*Type*				
EMTN MEUR 100	EMTN CF hedge fixed fixed	-	7	-	7
EMTN MEUR 350	EMTN FV hedge fixed floating	-	1	-	1
DK EMTN MEUR 245	DK EMTN FV hedge	-	15	-	15
SW EMTN MEUR 100	SW EMTN FV hedge	-	7	-	7
Total derivatives designated for hedging - liabilities**		-	**30**	**-**	**30**

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 Santander Consumer Bank AS 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.

* Government bonds are included in the balance sheet line "commercial papers and bonds". The balance sheet line also include B and C tranche bonds from the SPVs that are not booked at fair value. See note 10

** 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.

Offsetting of financial assets and financial liabilities

The disclosure in the table below include financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar arrangements.
The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The Group receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:
- derivatives;
- sale-and-repurchase, and reverse sale-and-repurchase agreements.

This collateral is subject to standard industry terms including, when appropriate, an ISDA credit support annex.

All amounts in millions of NOK				Related amounts not offset in the statement of financial position		
	Gross amounts	Amounts offset in the statement of financial position	Net amount presented in the financial statements	Financial instruments	Collateral	Net amount after possible netting
Financial assets						
Derivatives	362	-	362	-	95	267
Reverse repurchase arrangements	692	-	692	692	-	-
Financial liabilities	-	-	-	-	-	-
Derivatives	318	-	318	-	127	190
Repurchase arrangements						

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the statement of financial position on the following bases:
- derivative assets and liabilities – fair value;
- assets and liabilities resulting from sale-and-repurchase agreements, reverse sale-and repurchase agreements – amortized cost;

Financial instruments measured at fair value

2015 *All amounts in million NOK*		**Quoted market price Level 1**	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
Financial assets					
Name	*Type*				
Bilkreditt 4	Fixed amort.profile BK4	-	179	-	179
Bilkreditt 5	Fixed amort.profile BK5	-	216	-	216
Bilkreditt 6	Fixed amort.profile BK6	-	571	-	571
Bilkreditt 7	Pass-through swap BK7	-	158	-	158
TIVOLI	Basis swap (Back)	-	13	-	13
EMTN Bond	DKK fixed to float	-	7	-	7
New EMTN	DKK fixed to float	-	12	-	12
SEK EMTN Bond	SEK IRS	-	0	-	0
Total financial derivatives		-	**1 157**	-	**1 157**
Name	*Type*				
Government bonds and Treasury Bills	Bonds	2 782	-	-	2 782
Covered Bonds	Bonds	5 830	-	-	5 830
VISA	Equity	-	18	-	18
Total commercial papers and bonds		**8 613**	**18**	-	**8 631**
Total		**8 613**	**1 175**	-	**9 788**
Financial liabilities					
Name	*Type*				
Bilkreditt 4	Pass-through swap BK4	-	163	-	163
Bilkreditt 5	Pass-through swap BK5	-	204	-	204
Bilkreditt 6	Pass-through swap BK6	-	543	-	543
Bilkreditt 7	Fixed amort profile BK6	-	158	-	158
EMTN Bond	DKK fixed to fixed	-	4	-	4
EMTN2 Bond	DKK fixed to fixed	-	1	-	1
EMTN2 Bond	DKK Fixed to Float	-	2	-	2
Total financial derivatives		-	**1 076**	-	**1 076**
Total		**-**	**1 076**	**-**	**1 076**

Note 13 - Securitization

The company securitizes auto loan to customers by selling the loans to a special purpose company, which funds the purchase by issuing bonds with security in the assets. The portfolio of auto loans consists of financing of motor vehicles (including but not limited to cars, light commercial vehicles, motor homes, motorcycles) and the related collateral. At 31.12.2016, Santander Consumer Bank AS has sold auto loan portfolio to ten different SPV's. (See note 24 for a list of SPVs)

According to IAS 39, no derecognition of these sold assets is done in the company, as the company retains basically all the risk and reward of the transferred assets. The risk is retained through the company's ownership in the most subordinated tranche of the issued notes. Through the priority of payments, these notes take on all the losses before the prioritized notes. The reward is retained as SCB AS receive the margin between car loan costumer payments and payments to bondholders.

As the company continues to recognize the transferred assets on the balance sheet, a liability to transfer the future cash flows from the customers arises. This liability is initially booked at the consideration received.

