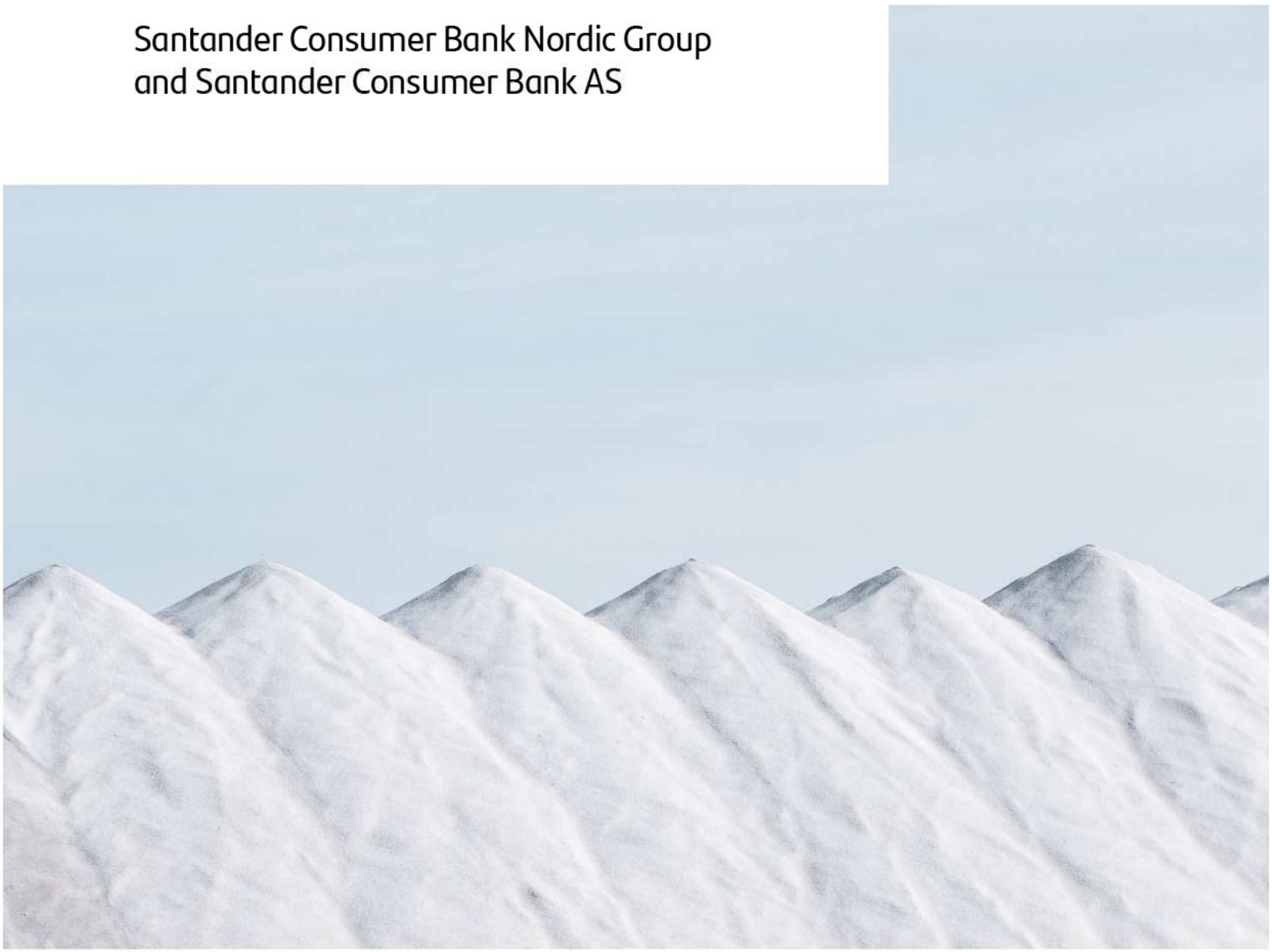
Annual Report 2018

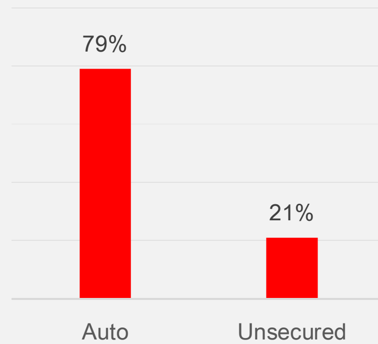
Santander Consumer Bank Nordic Group
and Santander Consumer Bank AS



Santander
Consumer Bank

Highlights in 2018

PBT	Gross Outstanding Loans
4 134	162 802
+3%	+10%



Country		Total gross outstating loans	Auto Loans	Unsecured Loans	Profit before tax
	Norway	36%	48,2 Bn	11,0 Bn	1 606 MM
	Denmark	20%	26,0 Bn	6,2 Bn	854 MM
	Finland	21%	31,4 Bn	2,8 Bn	664 MM
	Sweden	23%	22,8 Bn	14,4 Bn	1 010 MM

Apple Pay

Launched in Denmark and Norway

Ground breaking car subscription piloted in Norway

SHFT

Proximity pays off

Here in the Nordics, Santander is a different kind of bank. Many are surprised when they learn more about who we are and what we do. As one person told me in an informal chat before Christmas;

- It sounds like you're almost a niche of your own.

She made a very valid point.

Like all businesses, we are defined by our commercial activities, and I would claim that our proximity to partners and customers in the Nordics is a unique quality defining the way we operate. Just hear me out:

Today, just about 80% of our loans are auto related: Car loans, leasing and car dealer stock financing. The vast majority of these credits are provided through our partners, the car dealers. However, we do not only provide credit – we work closely with them on a daily basis: Sharing insights on how auto changes to mobility. Discussing market strategies. Developing digital sales tools that removes friction both for the dealer and for the customer. Inventing new products and services. And, we do all of this together.

The same goes for our cooperation with partners in sales finance. We collaborate with retail dealers to help customers buy their products more easily, keeping customers happy and enabling the retailers to increase their sales.

Partnering with auto dealers and retail chains keeps us close to the customer. Instead of having to seek up a downtown branch office, people meet us at our partners' sites, in the most relevant place and at the time where they actually need credit. This is what really differentiates us here in the Nordics; an extreme proximity to partners and customers.

We live and work in industries undergoing changes faster than ever before. Both the finance, auto/mobility and retail markets experience gravity-turning disruptions. Our strategy is to be at the core of these changes. No matter what develops, investments and products still need to be financed. We aim to be the most insightful partner around, helping both partners and customers to prosper.
In meeting these challenges, we benefit from being both large and small at the same time: Santander's global muscles give us the necessary power, while our lean organization in the Nordics enables us to turn around quickly when needed.

The last year has shown our ability to lead. We were one of the few early providers of Apple Pay as it launched in Denmark and Norway. We piloted the first commercial car subscription model in Norway, ready for full-scale launch this year. In the coming four years we will invest around 1 billion NOK in IT systems and innovation. This will improve and increase our products and services offering and enable us to deliver even better on the demands from the market, our partners and customers, as well as increase our efficiency.

Last year I wrote about how our core value of acting fair is also a profitable way of doing business. Our results in 2018 once again confirm our belief that responsibility works, with sustainable growth in all areas.

New regulations on unsecured debt are coming this year, combined with a new Norwegian debt registry service. We have for some time impatiently asked for these to be realized, and we applaud the politicians for moving things in the right direction.

Michael Hvidsten, CEO

SHFT at a glance

SHFT - Like a streaming service, but for cars

How can we answer people's uncertainty and provide them with a car without the economical and practical worries of traditional car ownership?

That was the initial question Santander and car dealer Kverneland Bil sat down to explore together late winter 2018. During a few intense weeks of close collaboration, the partners developed a groundbreaking new car subscription service. Within months, a pilot was launched.

- We had seen a clear growing concern in the market, explains Finn Jentoft, CEO of Kverneland Bil.

Rapidly changing car taxation, uncertain regulations and the extremely quick increase of electric cars in the market in sum led to a lot of uncertainty among customers. Many asked themselves how the market would develop, and what would be the residual value of their car after two years.

Being the market leader in car financing in the Nordics, Santander's auto market experts saw the same trend clearly.

The initial hypothesis was that there was a significant group in the market that didn't want to bear the financial risk of owning a car, that wanted a predictable cost, that was willing to pay a fixed monthly fee for access to a car with all services included, and that valued the flexibility of a short binding term.

Voila – the SHFT concept was born. To explore the demand, fine tune the service and test the price sensitivity, the partners launched a market pilot in early summer. Interest surpassed expectations: With no advertising at all, hundreds registered. With a self-imposed limit of 30 pilot customers, more than 450 are now on a waiting list to use the service.

The pilot proved a success, and early 2019 the SHFT service will be launched full scale with several car dealerships on board.

> *We experienced that many who needed a car were hesitant to get one. Buying implied a financial risk, a three-year leasing plan was by many considered too long an obligation.*
>
> Trond Brakken
> Commercial Director in Santander

SHFT

A car subscription service with "everything included", providing the freedom to end the subscription or change cars whenever the customer wants to.
Like owning a car, but without the worries - giving the customer the freedom to think about other things than car maintenance, insurance, value loss etc.

SHFT provides us with the freedom we have been searching for. The whole experience is something you want to pay for.

Pilot customer

Feedback from pilot customers

• The short minimum subscription length is liberating	• All costs are predictable, making it easy and worry-free to have a car
• Low risk of trying out	• Feels like ownership, but the dealer holds all the responsibility
• Once you have tried it, you get used to the freedom and flexibility	• Personal and human connection with dealer staff makes it feel safe
• Being able to change cars is attractive	• Simple and seamless, with one contact point

Source: Insights and learnings report from SHFT MVP-phase.