The table below shows the amount of un-derecognized securitized loans as of 31.12.2016 and the size of the liability in relation to securitization:

All amounts in millions of NOK	**2016**	**2015**
Sold portfolio retained in the balance sheet	11 944	21 570

Note 14 - Interest Expenses

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

All amounts in millions of NOK

To credit institutions	**2016**	**2015**
Interest expenses	-205	-306
Average loan	42 506	45 985
Average nominal interest rate	**0,48%**	**0,67%**

To customers	**2016**	**2015**
Interest expenses	-505	-468
Average deposit	39 176	27 735
Average nominal interest rate	**1,29%**	**1,69%**

To bondholders	**2016**	**2015**
Interest expenses	-302	-217
Average issued notes and bonds	23 055	13 391
Average nominal interest rate	**1,31%**	**1,62%**

Subordinated loan capital	**2016**	**2015**
Interest expenses	-210	-212
Average subordinated loan capital	3 702	3 343
Average nominal interest rate	**5,68%**	**6,33%**

Total of tables above:	**2016**	**2015**
Interest expenses	-1 223	-1 202
Loan	108 439	90 453
Average nominal interest rate	**1,13%**	**1,33%**

Note 15 - Tax

All amounts in millions of NOK

	2016	2015
Tax payable	663	175
Adjustments in respect of prior years	-	4
Currency effects foreign tax credits	4	-
Total current tax	**667**	**179**
Change in temporary differences	-28	238
Impact of change in the Norwegian tax rate	-	-56
Currency effects	8	-6
Adjustments in respect of prior years	2	-
Total change in deferred tax	**-18**	**175**
Income tax expense	**649**	**354**

	2 016	2 015
Profit before tax	3 080	1 513
Estimated income tax at nominal tax rate 27%	770	409
Tax effects of:	-	-
- Income not subject to tax*	-138	0
- Non deductible expenses	4	4
- Remeasurement of deferred tax due to change in Norwegian tax rate	-	-56
Adjustments in respect of prior years **	2	4
Currency effects	12	-6
Tax charge	**649**	**354**

* Non-taxable dividend from subsidiary 512 600 and Visa 40 539 recognized through P&L in 2016 (25% = 138 285)

The tax charge/credit relating to components of other comprehensive income is as follows:

		2016	
	Before tax	**Tax (charge)/ credit**	**After tax**
Actuarial assumption related to pension	32	8	24
Cash flow hedges	-24	-6	-18
Value change of assets held for sale	-20	3	-23
Currency translation differences	-31	-	-31
Other comprehensive income	**-44**	**5**	**-48**
Tax payable		-	
Deferred tax		5	
Tax in OCI		**10**	

	2 016	2 015
Deferred tax assets/deferred taxes as at 1 January	652	454
Changes recognized in income statement	-28	181
Changes recognized in OCI	5	39
Transfer due to legal merger	-	-34
Adjustment of OCI opening balances	-	12
Adjustments in respect of prior years	2	-
Net Deferred tax assets/deferred taxes at 31 December	**631**	**652**

	2 016	2 015
Fixed assets	2 411	2 739
Net pension commitments	-218	-277
Financial instruments	-32	-20
Net other taxable temporary differences	364	165
Total deferred tax position	**2 525**	**2 607**

	2 016	2 015
Fixed assets	2 411	2 739
Net pension commitments	-54	-69
Financial instruments	-8	-5
Net other taxable temporary differences	91	41
Net Deferred tax assets/deferred taxes at 31 December	**631**	**652**

Tax effect of different tax rates in other countries
SCB AS has operations in a number of countries whose tax rates are different from that in Norway. Taxes are paid in Norway and later credited by amount paid in other countries.

Change in tax rate

2016 figures: The Danish tax rate have been reduced to 22%

2015 figures: Relevant deferred tax balances have been re-measured as a result of the change in Norwegian tax rate from 27% to 25% that was substantively enacted in 2015 was effective from 1 January 2016. The Danish tax rate was reduced by 1% in 2015 to 23,5%.

Estimated taxes on tax-related losses which cannot be utilized
No deferred taxes are calculated on tax-related losses if the Group considers the future scope of such losses to be uncertain.

Note 16 - Fixed assets, intangible assets and lease financing

2016

All amounts in millions of NOK	Machines, fittings, equipment	Intangible assets (software)	Leasing portfolio (operational)	Goodwill	**Total**
Acquisition cost 1.1	108	469	-	965	1 542
Rate difference opening balance	-4	-8	-	-52	-64
Acquisition cost 1.1 rate 31.12	104	461	-	913	1 478
Additions during the year	33	109	334	-	476
Disposals during the year	-12	-95	-151	-	-258
Impairment	-	-	-	-	-
Acquisition cost 31.12	**125**	**476**	**183**	**913**	**1 696**
					-
Acc. ordinary depreciation 1.1	-47	-226	-	-596	-868
Rate difference 01.01	1	5	-	33	39
Acc. ordinary depreciation 1.1 rate 31.12	-46	-221	-	-563	-830
Year's ordinary depreciation and amortization	-25	-73	-46	-	-144
Impairment	-	-	-	-	-
Rate difference year's depreciation average rate	0	0	-	-	1
Reversed depreciation on disposals	7	68	26	-	101
Acc. depreciation 31.12	**-63**	**-225**	**-20**	**-563**	**-872**
Accrued fees and provisions	-	-	-21	-	-21
Book value in the balance sheet 31.12	**61**	**251**	**141**	**350**	**803**

2015

All amounts in millions of NOK	Machines, fittings, equipment	Intangible assets (software)	Leasing portfolio (operational)	Goodwill	**Total**
Acquisition cost 1.1	80	291	-	123	494
Rate difference opening balance	2	7	-	7	16
Acquisition cost 1.1 rate 31.12	82	298	-	131	510
+ Acquired through legal merger 01.07	36	115	-	764	915
Rate difference legal merger balance	0	0	-	71	71
Additions during the year	48	63	-	-	112
Disposals during the year	-58	-8	-	-	-66
Impairment	-	-	-	-	-
Acquisition cost 31.12	**108**	**469**	**-**	**965**	**1 542**
Acc. ordinary depreciation 1.1	-47	-59	-	-	-106
Rate difference 01.01	-1	-3	-	-	-4
Acc. ordinary depreciation 1.1 rate 31.12	-48	-63	-	-	-110
+ Acquired through legal merger 01.07	-34	-106	-	-545	-685
Rate difference legal merger balance	0	0	-	-50	-51
Year's ordinary depreciation and amortization	-16	-57	-	-	-72
Impairment	-	-	-	-	-
Rate difference year's depreciation average rate	-1	-1	-	-	-2
Reversed depreciation on disposals	51	1	-	-	52
Acc. depreciation 31.12	**-47**	**-226**	**-**	**-596**	**-868**
Accrued fees and provisions	**-**	**-**	**-**	**-**	**-**
Book value in the balance sheet 31.12	**61**	**243**	**-**	**369**	**673**

Method on measurement	Acquisition cost	Acquisition cost	Acquisition cost	Acquisition cost
Depreciation method	Linear	Linear	Linear	-
Plan of depreciation and useful life	3 – 10 years	3 – 7 years	1 month – 10 years	-
Average useful life	5 years	5 years	3 years	

Intangible assets include software. The useful life is evaluated annually. Goodwill is related to purchase of the portfolio from Eik Sparebank in 2007.

Note 17 - Financial lease

Santander Consumer Bank AS owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as loans to costumers included in "Financial leasing " in the balance sheet, and are valued at the present value of future cash flows.

All amounts in millions of NOK	**2016**	**2015**
Present value of future minimum lease payments receivable		
Due in less than 1 year	6 117	5 211
Due in 1 - 5 years	8 790	8 463
Due later than 5 years	47	44
Total present value of gross receivable from Financial lease	14 954	13 718

Note 18 - Repossessed assets

All amounts in millions of NOK	**2016**	**2015**
Vehicles	5	9
Net	**5**	**9**

The company classifies vehicles as repossessed assets where it is a court ruling or consent regarding transfer of property of the object. Repossessed assets are booked at the lowest value of book value of the default contract or the fair value according to an external valuation.

When sold the difference between the transaction price and booked value is recognized in the profit and loss statement.

Note 19 - Pension expenses and provisions

All amounts in millions of NOK

In Norway Santander Consumer Bank AS has a collective defined benefit pension scheme under the Occupational Pensions Act insured through DNB, which has been closed to new entrants since 1 April 2007. In addition employees can take an early retirement pension at the age of 62 through the collectively agreed AFP scheme. This scheme only applies to employees in Norway and forms part of a collective agreement. The scheme gives the right to defined future benefits, which are mainly dependent on number of years worked, salary level at time of retirement and the amount of payment from national insurance fund. The agreement also includes a spouse's pension and a child pension. There are pension commitments to certain employees in addition to the ordinary collective agreements. This applies to employees with salaries above 12 G and others with supplementary pensions. Employees hired after 1 April 2007, have defined contribution pensions.

In Sweden Santander Consumer Bank AS has a collectively agreed pension scheme for the banking sector, the BTP plan. The plan includes both defined benefit and defined contribution sections. Old-age, early retirement, disability and death benefits are provided under the BTP plan which are funded via insurance with different insurance providers.

The defined benefit pension schemes expose Santander Consumer Bank AS to risks associated with longevity, inflation and salaries and also market risks on plan assets.

Denmark and Finland has defined contribution plans.

Starting 1 July 2015, the results below include the former GE Money Bank pension schemes acquired in Norway (supplementary pensions for employees with salary over 12G and certain employees between ages 65 and 67) and Sweden (BTP plan consistent with description above).

Due to legislative changes in Norway, the disability portion of the main plan has been settled as at 31 December 2016.