Scoring for climate

Last summer, Santander partnered with CHOOOSE to make the largest soccer tournament in the world climate positive. We did this by offsetting more CO2 than the 30,000 Norway Cup participants produced over a week.

CHOOOSE has become a global leader in retiring carbon credits, creating a platform for climate action battling the core problem of climate change – emissions from big polluters.

So-called offsetting is the process by which an individual or organization compensates for their greenhouse gas emissions by buying climate credits. Once all of our emissions have been offset, we can say that we are climate neutral.

With CHOOOSE we seek to emerge climate positive, offsetting even more than our own emissions. Before the 2018 Norway Cup, Santander bought carbon credits equaling 3000 tonnes of CO2 – making every participant climate positive.

Players were invited to engage in cutting even more emissions: By shooting soccer balls at tin cans and hitting the mouth of the giant "climate monster", they could compete in being the best fighter for climate. For every activity and scoring at the climate stand, Santander cut additional CO2.

These activities spurred massive engagement at the event and heavy usage of the Snapchat filter.

You can read more about our partnership with CHOOOSE in the CSR section of this document.

Kræftens Bekæmpelse

For years, Santander has been a major supporter of the Danish Cancer Society, Kræftens Bekæmpelse. The Danish Cancer Society aims to unite the Danish population in a strong, active effort against cancer.

We support their mission of increasing cancer survival rates, reducing the number of cancer cases and improving life with cancer.

In addition to Santander being a major financial donor, our employees engage in a wide range of activities to raise awareness, knowledge and motivate more people to support the Danish Cancer Society. During October all employees worked together to further increase the Santander donation for Knæk Cancer ("crush cancer"). To mention but a few: we raised money by running the staircases, creating pegboards and spinning at Cycling4Cancer. For every person attending, Santander increases the donation to Kræftens Bekæmpelse.

Annual Report
of the Board of Directors 2018

Key figures Santander Consumer Bank Group

All amounts in millions of NOK	2018	2017	2016
Net interest income	**6 919**	**6 607**	**6 276**
Growth	*5 %*	*5 %*	*27 %*
Profit before tax	**4 134**	**3 995**	**3 250**
Growth	*3 %*	*23 %*	*67 %*
Profit after tax	**3 139**	**3 055**	**2 442**
Growth	*3 %*	*25 %*	*62 %*
Total assets	**176 108**	**159 100**	**142 729**
Growth	*11 %*	*11 %*	*5 %*
Net Loans to customers	**159 284**	**145 148**	**124 926**
Growth	*10 %*	*16 %*	*7 %*
Customer deposits	**54 645**	**50 617**	**40 971**
Growth	*8 %*	*24 %*	*10 %*

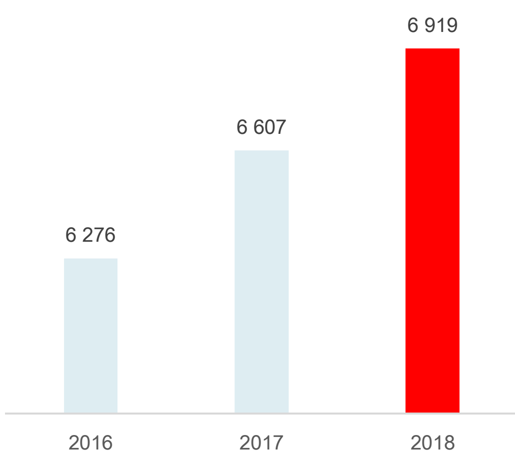
Financial performance

Review of the Annual Accounts

The Group's profit before tax was 4 134 MM NOK in 2018, an increase of 3% compared to 2017. The increase in results was mainly driven by increase in net interest income and recoveries from the sale of non-performing loans. Profit before tax for SCB AS in 2018 was 3 469 MM NOK.

Net interest income increased by 312 MM NOK compared with 2017, representing an increase of 5%. Higher lending volumes and lower funding costs had a positive effect on net interest income. On the other hand, lower lending margins and a shift in the portfolio product mix towards more secured financing had a negative effect on net interest income.

Net interest income
MM NOK



Administrative and personnel expenses increased by 371 MM NOK compared with 2017, reflecting higher IT development and restructuring costs. Adjusted for the non-recurring effect resulting from the settlement of the defined benefit obligation in Norway in 2017 administrative and personnel expenses increased by 258 MM NOK.

Other income and costs increased by 126 MM NOK from 2017. The increase mainly relates to provision for losses for off balance sheet credit exposures following IFRS 9 requirements.

Net impairment losses on loans was reduced by 297 MM NOK in 2018 compared to 2017. The increased sale of non-performing loans in 2018 is the main driver behind the change. The underlying cost of credit for 2018 is in line with 2017.

The annual accounts are presented on the going-concern assumption, and the Board of Directors hereby confirms the basis for continued operation.

Allocation of profits

It is proposed to allocate 1000 MM NOK of the year's profit in dividend to the shareholder. The proposed dividend has not been recognized as a liability in the financial statements as of 31.12.2018. The rest of the comprehensive income for the year is proposed allocated to other equity.

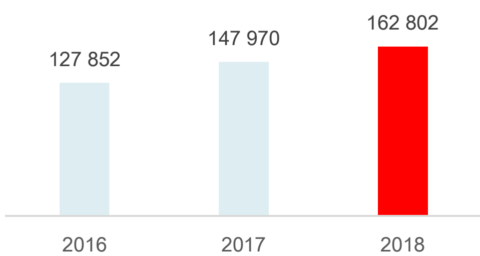
Loans and deposits performance

Loans to Customers

The Group's gross outstanding loans to customers came to 162 802 MM NOK per December 2018. This is an increase of 10% (14 832 MM NOK) compared to December 2017.

Gross loans to customers

MM NOK



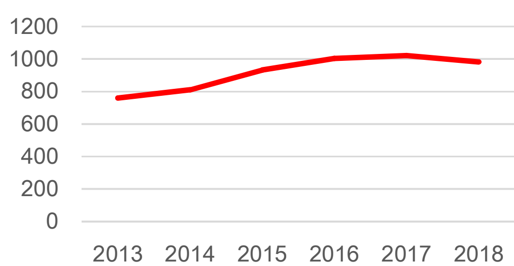
Auto and Leisure financing

2018 saw a strong car market with huge variation during the year, impacted by changed car taxation in Sweden and introducing of WLTP as a new test procedure for lowering emissions from cars in all countries. During 2018, the group has strengthened its market position.

The total car sales new and used (PC + LCV) ended at 3.905.463 units, down 1.2% versus the record year 2017. The used car market has been stable with a reduction of 0.3%, while the new car market went down by 3.8% compared to the "all time high" in 2017.

Sales of new cars (PC and LCV*)

Units in thousands



*Personal cars and Light commercial vehicles

The bonus-malus system for new light vehicles was implemented in Sweden, taking effect from July 2018. The main motive is to decrease CO2 emissions in the mobility sector. The system means that environmentally friendly vehicles with low carbon dioxide emissions are rewarded with a bonus, while vehicles with relatively high carbon dioxide emissions are charged with higher taxes. The introduction led to a spike in car sales and car registration in the first half of 2018 and a corresponding reduction after July 1st.

The WLTP (Worldwide harmonized Light vehicle Test Procedure) was implemented in September 2018. This means that cars registered after September 2018 have to be WLTP-approved. Several car brands are lagging behind in WLTP-approval, which translates into long delivery time for new cars. This is expected to have a negative impact on new car sales in the beginning of 2019.

Changes in taxation, WLTP and increased availability of low emission cars will further move the demand towards more environmentally friendly cars. The Norwegian market is the European leader with regards to electrification of the car park. In 2018, 39% of all new personal cars were electrical (EV) and the most sold car was Nissan Leaf. Car sales in Norway fell due to long delivery time for EV cars.

In total, auto financing has increased more than the car market. This suggests a market where financing has become an ever more integrated part of dealers' and importers' strategy in selling cars, thanks to bundled finance products with a fixed monthly cost and subventions from importers. We expect this trend to continue, with more flexible "mobility" models, including flexible finance periods and the possibility to trade in and exchange the car based on an agreed residual value.

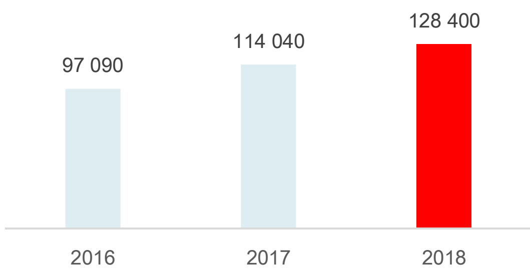
The Group is piloting, in cooperation with a dealer group in Norway, a subscription based mobility model SHFT. SHFT is an "all-inclusive" deal, giving the customer the flexibility to swap cars based on his or her needs. The concept will enable dealers to secure revenue from their used car stocks and attract new customer segments.

In 2018, the group has strengthened its market position. We continue to grow our portfolio of finance cooperation agreements with importers and Original Equipment Manufacturer (OEM)-owned national sales companies. Overall, in the Nordics, the Group is the market leader with a prime position in Finland, Norway and Denmark. The Swedish car finance market is still dominated by captive lenders for the two largest brands, Volvo and Volkswagen.

Total outstanding on auto financing is 128.4 Bn. NOK, which is an increase of 13% compared to last year.

Gross Auto Financing

MM NOK



The increase in the number of finance concepts featuring fixed monthly costs and agreed residual value, has led to a challenge for dealers, who need the capacity to take on this position. In order to strengthen our capability to support our dealers, the Group entered into an agreement in Norway and Sweden in the end of 2017 with LeasePlan, who guarantees for the residual value at the end of the financing period. The solution has been popular with the dealers and manufacturers, and the business volume for the parties involved is expected to grow.

2019 expectations

In the year to come we expect a small reduction in new car sales and a flat used car market. New players will enter the market as fleet companies increase their focus on direct distribution, driven by bundled products to private customers, in direct competition with captives and banks.

The trend with bundled products will continue and we will see new mobility solutions in the market. Especially in the largest cities, we anticipate increased focus from the governments on reducing car traffic and providing incentives for other mobility solutions such as car sharing.

Increased numbers of OEMs are expected to test different models in sales of cars, new dealer setups and giving the customers the opportunity to order cars and car related services online. The Group has to support our partners in this transformation and integrate financial solutions into their web platform.

“Green” cars will become more attractive, while the demand for diesel cars is reduced. This will have a negative impact on second hand value and will become a growing challenge in the market.

The Group has a strong position in the Nordic market and is well positioned to meet the fast changes we foresee within the auto area.

Unsecured financing

The overall outstanding volume for the Unsecured product portfolio grew by 4.1 percent compared to last year, to over 34 402 MM NOK. Consumer loans continue to make up over three quarters of the outstanding volumes and remain the primary product in all of the Nordic markets. In Denmark, we experienced the fastest growth of 11.2 percent.

Consumer Loans

The Nordic consumer loan market continues to be highly competitive, with both traditional players and new competitors entering the market. We continue to adapt and align our business to the regulatory landscape we operate within, which is of key importance both to our business and to customers. We have progressed according to plan to comply and benefit from the PSD2 regulation.

Brokers continue to play a significant role in the consumer loan markets, especially in Norway and Sweden. In Finland, broker presence and broker customer preferences are increasing, whereas, in Denmark brokers are in the process of entering the market. The share of the loan volumes deriving from broker co-operations, remain stable compared to 2017.

Cards & Payments

The ecosystem of mobile payment solutions is constantly evolving, with new and global entrants in the market and preexisting ones expanding their geographic presence and range of services across the Nordics.

Traditional banks keep evolving their own wallets, focusing primarily on offering additional solutions, including services for business clients and improving security features. Global non-financial players are continuing their foray further into the financial sector by developing P2P and online payment offerings, as well as adding reward programs from different partners, that increase client engagement and usage. We also see merchants developing their own wallets, focusing on customer experience and loyalty programs, as well as upgrading their POS capabilities in order to accept mobile payments.

On a group level, Banco Santander keeps progressing in all markets, developing new types of mobile payments and digital services. We are constantly betting on innovation and digitalization, working on in-house developments and partnerships with top third parties, that provide our partners and customers with state-of-the-art payment solutions, which make us differ from the competition. Notwithstanding new entrants from other sectors, being a financial entity is still a necessary and useful part of the payment chain. However, this will also be challenged as new entrants start obtaining licenses enabling them to offer a wider range of financial services. To meet this challenge, we maintain our effort to keep pace with this evolving sector, or even lead it, by fortifying our offering to customers with solutions that meet, or even exceed, their expectations on speed, convenience and payment security.

Among the significant events in 2018 was our launch of Apple Pay as one of the first banks in Norway, an important milestone, which produced a stunning eight-fold increase in the number of cards issued, compared to a normal week. We also brought Apple Pay to the Danish market in December 2018. Both moves follow our digital business strategy, bringing us into closer competition with larger banks, as well as new entrants, providing a relevant, secure, convenient and value-driven offering. In 2019, we will continue to expand our mobile payment service and grow our payment capabilities, as well as continue to strengthen our value proposition in the Nordics, in order to maintain a competitive position in the markets.

Sales Finance

Customer shopping behavior is no longer isolated between the physical and the online world, as customers expect and demand to be able to move seamlessly between the two – convenience is the new loyalty. Merchants are pressured to deliver this experience for their customers, and we already see solutions in the market that allow customers to buy online and then pick up their purchases in a shop, saving time for the customer and benefiting the merchant by providing cross-selling opportunities when customers pick up items in store. At the same time, having a unified vision of the customer permits merchants to provide more value adding experiences, such as enhanced loyalty programs or electronic ticketing for physical purchases.

Additionally, consumer behavior is becoming more and more consumption-centric, leading customers to switch brands and products more frequently, conducting greater due diligence among friends and family before buying, and becoming increasingly keen not to commit to long-term financing. There is a continuing trend among Nordic consumers towards subscription financing, rather than owning, and we are working in close collaboration with some of our largest retailers to provide innovative solutions that address these new consumer needs. Subscription financing has been a reality in the entertainment industry for years now (e.g. Spotify and Netflix) and is, more recently, becoming a common financing options for electronics such as phones and tablets. It has always been in Santander's DNA to develop customer-centric solutions and this is an area of increasing focus.

Furthermore, within Sales Finance business, as a direct result of our successful cooperation with Elkjøp in Norway, we launched our cooperation with Elgiganten in Denmark. From Elgiganten, we will see considerable increase in our Sales Finance portfolio in Denmark and thus fortify our strong position in the Nordic market. Caring for the merchant and retailer relationship is at the heart of our business and therefore we will keep taking to the market leading solutions that increase our partner's engagement and make us their preferred payments and financing provider.

Going Beyond Banking

We are now entering the year of PSD II (with technical platforms going live in September 2019). For Santander, this means focusing on working with key partners, FinTechs and the market in order to develop new products and services that solve customer pain points. Being compliant with PSD II is an absolute must for Santander and is viewed as a ticket to play.

PSD II brings enhanced security standards and technical interfaces, allowing us as a bank to work with the market to "go beyond banking." To be sure, PSD II means delivering banking-related services sought after by Nordic consumers. Santander is also leveraging on its status as a global bank, with an in-house venture capital fund, featuring a portfolio of several outstanding FinTechs delivering services, products and platforms that can provide significant added value to the Nordic banking landscape. All this will further strengthen our position on the Nordic scene.

Deposits

- Largest funding source

- Improve Deposits capabilities and customer experience

8%
increase

Customer deposits are the largest funding source in the group and a strategic priority with regards to increasing our self-funding and fulfilling legal requirements. Deposit-taking capabilities have been developed in Norway, Sweden and Denmark over recent years. The focus in 2018 has been on setting the strategic direction of these capabilities going forward.

Total outstanding volumes for the group are 54 645 MM NOK per December 2018, representing an increase of 4 028 MM NOK (8%) compared to December 2017.

2018 was the second full year with a product portfolio containing two different saving products in Sweden: The regular demand product and a notification product, where customers notify any withdrawals 31 days in advance of the actual withdrawal. From a deposit perspective, Sweden is the only unit with ongoing cooperation with a broker, and the agreement was renegotiated during 2018. The cooperation expands the number of customer channels, providing another risk diversification for the Deposits portfolio. Per December 2018 Sweden managed outstanding volumes of 15 415 MM NOK, and had a flat development, with an increase of 6 MM NOK (0 %) in outstanding volumes compared to December 2017.

Denmark has the most diverse product portfolio with a demand product, a notification product and term deposits. The Danish consumer Agency Tænk Penge (Think Money) awarded the notification product in Denmark “Best in test” in December 2017. The award provided the possibility to use the “Best in test-stamp” in communication with customers during 2018. During 2018, Denmark has changed their marketing strategy to content marketing, in order to provide customers more relevant and trustworthy information.

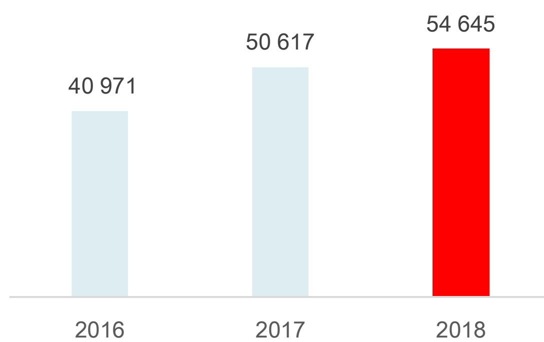
Outstanding volumes in Denmark stand at 17 180 MM NOK per December 2018, both the highest increase of 2 864 MM NOK compared to December 2017 – and the highest percentage growth in the group with 20 %.

Norway has only one demand product, providing the customers two types of saving accounts, one with and one without limitations. At the same time Norway holds the largest outstanding volumes in the Group with 22 051 MM NOK per December 2018. The increase compared to December 2017 is 1 158 MM NOK, representing 5 % growth.

During 2019 we will focus on strengthening our Deposits capabilities and continuing to improve customer experience, especially in the digital area.

Gross customer deposits

MM NOK



Risk Management

Through its forward-looking risk management, based on the Advanced Risk Management program (ARM), the Group ensures it maintains robust control whilst continuing to build its future.

Risk management is one of the key functions in ensuring that the Group remains a robust, safe and sustainable bank, trusted by its employees, customers, shareholders and society as a whole.

Credit Risk

Credit risk management is divided into retail and wholesale areas. This segmentation ensures enhanced understanding and monitoring of products and portfolios.

Retail exposures are managed through a highly automated credit approval process, based on Advanced-IRB (IRB-A) Approach scorecards employed when underwriting new applications, as part of the bank's IRB-A rollout program. The IRB-A Approach has been used in reporting since the end of 2015.

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

The consolidated Loan Loss Reserve (LLR) increased from 3 419 MM NOK as of 1 January 2018 (including 601 MM NOK IFRS 9 transition impact) to 3 519 MM NOK for the period ending December 2018.