Pension expenses for defined benefit plans	**2016**	**2015**
Present value of year's pension earnings	31	34
Curtailment (gain) / loss	-	1
Settlement (gain) / loss	-13	-3
Interest cost on accrued liability	19	16
Interest income on plan assets	-13	-8
Allowance for taxes	6	7
Net Pension expenses	**30**	**47**

Pension expenses for defined contribution plans	**2016**	**2015**
Total expenses	74	66

Pension liabilities in balance sheet	**2016**	**2015**
Pension funds at market value	441	445
Estimated pension liability	-659	-722
Net pension liability	**-218**	**-277**

The movement in the defined benefit obligation and fair value of plan assets over the year is as follows:

	Present value of obligation	**Fair value of plan assets**	**Net pension liability**
At 1 January 2015	-619	272	-346
Current service cost	-34	-	-34
Curtailment gain / (loss)	-1	-	-1
Settlement gain / (loss)	3	-	3
Interest expense / Income	-16	8	-8
	-48	8	-40

	Present value of obligation	Fair value of plan assets	Net pension liability
Remeasurements:			
- Return on plan assets	-	1	1
- Loss from change in demographic assumptions	0	-	0
- Loss from change in financial assumptions	160	-	160
- Loss from plan experience	5	-	5
- Change in asset ceiling	-	-	-
	165	1	165
Exchange rate differences	-21	17	-3
Contributions:			
- Employer	19	33	51
- Plan participants	-	-	-
Payments from plans:			
- Benefit payments	16	-16	-
Acquired in a business combination	-226	129	-97
Others	-7	-	-7
	-220	164	-56
At 31 December 2015	**-722**	**445**	**-277**

	Present value of obligation	Fair value of plan assets	Net pension liability
At 1 January 2016	-722	445	-277
Current service cost	-31	-	-31
Curtailment gain / (loss)	-	-	-
Settlement gain / (loss)	13	-	13
Interest expense / Income	-19	13	-6
	-37	13	-24
Remeasurements:			
- Return on plan assets	-	6	6
- Gain/(Loss) from change in demographic assumptions	-	-	-
- Gain/(Loss) from change in financial assumptions	8	-	8
- Gain/(Loss) from plan experience	17	-	17
- Change in asset ceiling	-	-	-
	25	6	31
Exchange rate differences	45	-41	4
Contributions:			
- Employer	10	44	54
- Plan participants	-	-	-
Payments from plans:			
- Benefit payments	26	-26	-
Acquired in a business combination	-	-	-
Others	-6	-	-6
	75	-23	52
At 31 December 2016	**-659**	**441**	**-218**

The defined benefit obligation and plan assets are composed by country as follows:

	2016			2015		
	Norway	Sweden	Total	Norway	Sweden	Total
Present value of obligation	-390	-269	-659	-472	-250	-722
Fair value of plan assets	221	220	441	237	207	445
Total	**-169**	**-49**	**-218**	**-234**	**-43**	**-277**

The following assumptions have been used calculating future pensions:

	2016		2015	
	Norway	Sweden	Norway	Sweden
Discount rate	2,75%	3,00%	2,50%	3,50%
Inflation	N/A	1,75%	N/A	1,75%
Salary growth rate	2,25%	3,25%	2,50%	3,25%
Pension growth rate	1,99%	1,75%	2,10%	1,75%
Rate of social security increases	2,00%	2,75%	2,25%	2,75%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2016		2015	
	Norway	Sweden	Norway	Sweden
Retiring at the end of the reporting period:				
- Male	22	22	22	22
- Female	25	25	25	25
Retiring 20 years after the end of the reporting period:				
- Male	24	24	24	24
- Female	27	26	27	26

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Impact on defined benefit obligation - Norway		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 18,94%	Increase by 23,88%
Salary growth rate	1,00%	Increase by 14,52%	Decrease by 11,57%

	Impact on defined benefit obligation - Sweden		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 26,46%	Increase by 37,06%
Salary growth rate	1,00%	Increase by 14,46%	Decrease by 12,73%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognized within the statement of financial position.

The main defined benefit pension schemes in Norway and Sweden are funded via insurance policies. The insurance companies have placed the assets in consolidated portfolios of domestic and foreign interest bearing securities, shares, properties and other investment instruments.

The group's expected contributions for defined benefit plans, including pension payments paid directly by the company and pension related taxes, for the next financial year amount to 27,866 TNOK.

The weighted average duration of the defined benefit obligation is 21.8 years in Norway and 31.8 years in Sweden.

Expected maturity analysis of undiscounted pension benefit payments:

At 31 December 2016	Less than 1 year	Between 1 - 2 years	Between 2 - 5 years	Between 5 - 10 years	**Total**
Pension benefit payments	18	17	57	108	**200**

Note 20 - Remuneration

All values in thousands of NOK
Santander Consumer Bank has established a Remuneration Committee, and the Company established Remuneration Guidelines in 2011 to be aligned with FSA regulations. The Guidelines were updated in June 2016. The Guidelines apply to employees in the Company's operations in Norway, Denmark and Sweden, as well as the subsidiary in Finland. In addition, there are special regulations for Senior Management's employees with duties of material importance to risk exposure, employees heading the main control functions and directors.

The overall objectives are to support the Company's strategies for recruiting, retaining, developing and rewarding employees who contribute to creating shareholder value at the Company and to support the Company's performance culture. The Guidelines are intended to ensure the credibility, effectiveness and fairness of the Company's remuneration practices and the adequacy, proportionality and balance of the ratio of fixed versus variable salary. Additionally, the Guidelines intend to ensure that the overall remuneration structure reflects sound and effective risk management principles. As a result, a key element in these Guidelines is to counteract risk-taking that exceeds the level of tolerated risk at the Bank while, at the same time, offer a flexible remuneration structure.

The Guidelines are further intended to ensure that the total variable remuneration that the Company is committed to pay out will not conflict with the requirement of maintaining a sound capital base. Fixed salary to Senior Management Team is approved by the Corporate Compensation Committee and fixed salary to CEO Nordic is approved by the Board of Directors. Variable compensation shall each year after being approved by the Corporate Compensation Committee be presented to the Remuneration Committee for approval before implementation. Variable compensation to the rest of the Senior Management Team is approved by the Corporate Compensation Committee only.

Senior Management Team is included in the Corporate Bonus Scheme (CBS). The CBS is decided by the Banco Santander S.A. Board of Directors and the Group Remuneration Committee on an annual basis. Each participant of the bonus scheme has a Base Bonus level which is the reference bonus.

Principles for Bonus Schemes:
The scheme consists of four equal elements; 1) cash bonus, 2) unrestricted shares subject to 1 year of holding, 3) cash bonus subject to 1 year of holding with three years deferral and 4) shares subject to 1 year of holding with three years deferral. Based on this 50 % of the CBS bonus is awarded in shares and 50 % of the bonus is deferred.

Conditions for bonus scheme are to be based on a combination of an individual appraisal of each employee, the performance of the Company and Business Unit (except for those in Control functions), as well as the business of the Bank as a whole measured over a two year period, but the pool calculation is still measured against annual results, hereunder Annual Targets set each year in compliance with legislation.
The bonus scheme is based on a combined set of metrics measuring financial results eg. Net Income or Risk adjusted Profit Before Tax; also risk results eg. Management delinquency variation. In addition, non-financial measures are also taken into account eg. Employee satisfaction, compliance and alignment with non-financial targets.

Granted options are not part of the corporate plan.

Remuneration for members of the Board of directors is subject to approval of the General Assembly.

Pension schemes
The Company offers different pension and insurance schemes in the Nordic countries:
Norway
1. Defined Benefit - Up to approximately 70 per cent of the final salary maximized to 12 G (G = Grunnbeløp, Base amount)
2. Contribution Benefit - Contribution is 5 per cent of salary between 1 G and 6 G, plus 8 per cent of salary between 6 G and 12 G, or 5 per cent of up to 7.1 G and 14 per cent of salary over 12 G
3. Pensions Scheme for wages above 12 G - Approximately 70 per cent of the final salary that exceeds 12 G

Sweden
Two different types of pensions schemes. BTP1 & BTP2 according to the collective agreement. All new employees goes into the BTP1 plan.

BTP1 – Santander pays a monthly premium, but the actual outcome of pension is unknown.
1. 2 % on salary up to 7,5 “Inkomstbasbelopp” (IBB) - Valbar del
2. 2,5 % on salary up to 7,5 “Inkomstbasbelopp” (IBB) – Trygg del
3. 30 % of salary between 7,5 – 30 IBB.

BTP2 is defined by promising different per cent of the pension entitling salary:
1. 10 % on salary up to 7,5 “Inkomstbasbelopp” (IBB)
2. 65 % of the salary-parts between 7,5 and 20 IBB
3. 32.5 % on salary-parts between 20 and 30 IBB
The pension is normally paid from the age of 65.

Denmark
Pensions Scheme with employer contribution 11.0 % of salary, and employee contribution 5.25 % of salary (Optional additional payment).

Finland
The Bank does not offer any pension scheme for employees in Finland.