The increase in Loan Loss Reserves follows a steady portfolio performance throughout 2018, both for secured and unsecured product lines with stable credit policy and strategy.

The Group has maintained its strategy to sell non-performing loans, having successfully executed two transactions throughout the year in June and December 2018.

Liquidity and Interest Rate Risk

Liquidity Risk in the Group is measured using the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Liquidity stress testing. Both LCR and NSFR are regulatory metrics used to measure short and long-term liquidity risk.

The bank's liquidity risk management has been strengthened throughout 2018, with further improved management of the NSFR and tightening up of internal limits for the survival period during stress testing.

As of December 2018, the Group's LCR and NSFR stood at 133,71% and 94,24% respectively, both comfortably exceeding the regulatory requirement.

The Group's balance sheet composition is designed to ensure that the interest rate risk is managed at prudent levels and within established limits. The Group is not to actively take on interest rate risk in its operations. The Group analyses the sensitivity of its net interest income and equity value to changes in interest rates. The exposure to interest changes on both metrics are within defined limits, as approved by the Board.

Foreign Currency Risk

The bank is exposed to currency risks through its activities in Sweden, Denmark and Finland. The bank minimizes currency risk by ensuring that assets are funded by liabilities in the same currency. When raising funds through international debt markets, any open currency exposure is managed through derivatives. The main source of currency exposure is retained earnings in EUR, which are accumulated in the Finnish subsidiary to meet their own solvency targets. The risk is measured through the FX exposure report, covering all significant currencies.

(See note 3 for foreign currency exposures as of 31.12.2018).

Funding

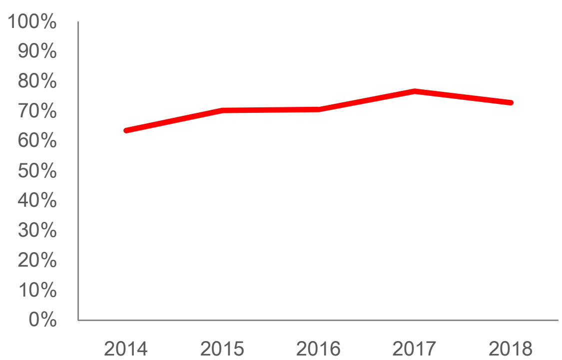
- Stable self-funding ratio, with deposits providing largest source of funding at 37%
- Growth in cost of funds less than growth in assets

73%
Self-funding ratio

Maintaining a diversified funding platform is a strategic priority for the Group, as it enables flexibility, optimization of cost of funds, and reduces reliance on support from the parent bank. Over the past five years, the Group has developed deposit products across three of its four markets, it has been active in the Norwegian and Swedish domestic bond markets, as well as in the Euro-market, and it has issued securitization transactions with assets from all four Nordic countries. In addition, the Group has become active in issuing commercial paper, both in Norway and in Sweden. Intragroup funding provides a buffer where strategically helpful. The Group aims to maintain a consistent self-funding ratio, however there will be some variation due to the timing of transactions and market conditions. Self-funding sources totaled 73% per year end 2018, with parent funding providing the remaining 27%.

Self-funding ratio

Percent



Customer deposits are the largest source of funding, comprising 37% of total funding per December 2018. The total outstanding volume sums to 54 645 MM NOK across the three Nordic markets where the Group is present. Deposit volumes have increased 8% (4 028 MM NOK) from December 2017, with expectations of continued significant importance.

Senior unsecured issuance and certificates comprises 25% of our funding, down from 27% in December 2017. Senior unsecured issuance and certificates year-end 2018 includes 2 000 MM EUR in the Euro market, 6 200 MM SEK in the Swedish market, 500 MM DKK in the Danish market and 8 801 MM NOK in the Norwegian market. In addition, we are present in the certificates of deposits market in Norway, with 900 MM NOK outstanding as of year-end. We launched our Swedish CP program early in Q4, and ended the year with 875 MM SEK outstanding.

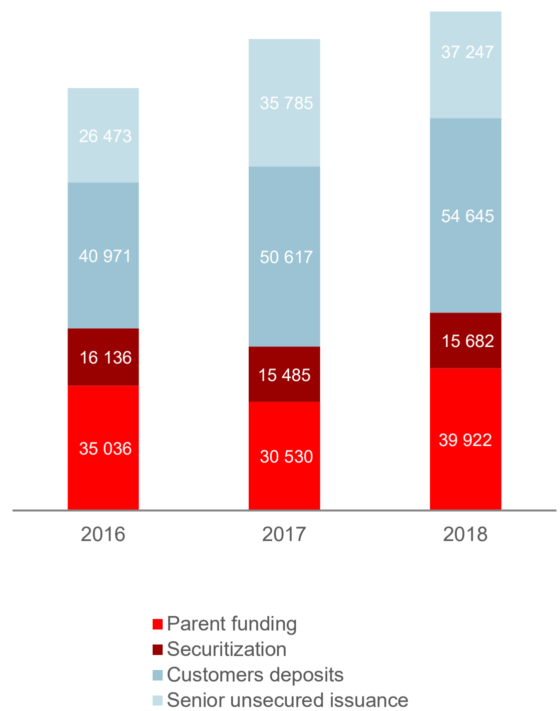
Senior unsecured issuance and certificates equals 37 247 MM NOK per December 2018, an increase of 1 461 MM NOK (4%) from a year earlier. The average remaining term to maturity, excluding certificate issuances, is approximately 1.84 years. This level has increased from year-end 2017 due to the increase in issuances with a five-year maturity.

Credit markets were sufficiently accessible until December 2018. Political and geo-political headlines in December 2018 led to market turbulence, causing the Group to remain out of the senior unsecured markets for much of the last quarter of the year.

The Group is rated by Fitch (A-/F2/Outlook Stable) and Moody's (A3/P2/Outlook Stable). The rating was first received in 2016, and has been maintained at the same level since.

Funding composition

MM NOK



The Group accessed the asset-backed securities (ABS) market in Q4 2018 by issuing 665.3 MM EUR of bonds backed by our Finnish assets. Securitizing the Finnish portfolio is a stable source of funding. However, our overall funding from securitizations has reduced due to the change of law in Norway, which has prevented us from issuing ABS backed by Norwegian assets. Total outstanding volumes in securitizations currently equals 15 682 MM NOK, or 11% of the Group's funding.

The Group aims to utilize its securitization capabilities more frequently going forward, once Norwegian legislation is harmonized with the European capital markets framework. This will include the adoption of Regulation (EU) 2017/2402, which establishes a general framework for securitization and creates a specific framework for simple, transparent, and standardized securitizations.

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

The Group expects its funding composition to be broadly stable over the next year, with deposits remaining our largest source of funding. The mix of capital markets funding will remain similar until opportunities in the Norwegian securitization market become available. The Group is anticipating a slightly higher cost of funding, due to an increase in credit spreads, reference rates and deposit rates

Solvency and Capital Adequacy

The Group is supervised by the Norwegian FSA and has to comply with the capital requirements for banks in Norway. The Group has to comply with the capital requirements both at group level (the Group) and at stand-alone level (SCB AS). The Group maintained a robust capital adequacy position in 2018. Per December 2018, the CET1-ratio was 229 bps higher than the minimum regulatory requirements, supported by the strong underlying performance of the business.

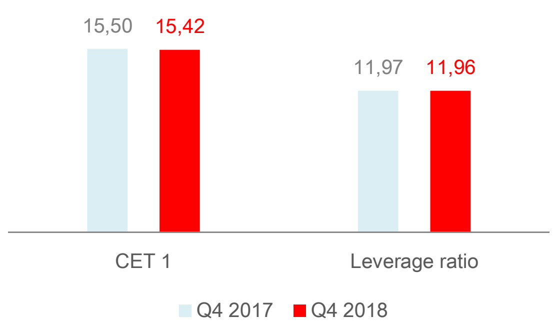
In October 2018, the Group refinanced its Hybrid loan ("Fondsobligasjon") of 2 250 MM NOK, ensuring the bank meets its Tier1-Capital ratios going forward.

Following the implementation of IFRS 9 in January 2018, the Group publishes capital ratios on a transitional rules basis (allowing for a reversal of 95% of IFRS 9 capital impact in 2018) and a fully phased-in basis. Transitional capital ratios are the official ratios required to meet the minimum capital requirements set forth by regulatory authorities. For 2019, transitional capital ratios will incorporate a reversal of 85% of the capital impact.

At year-end, the common equity Tier 1 (CET1) capital ratio stood at 15.73% for the Group and 16.71% for SCB AS. On a fully phased-in basis, CET1 capital ratio was 15.42% at the Group level and 16.43% for SCB AS. The leverage ratio stood at 11.96% for the Group and 13.41% for SCB AS at year-end, compared to a minimum regulatory leverage requirement of 5%.

Capital ratios SCB Group

Percent



A dividend of 1 000 MM NOK is planned to be paid by SCB AS to the owner Santander Consumer Finance S.A. during the first quarter of 2019.The dividend is deducted from equity in the capital position presented per year-end 2018.

For further details regarding Capital Adequacy, please see Note 7 "Capital adequacy" for details on capital composition, risk weighted exposure and capital ratios per December 2018.

The Group expects a slight increase in capital requirements in 2019 due to a higher Pillar 2 requirement and an increase in the Counter-cyclical buffer ("CcB") requirement. In February, the Norwegian FSA announced that the Pillar 2 requirement for the Group of 2.6% will be applicable from March 2019. This represents a slight increase from the 2.3% requirement during 2018. During 2019, the CcB requirement in Denmark, Sweden and Norway will increase with 50bps, from 0% to 0.5% in Denmark and from 2% to 2.5% in Sweden and Norway. Since December 2015, the bank has used advanced internal rating based models (A-IRB approach) for parts of its exposure for capital calculations. The bank is in the process of developing models for using the A-IRB approach in the majority of its exposure and expects to receive approval for using the A-IRB approach with regards to additional credit portfolios in coming years.

The Group expects the incorporation of CRR/CRD IV into the EEA agreement, leading to regulatory changes being implemented in Norway (i.e., an alignment with EU standards) in due course. The most important impact of this for Norwegian banks is expected to relate to the removal of the so-called "Basel I floor" and the introduction of lower capital requirements for lending to small and medium-sized enterprises (the SME supporting factor). While the removal of the Basel floor is not expected to impact on the Group's capital requirements, the SME supporting factor is.

On December 19, 2018, the Ministry of Finance published new bank recovery and resolution requirements for Norwegian banks applicable from January 2019. The new requirements imply that Norwegian banks will have to meet a certain level of Minimum Requirements for Own Funds and Eligible Liabilities ("MREL"). The Norwegian FSA has announced that they will return with more information about the process of determining the MREL requirements for the individual banks.

The Group expects to maintain a robust capital adequacy position during 2019.

Regulatory Changes

The regulatory framework of the financial sector is constantly changing and initiatives from regulators increasing. The bank works continuously to ensure compliance and has adequate procedures to keep track of and implement incoming legislation, both from the EU and nationally. In addition, the bank strives to take on an active role in the public debate and in legislative processes, either via its membership in the banker's association Finans Norge or directly.

The constitutional challenge in Norway regarding implementation of the EU supervisory regime has been solved, but although there are no longer any formal obstacles preventing EU financial legal acts from being included in the EEA agreement and Norwegian law, there is still a significant "back log" of EU legal acts pending inclusion in the EEA agreement and national implementation.

EU's capital requirement regulation and directive was included in the EEA agreement in 2018. Most of the requirements are already implemented in Norwegian law. However, proposals for amendments to ensure full compliance between national legislation and the EU legislation, where required, are expected to enter into force in 2019.
EU's STS regulation has not been included in the EEA agreement yet, however, upon request from the Ministry of Finance, the Financial Supervisory Authority of Norway has established a working group to assess Norwegian implementation and the Bank participates in this group.

The digital revolution is expected to potentially change the traditional banking business and customer behavior. EU's revised Payment Services Directive, PSD2, opens up to giving technology companies and other players that do not offer bank accounts, direct access to traditional banks' payment infrastructure and hence the opportunity to aggregate account information and debit accounts on behalf of customers. This entered into force in the EU in 2018, and will follow in Norway during 2019.

EU's 4th AML directive was transposed into national legislation in Sweden, Denmark and Finland during 2017 and Norway in 2018.

EU's 5th AML directive is expected to be transposed into national legislation in all countries during 2020, further enhancing the bank's AML program.

In the personal data area, the general data protection regulation (GDPR) entered into force on 25th of May 2018 in EU countries and 20th of July 2018 in Norway. The regulation affects the Group both in terms of customer data and employee data, and the Group has taken extensive measures to ensure compliance with the regulation.

Moreover, the bank also carefully adhered to the process of implementation in Norway concerning the deposit guarantee scheme directive (DGSD) and the bank resolution and recovery directive (BRRD). The Norwegian Bank's Guarantee Fund will, for now, continue to cover deposits of up to NOK 2 million per depositor per member bank. The BRRD, among other things, is introducing a new crisis management arrangement for financial institutions.

There are also various ongoing national initiatives, in particular in the consumer credit area in Norway. In 2018 the FSAN introduced guidelines on prudent lending that in 2019 will be transposed into regulation. In addition, a proposal for a new financial agreement act that was released in 2018, is expected to enter into force in 2019. The National Norwegian debt register is expected to be in place during 2019, following licenses granted by the Ministry of Children and Equality to two Norwegian companies in 2018.

Corporate governance

The Group is fully owned by Santander Consumer Finance S.A. Pursuant to section 2-2 of the company's articles of association, the acquisition of shares is conditional on consent from the board. Consent may however only be refused on just ground and refusal of consent must be justified in writing. The company does not have a Santander Consumer Bank AS share scheme for employees.

The Group has solid corporate governance, based on its strong culture and values, and a robust control of risks, all of which ensure that management is aligned with the interests of our shareholders, investors, employees, suppliers, customers and other stakeholders.

The Board of Directors is the Group's highest decision-making body, except for matters reserved for the general meeting.

The composition of the Board of Directors is balanced between external and internal (employed by the shareholder Santander Consumer Finance SA) directors. The Board of Directors has eight members, where two are elected by and among the employees of the bank and its subsidiary. Each has a personal deputy also elected among and by the employees. In addition, the employees elect an observer to the Board. The chair and deputy chair of the Board are elected among the board members. The general meeting elects remaining members.

The elected members of the Board serve for two years. If a board member retires before his period of office has expired, a replacement for the remaining period is elected. The election of the employee representatives is organized so that each of the countries in the Group at all times have a Board representative, either by the means of a fixed member, or as a deputy or observer.

The election of board members, deputies and observers is prepared by an election committee. The election committee is appointed by the Board and shall consist of minimum three board members.

The bank has an audit committee, consisting of three members chosen by and among board members, currently the Board's three external directors, one of whom has the required qualifications in auditing and accounting. The committee carries out the tasks set forth in section 8-19 of the Norwegian Financial Undertakings Act (finansforetaksloven). The audit committee, among other functions, reviews the financial information and its internal control systems. The committee serves as a communication channel between the Board and the external auditor, ensuring the independent exercise of the latter's obligations. They also monitor the Internal Audit function.

The bank has a risk committee, consisting of three members chosen by and among board members, currently two of the Board's external directors and one internal director. They carry out the tasks set forth in section 13-6 of the Norwegian Financial Undertakings Act (finansforetaksloven). Among other functions, the risk committee advises the Board on the Banks overall current and future risk appetite and strategy, and assists the Board in the overseeing the implementation of the Banks risk strategy.

The bank has a remuneration committee, consisting of five members chosen by and among board members, currently three of the Board's external directors and two internal directors, whereas one is employee representative. They carry out the tasks set forth in section 15-3 of the Norwegian Regulation on Financial Undertakings (finansforetaksforskriften). The remuneration committee, among other functions, advises the Board during preparation of the remuneration policy, as well as monitoring and controlling the effects of the policy.

The Board has, pursuant to the Norwegian Act on Limited Companies section 6-23, established a policy outlining rules of procedure for the Board's work. In 2018, the Board met eight times, whereof one meeting was fully dedicated to strategy.

Several matters were also handled adequately and satisfactorily via circulation. The Board has a skills matrix to ensure an overview of board competencies at all times, in order to support and ensure successful succession planning. A third party annually facilitates the Board's self-evaluation.

The Board delegates the day-to-day management to the Nordic CEO. Management committees have been established in order to facilitate the work of the CEO and the senior management, to ensure effectiveness and efficiency of business, and to enhance the internal control of the Bank.

The Group's organizational structure includes separation of functions, with defined responsibilities to ensure a healthy and prudent management. This will further be strengthened by a governance project established by the bank in early 2018 and ending Q1 2019.

The Group relies on a risk management and control model based on three lines of defense: the first is located at the different business and support functions; the second is exercised by the Risks and Compliance functions; while the third is wielded by Internal Audit. There is a sufficient degree of separation between the risk control function, the compliance function and the internal audit function, as well as between them and other control and supervisory functions. Both the second and third line line of defense report to the Board on a regular basis.

The subsidiary in Finland, Santander Consumer Finance OY, has its own Board of Directors who is overall responsible for the organisation and administration of the subsidiary's affairs, including internal governance and control structure. However, it is the board of the bank's responsibility to ensure sound and proper communication with the Board of SCF OY, including ensuring that the Board of SCF OY receives relevant information, with regards to resolutions that may concern them, in a timely manner and prior to any related resolution being made by the Board of SCF OY.

Compliance

The Group has implemented the Group Santander Anti-Money Laundering and Countering Terrorism Financing framework, setting out the basic principles and guidelines for action and establishing mandatory minimum standards for Santander units. These are formulated based on the principle set out by the Financial Action Task Force (FATF), recommendations and obligations in EU directives to prevent the use of the financial system for money laundering and terror financing, and are also adjusted to local legal requirements. The Group is responsible for managing and coordinating the anti-money laundering and countering terrorist financing systems and procedures within all its operations. It needs to make regular AML/CTF risk assessments, investigate and process reports relating to suspicious transactions, respond to information requirements from supervisory bodies, and provide staff with appropriate AML/CTF training. The Board has appointed an AML officer in the Group and the Group has established an Anti-Money Laundering Committee managing the AML/CTF risk across operations in the Nordics. The second line of defence, the overview of the AML/CTF Program and risk management, is performed by the Compliance & Conduct function. Senior management, the risk committee and the Board receive regular updates from the Chief Compliance Officer.

As a consequence of the criminal liability system for legal entities and increasing number of regulations, it is necessary to implement robust corporate criminal risks prevention models within the Group. The Group has implemented a Corporate Defence model, as a development of its General Code of Conduct, which enables group-wide minimization of the likelihood and impact of the materialization of criminal risks that may be associated with its daily activities.

The Group has an Irregularities Committee and two whistleblowing channels, one for internal purposes, and one for its supplier relationships. Reporting should be made on improper conduct that is believed illegal or which violates the Group's Code of Conduct and policies. Employees are free to report their concerns anonymously to any of the Compliance Directors and employees who report such concerns in good faith are protected from retaliation.