Key management compensation:
The tables below show the accrued salary, bonus, pension and compensations for CEO and other Key management:

	Salary	Bonus	Pension	Other benefits	Total 2016
Michael Hvidsten, Chief Executive Officer	2 784	1 188	114	769	4 855
Knut Øvernes, Managing Director Norway	1 677	630	96	390	2 793
Bo Jakobsen, Managing Director Denmark	2 432	420	270	415	3 537
Carolina Brandtman, Managing Director Sweden	1 745	554	577	303	3 179
Olav Hasund, Nordic Auto Director	1 832	310	213	474	2 829
Christoph Reuter, Nordic Controlling Director	1 278	417	-	2 037	3 732
Anders Bruun-Olsen, Nordic Financial Management Director	1 620	445	120	427	2 612
Peter Sjøberg, Nordic Risk Director (until 01.01.2017)	1 428	325	116	388	2 257
Juan Garcia Bolos, Nordic Collection Director	845	223	-	1 402	2 470
Rasmus Forssblad, Nordic Internal Audit Director	969	169	490	281	1 909
Trond Debes, Nordic Legal & Compliance Director	1 290	309	96	479	2 174
Juan Calvera, Nordic IT&OPS Director	1 396	536	127	888	2 947
Total	**19 269**	**5 526**	**2 219**	**8 253**	**35 294**

In addition to the amounts above, the group is committed to pay the members of the Executive Committee in the event of a change of control in the group.

Bonus shares (part of CBS program)	Number of shares earned in 2016 *	Number of shares earned, but not issued per 31.12.2016 *	Value of the shares earned, but not issued per 31.12.2016* (thousand NOK)
Michael Hvidsten, Chief Executive Officer	13 171	23 101	1 041
Knut Øvernes, Managing Director Norway	6 988	9 004	406
Bo Jakobsen, Managing Director Denmark	4 664	9 713	438
Carolina Brandtman, Managing Director Sweden	6 145	11 038	498
Olav Hasund, Nordic Auto Director	3 437	6 834	308
Christoph Reuter, Nordic Controlling Director	4 620	9 124	411
Anders Bruun-Olsen, Nordic Financial Management Director	4 930	9 490	428
Peter Sjøberg, Nordic Risk Director (until 01.01.2017)	3 605	7 059	318
Juan Garcia Bolos, Nordic Collection Director	2 475	4 164	188
Rasmus Forssblad, Nordic Internal Audit Director	1 875	3 231	146
Trond Debes, Nordic Legal & Compliance Director	3 432	5 646	255
Juan Calvera, Nordic IT&OPS Director	539	8 342	376
Total	**55 881**	**106 746**	**4 812**

Defined share value	**2016**	**2015**	**2014**
Share value - Banco Santander (EUR) *	5	4	6
Share value - Banco Santander (NOK) *	45	38	56

*Value of shares is an estimate based on the share price decided by corporate level and the currency exchange rate per 12.02.2017

Board of Directors		**2016**	**2015**
Erik Kongelf	Chairman	-	-
Bruno Montalvo Wilmot	Deputy Chairman	-	-
Javier Anton San Pablo	Member	-	-
Manuel A. Menendez	Member	-	-
Maria Del Rosario Vacas Roldan	Member (not a member 31.12.2015)	-	-
Bjørn Elvestad	Member (not a member 31.12.2015)	-	617
Henning Strøm	Member	450	617
Niels Aall	Member	450	595
Vibeke Hamre Krey	Employee representative	200	200
Stine Camilla Rygh	Deputy Employee representative (end date 31.07.2016)	100	100
Ola Tillberg	Employee representative	200	67
Bent Ole Petersen	Deputy Employee representative	25	17
Sigrid Dale	Deputy board member, employee representative	30	-
Ulla Aronen	Observer	25	17
Total		**1 480**	**2 230**

Supervisory Board (ended 2015)	**2016**	**2015**
Total	-	67

Control Committee		2016	2015
Finn Myhre	Chairman	145	145
Egil Dalviken	Deputy Chairman	20	-
Tone Bjørnhov	Member	15	15
Terje Sommer	Deputy Member	-	119
Total		**180**	**279**

	2016		2015	
Staff *(permanent employees only)*	Number of employees as of 31.12	FTE year as of 31.12	Number of employees as of 31.12	FTE year as of 31.12
Norway	525	479	585	500
Sweden	344	299	391	335
Denmark	246	212	279	244
Finland	172	150	155	132
Total	**1 287**	**1 140**	**1 410**	**1 212**

Audit services and advisory services (without VAT)	2016	2015
Audit services	6 733	12 723
Other certification services		310
Tax advice	489	2 561
Other non-audit services	3 304	543
Total	**11 286**	**16 137**

Note 21 - Ownership interests in group companies

All amounts in millions of NOK

Santander Consumer Bank AS owns 100% of the shares in Santander Consumer Finance OY. The address is Risto Rytin tie 33, 00570 Helsinki, Finland.

Santander Consumer Finance own all shares in Santander Consumern Finance OY. Book value of investment in Finland is revaluated due to a hedging og the investment. See note 22 for further details.