Strategic priorities to stay in lead

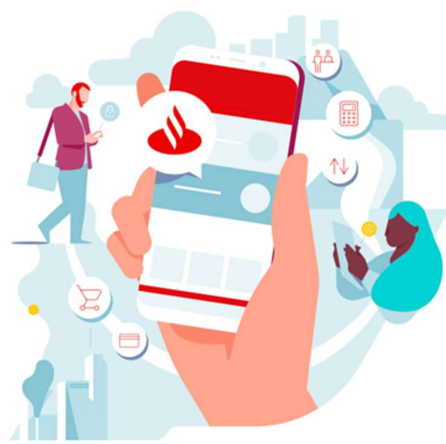
Even though the bank has steadily increased its market share in our key markets, competition is becoming fierce and our market environment is changing at high speed.

To meet these challenges, the organization was involved in future proofing our strategy. Key strategic priorities were identified: Heavy investments in IT (details below), simplifying governance structures to speed up decision making, and organizing and working more unified across the Nordics. Efficiency improvements, automation of processes and increased centralization will enable us to stay in lead.

Improvements and savings will be realized over a stretch of three years and completed by 2022.

Digital “time to market”

Santander Consumer Bank (SCB) is operating in a rapidly changing market with customers demanding complete personalization, bundles and seamless integration across borders. Digitalization, mobility and ease of use are important competitive factors in our industry.



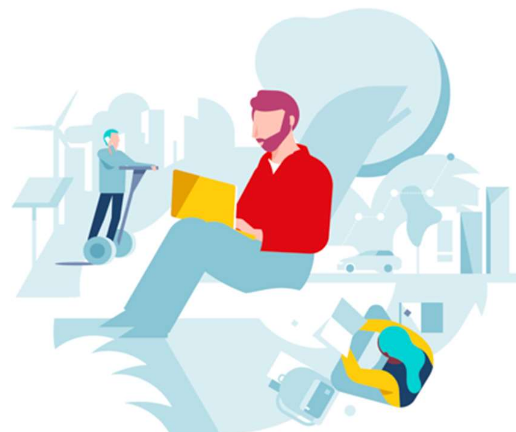
In 2018 we launched an initiative to improve our “time to market” for digitalized products and services. The plan is to invest several hundred million NOKs in IT over the coming years. The two key success factors enabling improvement are the renewed multispeed system architecture and a centralized IT organization across the Nordics, with common priorities and processes.

First, we will consolidate and modernize our system landscape shaping an up-to-date architecture, supporting faster and cheaper development of our products and services. The new “digital engine” will enable organizational speed and agility when developing our customer facing portals, while also securing that the core banking systems stay reliable and compliant. A well-structured system landscape will let us automate processes and analyze information effectively at affordable costs.

Common processes and priorities across countries will increase our delivery capacity and capabilities - both within product development and in keeping our operation compliant. We will also further evaluate how we can improve our IT operations in cooperation with external services and FinTechs.

Corporate Social Responsibility

The Group ensures the integration of ethical, social and environmental criteria in the development of our business, contributing to the economic and social prosperity of people and businesses in a responsible and sustainable way. Various policies, codes and internal rules ensure that our activity is developed responsibly.



Our SDG contributions

Across the Nordics, Santander Consumer Bank engages in a broad spectrum of activities that contribute to several of UNs Sustainable Development Goals (SDGs). These goals are the world society's common platform for addressing the greatest global challenges we as humanity face. The following section is a non-exhaustive list of examples of activities where we aim to make a positive difference to the SDGs, with goals 7 and 13 being the ones most relevant to our daily business.

GOAL 7
Affordable and clean energy: Ensure access to affordable, reliable, sustainable and modern energy

GOAL 13
Climate Action: Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy

According to the European Environment Agency, the transport sector contributed 27 % of total EU-28 greenhouse gas emissions in 2016.

Through our core business we contribute to reduce greenhouse gas emissions from transport. Currently, 80% of SCBs loans are auto related and we are the market leader in auto financing across the Nordics.
By helping people and businesses finance new cars, we play a crucial role in renewing the car park in our region. Retiring old petroleum fueled cars and replacing them with newer cars with lower or no emissions is a major contribution to reducing climate gas emissions from the transport sector.

- Already in 2013 Santander pioneered the All in One product suite in Finland, speeding up renewing of one of the older car parks in Europe.
- Lately, we developed the IT solution to enable online sales of the all electric Nissan Leaf - helping it to be last year's single most sold car model in Norway.
- We engage in collaborations to innovate new and more environmental friendly mobility solutions, and we add the commercial strength to bring them to the market.

Last year Santander Consumer Bank partnered with CHOOOSE, a global leader in retiring carbon credits and a platform for climate action, battling the core problem of climate change – emissions from big polluters.

The idea of CHOOOSE is to be *climate positive*. So-called offsetting is the process by which an individual or organization compensates for their greenhouse gas emissions by buying climate credits. Once all of our emissions have been offset, we can say that we are climate neutral. With CHOOOSE we seek the status of climate positive, offsetting even more than your own emissions.

CHOOOSE collaborates with the UN by entering carbon markets and deleting carbon credits on behalf of people and companies. One carbon credit is equal to one ton of CO2. The money spent on carbon credits goes directly to funding the best sustainable projects worldwide, primarily UN-regulated clean energy projects in developing countries.

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.

GOAL 3
Good Health and Well-being – Ensure healthy lives and promote well-being for all at all ages.

In all four countries, Santander consistently supports people, events and organizations that encourages, inspires and invites a broad base of people to physical activity and camaraderie – promoting a healthy lifestyle through supporting sports and physical activities.

Both in Finland and Denmark, SCB supports the “Team Rynkeby” European charity cycling team that every summer cycles to Paris to raise money for children with critical illnesses, including children’s cancer.

The Danish business unit has for years been supporting Kræftens Bekæmpelse, the Danish Cancer Society. For example, 82 employees participated in “Spinning for Cancer” in 2018.

In Finland we donated to an outdoor sports facility in Helsinki, and supported the “Icehearts”, an organization that uses team sports as a tool for engaging children with social work.

In Norway, we have partnered with the Football Association to engage kids from 6 to 10 in 3v3 soccer tournaments – an inclusive sports variety where every team member is part of the active play and everyone gets equal playing time.

Santander in Sweden is a strategic partner of En Svensk Klassiker, where we conceptualize initiatives that add value to health and wellbeing promotions at the events; Vasaloppet, Vätternrundan, Vansbrosimmet and Lidingöloppet. We have also co-established a scholarship with former Olympic cross-country legend Johan Olsson, “Framtidens Skidlöfte”. The scholarship is designed to encourage and promote one young ski athlete each year.
For years, Santander has been the main sponsor of the Danish Handball Cup, the nationwide tournament for handball teams in Denmark.

Internally, the bank promotes and develops initiatives to support health and wellbeing for all employees, and supports a wide range of activities to encourage employees to be active. Some examples include free access to in-house training facilities, organized sports activities, health insurance and extended wellness grants. Employees are always invited to partake in sponsorship and CSR initiatives and events to create a community based on common values and pride. The whole of Santander’s global organization also participates in the BeHealthy scheme. Please refer to the People and culture section of this document for details.

Santander Consumer Bank also supports a variety of good causes promoting well-being outside of sports and physical activity. Santander in Sweden supports and promotes the NGO Fritidsbanken by adding volunteer collections of sporting equipment at all Sponsorship events like Vätternrundan, Lidingöloppet and Manchester United Fotbollsskola. Fritidsbanken is like a library, only for sports and leisure equipment – enabling youth to participate on equal footing.

In several countries, the bank’s employees have collected Christmas presents for kids and families in need. We have supported homeless shelters, a support line for women suffering domestic abuse, and contributed to ECPAT, which combats child sexual abuse.

GOAL 4
Quality Education; Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Santander in the Nordics has for a long time been a Gold partner supporting Right To Play, an organization that protects, educates and empowers children to rise above adversity using the power of play. Right To Play plays for change in five key areas; Quality education, gender equality, health & well -being, child protection and peaceful communities.

With regards to education, the organization trains teachers to use play-based learning to create safe, supportive and engaging environments for kids to learn in, and partners with Ministries of Education and local organizations to incorporate play-based learning into the education system, allowing more children to rise.

People and culture

At year-end 2018, the Group had 1 324 employees (excluding temporary hired employees), of which 354 worked in Sweden, 237 in Denmark, 154 in Finland and 579 in Norway.

In 2018 the sick leave rate was around 3,6%. There have been no personal injuries in the workplace in 2018.

The working environment in the Company is considered good, and is being assessed on an annual basis through the employee opinion survey. The 2018 response rate was 88 per cent. The overall evaluation assessment in the Nordic countries ascertained a positive development within all 18 survey dimensions, except one. This was true especially in the rating of our leadership, wellbeing and talent development.

Prime focus areas within people and culture in 2018 have been a new leadership program, feedback processes and customer focus to enforce the corporate change of culture, which aims to bring customers and partners to SCB by acting according to our values; Simple, Personal and Fair. All countries have, during the year, continued developing agile working environments keeping units close to markets and customers. We have continuous focus on corporate behaviors, which are also incorporated in variable remuneration. We use 360º feedback methodology for executives, which includes the opinions of their teams and other employees they interact with, as well as their line manager. We consider the value implementation successful, reaching a consistent high score in annual surveys the last two years.

BeHealthy is a global health and well-being scheme that aims to make the Group among the best in class and which aspires to improve people's lives. The overall well-being of our people is essential to having healthy, happy and committed teams, that do better work on an individual, employment and community level. This program sets out a common framework, which is aimed at ensuring that health and well-being are seen as advantages when working for SCB AS. The program includes a number of initiatives launched in the local units to encourage employees to live healthier lifestyles. The program is aligned with our CSR initiatives and sponsorships like Right to Play. In 2018 we have improved by 6 %-points.