	2016	2015
Number of Shares owned	600 000	600 000
Book value	1 180	1 247

Company name	Share Capital	Equity	Total assets	Result 2016	Result 2015
Santander Consumer Finance OY	672	1 030	16 175	412	336

Note 22 - Hedging

All amounts in millions of NOK

Fair Value Hedge of shares

SCB AS has a fair value hedge on the investment in the subsidiary in Finland to hedge the fx risk on the investment

	2016		**2015**	
	Book value 31.12	Amount recognized in P&L	Book value 31.12	Amount recognized in P&L
Hedging instrument (EUR-loan)	-1 190	74	-1 239	-84
Investment in Finland	1 180	-67	1 247	73
Net exposure over P&L		**7**		**-11**

Fair value of instrument is equal to book value

Cash Flow Hedge

The Bank has Cash flow hedges on bonds issued in EUR to hedge value change due to interest rate changes

	2016		**2015**	
	Book value 31.12	Amount recognized in OCI	Book value 31.12	Amount recognized in OCI
Hedge instrument (SWAPS)	-25	42	8	-18
Net exposure over OCI		**42**		**-18**

	2016	**2015**
Inefficiency	Ineffectiveness recognized in P&L	Ineffectiveness recognized in P&L
Cash flow hedging ineffectiveness	2	-

Fair Value Hedges

SCB AS have fair value hedges on issued fixed interest-notes to hedge changes in market price

	2016		**2015**	
	Book value 31.12	Amount recognized in P&L	Book value 31.12	Amount recognized in P&L
Hedged item (Bonds)	16 934	-4	1 070	-3
Hedge instruments (SWAPS)	6	0	-2	2
Net exposure over P&L		**-3**		**-1**

Fair value hedges:

Fair value hedges are used to protect Santander Consumer Bank AS against exposures to changes in the market prices of recognized fixed interest-notes issued in EUR and in SEK issues in EUR and SEK by the entity. The Bank uses cross currency interest rate swaps and interest rate swaps that qualify as hedging instruments, and designates these to the hedge relationship at time of inception if all criterias for hedge accounting are met. Changes in fair value of the hedging instruments are recognized in the income statement together with changes in the fair value of the hedged liability that are attributable to the hedged risk.

For our fair value hedges the Bank assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in fair value of the hedged item using the dollar offset method. This method is a quantitative method that consists of comparing the change in fair value or cash flows of the hedging instrument (including any counterparty credit risk) with the change in fair value of the hedged item attributable to the hedged risk. As counterparties credit risk is not hedged this is a source of ineffectiveness.

Cash flow hedges:

Cash flow hedging is applied for the exposure of variation in future interest payments from issued floating rate-notes with floating EURIBOR-rate. Interest rate swaps (fixed interest swapped to floating) are used as hedging instruments and they are designated into hedge relationships at inception when all criterias for hedge accounting are met.

The portion of the gain or loss in the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. Gains or losses on hedging instruments that have been accumulated in equity are recognized in profit or loss in the same period as interest expense from the hedged liability. The ineffective portion of the gain or loss on hedging instruments is recognized in profit or loss.

The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in cash flows of the hedged item (prospectively and retrospectively) using the hypothetical derivative method. This method measures hedge ineffectiveness by comparing the change in fair value of the actual derivative designated as the hedging instrument and the change in fair value of a "hypothetical derivative" that would result in perfect hedge effectiveness for the designated item. The hypothetical derivative would have terms that exactly match the critical terms of the hedged item with the lower of the two cumulative changes always appearing in Equity.

Fair value hedge of shares:
The Groups shares in Santander Consumer Finance OY is denominated in EUR, as the Groups functional currency is NOK it is exposed for translation risks. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiary (EUR) and the Bank's functional currency (NOK), which causes the value of the shares to fluctuate when translating them to NOK.

Loans nominated in EUR are used as hedging instruments and designated into the hedging relationship when hedge accounting requirements are met. The Bank assesses whether the EUR nominated loans designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in cash flows of the hedged item (prospectively and retrospectively) using the dollar offset method.

Note 23 - Receivables and liabilities to related parties

Debt to related parties:

Amounts in millions of NOK	2016	Accrued interest 2016	2015	Accrued interest 2015
Balance sheet line: "Loans and deposits from credit institutions with an agreed term"				
Santander Benelux	2 028	10	5 877	22
Santander Consumer Finance S.A.	24 443	12	19 140	5
Banco Santander	-	-	-	-
Abbey National Treasury Services plc	-	-	-	-
Debt to SPV on future cash flow of securitized loans	11 944	-	21 550	-
Total	**38 415**	**22**	**46 566**	**27**

Balance sheet line: "Subordinated loan capital" - Bonds				
MNOK 180, maturity September 2016, 3 months NIBOR +0.55% (Banco Santander S.A)	-	-	180	0
MNOK 80, maturity October 2017, 3 months NIBOR +1.75% (Santander Consumer Finance S.A)	80	-	80	0
MNOK 250, maturity March 2025, 3 months NIBOR + 2.2575% (Santander Consumer Finance S.A)	250	-	250	2
Hybrid capital - perpetual bond, 3M NIBOR + 6,50% (Santander Consumer Finance S.A)	2 250	29	2 250	30
MNOK 250, maturity July 2025, 3 months NIBOR +3.135% (Santander Consumer Finance S.A)	250	2	250	0
MSEK 750, maturity December 2024, 3 months STIBOR +2.2825% (Santander Consumer Finance S.A)	713	-	784	0
Total	**3 543**	**32**	**3 794**	**34**

Receivables on related parties:

Amounts in millions of NOK	**2016**	**Accrued interest 2016**	**2015**	**Accrued interest 2015**
Balance sheet line: "Commercial papers and bonds"				
B and C notes issued by SPVs	3 262	1	7 162	2
Balance sheet line :"Loans to subsidiaries and SPV's"				
Loan to subsidiary (Santander Consumer Bank OY)	5 679	30	4 321	21
Subordinated loan to SPVs	696	-	1 885	2

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

Note 24 - Transaction with related parties

All amounts in millions of NOK

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

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

The following transactions were carried out with related parties:

	2016	2015
Interest income	862	924
Interest expenses	-1 248	-1 459
Fees	126	232
	7	-1
Net transactions	**-253**	**-304**

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

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

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

Note 25 - Contingent liabilities & commitments

All amounts in millions of NOK	**2 016**	**2 017**
Contingent liabilities*	111	138
Commitments		
Granted undrawn credits	17 418	16 824

* Contingent liabilities relates mainly to payment guarantees issued to customers.

Note 26 - Result over total assets

All amounts in millions of NOK

	2016	**2015**
Profit after tax (PAT)	2 431	1 159
Total assets (Assets)	128 517	125 473
PAT over Assets	1,89%	0,92%

About Santander Consumer Bank

Santander Consumer Bank AS is owned by Santander Consumer Finance, which is part of Grupo Santander, one of the world's largest banks. Santander Consumer Finance is among the leaders in Europe within car- and consumer finance. The division is present in 13 countries across Europe. The Nordic region is considered a key growth area.

Based on a business model that focuses on retail banking products and services for private customers, SMEs, and companies, the Santander Group currently serves more than 117 million customers through a global network of 12,951 branches, the largest in the international banking sector. It has 734 billion euros in costumer loans, 3.2 million shareholders, and 185 405 employees.

Santander
CONSUMER BANK

To the General Meeting of Santander Consumer Bank AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Santander Consumer Bank AS, in our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans to customers Loans to customers represents a considerable part of the group's total assets. The assessment of impairment losses is a model based framework which includes elements of management judgement. The framework is complex, includes a considerable volume of data and judgemental parameters, which are based on a risk classification of loans. The risk classification of loans and internal controls in relation to identification of impaired loans is central to the impairment assessment. The use of the model based framework affects the profit for the period and is significant for compliance with the capital requirement regulation. In our audit we have focused on: • Identification of impaired loans including completeness of the customer accounts that are included in the impairment calculation • Assumptions and judgments made by management underlying the calculation We refer to note 1, 2, 8 and 9 to the financial statements for further descriptions related to impairment of loans to customers.	We have evaluated and tested the design and effectiveness of internal controls related to the model based framework. These controls were directed towards risk classification of loans and identification of correct input to the model. We concluded that we could base our audit on these controls. We satisfied ourselves about the accuracy of the data used in the calculations by tracing data back to registration in the systems on a sample basis. We have also tested that the mathematical accuracy in the model. To satisfy ourselves that the setting of parameters related to the probability of losses on loans were appropriate, we interviewed management and challenged the relevance and methods in the model. Further, we compared actual historical losses with previous years estimated losses. The result of our testing showed that management has used the appropriate assumptions in their evaluation of impairment of loans to customers.

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IT systems supporting processes over financial reporting	
The Group's financial accounting and reporting processes are dependent on complex systems and there is a risk that automated accounting procedures and related IT dependent manual controls are not designed and operating effectively.	For important IT-systems, the audit team performed detailed testing of relevant reports and automated controls. We have also tested controls over application management and we relied on assurance reports on controls at service organizations where that was relevant for our work. Our work gave us sufficient evidence to enable us to rely on the operation of the group's IT systems relevant for our audit.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 20 February 2017
PricewaterhouseCoopers AS

Geir Julsvoll

Geir Julsvoll
State Authorised Public Accountant