The Company has a Working Environment Committee and Liaison Committee. Statutory meetings are held frequently and the cooperation between the management and the employee representatives is solid. As new regulations and new expectations reach the banking industry, we need to make sure that all employees across the Nordics understand their responsibilities. Training all employees within Compliance and GDPR has therefore also been a priority in 2018.

Health, safety and environment are important elements in the group policy concerning people and organization. Preventive working environment measures should be adopted to promote employees' safety, health, well-being and working capacity. The Group is committed to gender-balanced participation in its talent and management development programs, and it has flexible schemes that make it easier to combine a career with family life.

The Group considers that diversity enhances human capital, encourages an inclusive working environment, and offers better solutions and higher value added. The Group takes into account all sources of diversity – gender, race, age, national origin, disability, culture, education, professional and life experiences – when managing its people's talents.

The Company has participated in Grupo Santander's worldwide Gender Diversity Policy and investigated gender salary gaps. The Bank has also reviewed succession plans to ensure women will be incorporated into all succession streams to make sure the company develop gender diversity in top management. At year-end the gender ratio was 51% women and 49% men. The Nordic senior management team consisted of 2 women and 13 men in 2018. SCB AS Board of Directors consists of 1 woman and 7 men. The company has experienced 2 incidents of sexual harassment in 2018.

The development within the key People and Culture areas, Leadership and Engagement, has seen a consistently positive development the three last years.

Future prospects

In a time of increasing global uncertainty, the Nordic countries remain a stable economic region. Estimates indicate a stable real GDP growth of around 2% in Norway and Denmark, with slightly lower growth in Sweden and Finland. Unemployment rates are expected to remain stable or falling.

The bank is operating in markets that are facing rapid changes, with several ongoing disruptions. These are some of the trends we expect to have great impact:

- The auto market is currently very dynamic. The quick increase in the number of electric cars, changing car regulations and car taxation and the introduction of new IT-backed mobility solutions, are examples of developments that leave both consumers and market players with high levels of uncertainty.

- While still being in an early phase, Big Pays are on the rise. The world's largest companies are racing to place themselves as the #1 choice in mobile payments. Combined with Value added services (VAS), the evolution of this market has the potential to turn the tide for several players, also impacting creditors' positions.

- The implementation of PSD2 opens up for new players, new competition and new collaborations.

No matter the disruption, goods and services still need to be financed. We believe the key to success for a bank in this new, evolving ecosystem is to stay ahead of change and remain an insightful key financial enabler, both for customers and commercial partners, adding more value than mere access to liquidity.

The bank is expecting further asset growth in 2019, although the net interest margin is expected to remain under pressure due to fierce competition in key markets. Even under pressure, we have managed to keep a leading position within auto and sales finance in the Nordic market – positions we intend to defend going forward.

New regulations regarding unsecured lending will be implemented in Norway in 2019. Similar issues are discussed in other Nordic countries.

Santander Consumer Bank has over time requested that authorities put in place such regulations, as we firmly believe that responsible banking is the only sustainable way to do business. Our results have proven this to be correct, and we expect this to be even more visible to the market in 2019.

The bank has four funding sources, and is planning to be active in both the senior unsecured and secured (ABS) bond markets. Customer deposits is the biggest funding source, and the Bank expects further growth within this sector also in 2019. Hence, the plan is for the parent group funding to decrease. The bank is working constantly to streamline its internal processes, and has a cost-to-income target of less than 40%.

Lysaker, 20th February 2019

The Board of Directors of Santander Consumer Bank

Erik Kongelf (Chairman)	Bruno Montalvo Wilmot (Deputy Chairman)	Javier Anton
Frederico José Maria Ysart Alvarez de Toledo	Niels Christian Aall	Henning Strøm
Sigrid Dale (Employee Representative)	Jim Grøtner (Employee Representative)	Michael Hvidsten (Chief Executive Officer)

Annual Report

Santander Consumer Bank

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Profit and Loss - Santander Consumer Bank Nordic Group

All amounts in millions of NOK

	Note	2018	2017
Total interest income		8 158	7 850
Total interest expenses		-1 239	-1 243
Net interest income	11	**6 919**	**6 607**
Fee and commission income		561	553
Fee and commission expenses		-132	-111
Value change and gain/loss on foreign exchange and securities		27	-32
Other operating income	12	216	194
Other operating expenses	12	-208	-222
Gross margin		**7 384**	**6 989**
Salaries and personnel expenses	28, 29	-1 538	-1 125
Administrative expenses		-1 545	-1 587
Depreciation and amortisation	23, 24	-162	-106
Net operating income before impairment		**4 139**	**4 171**
Other income and costs	5	-189	-63
Impairment losses on loans	2, 4, 5, 15	184	-113
Profit before tax		**4 134**	**3 995**
Income tax expense	13	-995	-941
Profit after tax		**3 139**	**3 055**

Allocation of profit after tax			
Transferred to other earned equity		2 969	2 885
Transferred to additional Tier 1 capital		170	170
Total allocations		**3 139**	**3 055**

	Note		
Profit after tax		**3 139**	**3 055**
Items not to be recycled to profit and loss			
Actuarial gain/loss on post employment benefit obligations		-37	-25
Items to be recycled to profit and loss			
Net exchange differences on translating foreign operations		48	213
Measured at FVTOCI		3	3
Cash flow hedge	13, 20	-41	69
Net investment hedge	13, 20	-11	-74
Other comprehensive income for the period net of tax		**-37**	**186**
Total comprehensive income for the period		**3 102**	**3 241**

Balance Sheet - Santander Consumer Bank Nordic Group

All amounts in millions of NOK

	Note	2018	2017
Assets			
Cash and receivables on central banks	17	65	65
Deposits with and receivables on financial institutions	17	2 982	3 226
Loans to customers	2, 4, 6, 14, 15, 16, 17, 25	159 284	145 148
Commercial papers and bonds	4, 17, 19	10 363	6 859
Financial derivatives	17, 19	64	237
Repossessed assets	26	12	12
Other ownership interests	17, 19	26	23
Intangible assets	24	1 093	1 100
Deferred tax assets	13	-	228
Fixed assets	23	691	555
Other assets	17	1 528	1 645
Total assets		**176 108**	**159 100**
Liabilities and equity			
Debt to credit institutions	17, 31	40 253	31 020
Deposits from customers	17	54 645	50 617
Debt established by issuing securities	17, 18	52 929	51 270
Financial derivatives	17, 19	45	175
Tax payable	13	140	399
Other financial liabilities	17	345	344
Deferred tax	13	259	604
Pension liabilities	28	126	88
Other liabilities		2 299	1 651
Subordinated loan capital	17, 31	1 731	1 753
Total liabilities		**152 772**	**137 921**
Equity			
Share capital		9 652	9 652
Share capital premium		891	891
Additional Tier 1 capital		2 250	2 250
Other equity		10 478	8 274
OCI items		65	111
Total equity	9	**23 336**	**21 179**
Total liabilities and equity		**176 108**	**159 100**

Cash Flow - Santander Consumer Bank Nordic Group

All amounts in millions of NOK	Note	2 018	2017
Cash flow from operations			
Profit before tax		4 134	3 995
Adjustments for:			
- Depreciation, amortisation and impairment on fixed and intangible assets	12, 23, 24	266	206
- Net interest income	11	-6 919	-6 607
- Value change and gain/loss on foreign exchange and securities		-27	32
- Dividends on available for sale financial assets		-	-
Changes in:			
- Loans to customers	14	-14 711	-19 095
- Operational lease	23	-151	-1 159
- Repossessed assets	26	1	-7
- Other assets		116	-896
- Deposits from customers		4 028	9 647
- Other liabilities and provisions		751	-324
Interests received		8 158	7 850
Dividends received		-	-
Interests paid		-1 216	-1 243
Net income taxes paid		-1 008	-953
Net cash flow from operations		**-6 579**	**-8 554**
Cash flow from investments			
Purchase of bonds		-13 924	-5 896
Proceeds from matured bonds		10 397	10 334
Purchase of fixed and intangible assets		-156	-177
Proceeds from sale of fixed and intangible assets		9	25
Net cash flow from investments		**-3 674**	**4 286**
Cash flow from financing			
Proceeds from issued securities	18, 27	12 169	18 457
Repayments of issued securities	18, 27	-10 834	-9 795
Change in loans and deposits from credit institutions		9 202	-3 999
Proceeds from issue of subordinated loans	31	-	500
Repayment of subordinated loans	31	-22	-80
Dividend payments		-350	-1 200
Interest payments on additional Tier 1 capital		-170	-170
Net cash flow from financing		**9 995**	**3 712**
Exchange gains / (losses) on cash and cash equivalents		**14**	**-110**
Net change in cash and cash equivalents		-244	-666
Cash and cash equivalents at the beginning of the period		3 291	3 957
Cash and cash equivalents at the end of the period		**3 047**	**3 291**

Statement of changes in equity - Santander Consumer Bank Nordic Group

2018

All amounts in millions of NOK	Share capital	Share capital premium	Additional Tier 1 capital	Other Equity	Translation differences from foreign currencies	Measured at FVTOCI	Cash flow hedge	Net investment hedge	Actuarial gain/loss	Total
Balance at 1 January 2018	**9 652**	**891**	**2 250**	**8 274**	**178**	**32**	**21**	**-50**	**-70**	**21 179**
Changes in initial application of IFRS 9*	-	-	-	-601	-	-12	-	-	-	-614
Changes in initial application of IFRS 9 - tax*	-	-	-	144	-	3	-	-	-	147
Restated balance at 1 January 2018	**9 652**	**891**	**2 250**	**7 817**	**177**	**23**	**21**	**-50**	**-70**	**20 712**
Profit for the period	-	-	170	2 969	-	-	-	-	-	3 139
OCI movements (net of tax)	-	-	-	-	48	3	-41	-11	-37	-37
Interest payments additional Tier 1 capital	-	-	-170	-	-	-	-	-	-	-170
Tax on interest payment additional Tier 1 capital	-	-	-	42	-	-	-	-	-	42
Share dividend	-	-	-	-350	-	-	-	-	-	-350
Balance at 31 December 2018	**9 652**	**891**	**2 250**	**10 478**	**225**	**26**	**-20**	**-61**	**-106**	**23 336**

* See accounting principles for further details.

2017

All amounts in millions of NOK	Share capital	Share capital premium	Additional Tier 1 capital	Other Equity	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 2017	9 652	891	2 250	6 626	-36	29	-48	24	-123	19 266
Profit for the period	-	-	170	2 885	-	-	-	-	-	3 055
OCI movements (net of tax)	-	-	-	-	213	3	69	-74	-25	186
Interest payments additional Tier 1 capital	-	-	-170	-	-	-	-	-	-	-170
Tax on interest payment additional Tier 1 capital	-	-	-	42	-	-	-	-	-	42
Pension release	-	-	-	-79	-	-	-	-	79	-
Capital increase	-	-	-	-	-	-	-	-	-	-
Share dividend	-	-	-	-1 200	-	-	-	-	-	-1 200
Correction previous years	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2017	**9 652**	**891**	**2 250**	**8 274**	**178**	**32**	**21**	**-50**	**-70**	**21 179**

Total shares registered as at December 31, 2018, was 965 241 842, each with a par value of 10 NOK.

Restricted capital as at December 31, 2018 was 9 652 MM NOK. The split between restricted and unrestricted capital is in accordance with the Norwegian limited companies act.

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

Profit and Loss - Santander Consumer Bank AS

All amounts in millions of NOK

	Note	2018	2017
Total interest income		7 004	6 781
Total interest expenses		-1 161	-1 150
Net interest income	11	**5 843**	**5 630**
Fee and commission income		533	545
Fee and commission expenses		-109	-86
Value change and gain/loss on foreign exchange and securities		22	-33
Other operating income	12	96	312
Other operating expenses	12	-105	-120
Gross margin		**6 280**	**6 248**
Salaries and personnel expenses	28, 29	-1 328	-1 002
Administrative expenses		-1 301	-1 418
Depreciation and amortisation	23, 24	-149	-95
Net operating income before impairment		**3 502**	**3 733**
Other income and costs	5	-191	-59
Impairment losses on loans	2, 4, 5, 15	159	-40
Profit before tax		**3 470**	**3 634**
Income tax expense	13	-862	-820
Profit after tax		**2 607**	**2 814**

Allocation of profit after tax			
Transferred to other earned equity		2 437	2 644
Transferred to additional Tier 1 capital		170	170
Total allocations		**2 607**	**2 814**

	Note		
Profit after tax		2 607	2 814
Items not to be recycled to profit and loss			
Actuarial gain/loss on post employment benefit obligations		-37	-25
Items to be recycled to profit and loss			
Net exchange differences on translating foreign operations		2	11
Measured at FVTOCI		3	5
Cash flow hedge	13, 20	-35	52
Other comprehensive income for the period net of tax		**-66**	**43**
Total comprehensive income for the period		**2 541**	**2 857**

Balance Sheet - Santander Consumer Bank AS

All amounts in millions of NOK

	Note	2018	2017
Assets			
Cash and receivables on central banks	17	65	65
Deposits with and receivables on financial institutions	17	1 216	1 351
Loans to customers	2, 4, 6, 14, 15, 16, 17, 25	125 624	118 271
Commercial papers and bonds	4, 17, 19	8 025	8 475
Financial derivatives	17, 19	50	232
Repossessed assets	26	7	6
Loans to subsidiaries and SPV's	17	8 872	9 050
Investments in subsidiaries	17, 19, 30	1 292	1 277
Other ownership interests	17, 19	26	23
Intangible assets	24	653	677
Deferred tax assets	13	-	27
Fixed assets	23	256	222
Other assets	17	1 314	1 449
Total assets		**147 400**	**141 126**
Liabilities and equity			
Debt to credit institutions	17, 31	29 269	30 045
Deposits from customers	17	54 645	50 617
Debt established by issuing securities	17, 18	37 247	35 785
Financial derivatives	17, 19	38	172
Tax payable	13	140	395
Other financial liabilities	17	343	342
Deferred tax	13	468	620
Pension liabilities	28	126	88
Other liabilities		1 783	1 380
Subordinated loan capital	17, 31	1 731	1 753
Total liabilities		**125 790**	**121 198**
Equity			
Share capital		9 652	9 652
Share capital premium		891	891
Additional Tier 1 capital		2 250	2 250
Other equity		8 921	7 164
OCI items		-105	-30
Total equity	9	**21 609**	**19 928**
Total liabilities and equity		**147 400**	**141 126**

Cash Flow - Santander Consumer Bank AS

All amounts in millions of NOK	Note	2018	2017
Cash flow from operations			
Profit before tax		3 469	3 634
Adjustments for:			
- Depreciation, amortisation and impairment on fixed and intangible assets	12, 23, 24	162	105
- Net interest income	11	-5 844	-5 630
- Value change and gain/loss on foreign exchange and securities		-22	33
- Dividends on available for sale financial assets		-	-241
Changes in:			
- Loans to customers	14	-8 645	-12 751
- Operational lease	23	-45	-459
- Repossessed assets	26	1	-1
- Other assets		134	-1 060
- Deposits from customers		4 028	9 647
- Other liabilities and provisions		512	205
Interests received		7 021	6 781
Dividends received		-	241
Interests paid		-1 176	-1 150
Net income taxes paid		-876	-832
Net cash flow from operations		**-1 281**	**-1 479**
Cash flow from investments			
Purchase of bonds		-6 875	-2 809
Proceeds from matured bonds		5 200	6 164
Purchase of fixed and intangible assets		-132	-159
Proceeds from sale of fixed and intangible assets		4	17
Net cash flow from investments		**-1 804**	**3 213**
Cash flow from financing			
Proceeds from issued securities	18, 27	12 154	11 795
Repayments of issued securities	18, 27	-10 833	-2 483
Change in loans to and deposits from credit institutions		2 133	-10 218
Proceeds from issue of subordinated loans	31	-	500
Repayment of subordinated loans	31	-	-80
Dividend payments		-350	-1 200
Interest payments on additional Tier 1 capital		-170	-170
Net cash flow from financing		**2 933**	**-1 856**
Exchange gains / (losses) on cash and cash equivalents		**17**	**-21**
Net change in cash and cash equivalents		-135	-144
Cash and cash equivalents at the beginning of the period		1 416	1 560
Cash and cash equivalents at the end of the period		**1 281**	**1 416**

Statement of changes in equity - Santander Consumer Bank AS

2018

All amounts in millions of NOK	Share capital	Share capital premium	Additional Tier 1 capital	Other Equity	Translation differences from foreign currencies	Measured at FVTOCI	Cash flow hedge	Actuarial gain/loss	Total
Balance at 1 January 2018	**9 652**	**891**	**2 250**	**7 164**	**-12**	**31**	**20**	**-70**	**19 928**
Changes in initial application of IFRS 9*	-	-	-	-498	0	-11	-	-	-509
Changes in initial application of IFRS 9 - tax*	-	-	-	124	-	3	-	-	127
Restated balance at 1 January 2018	**9 652**	**891**	**2 250**	**6 791**	**-12**	**23**	**20**	**-70**	**19 546**
Profit for the period	-	-	170	2 438	-	-	-	-	2 607
OCI movements (net of tax)	-	-	-	-	2	3	-35	-37	-66
Interest payments additional Tier 1 capital	-	-	-170	-	-	-	-	-	-170
Tax on interest payment additional Tier 1 capital	-	-	-	42	-	-	-	-	42
Share dividend	-	-	-	-350	-	-	-	-	-350
Balance at 31 December 2018	**9 652**	**891**	**2 250**	**8 921**	**-10**	**26**	**-15**	**-106**	**21 609**

* See accounting principles for further details.

2017

All amounts in millions of NOK	Share capital	Share capital premium	Additional Tier 1 capital	Other equity	Translation differences from foreign currencies	Value change available for sale assets	Cash flow hedge	Actuarial gain/loss	Total
Balance at 1 January 2017	9 652	891	2 250	5 757	-22	26	-32	-123	18 399
Profit for the period	-	-	170	2 644	-	-	-	-	2 814
OCI movements (net of tax)	-	-	-	-	11	5	52	-25	43
Interest payments additional Tier 1 capital*	-	-	-170	-	-	-	-	-	-170
Tax on interest payment additional Tier 1 capital	-	-	-	42	-	-	-	-	42
Pension release	-	-	-	-79	-	-	-	79	-
Capital increase	-	-	-	-	-	-	-	-	-
Share dividend	-	-	-	-1 200	-	-	-	-	-1 200
Balance at 31 December 2017	**9 652**	**891**	**2 250**	**7 164**	**-12**	**31**	**20**	**-70**	**19 928**

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Total shares registered as at December 31, 2018, was 965 241 842, each with a par value of 10 NOK.

Restricted capital as at December 31, 2018 was 9 652 MM NOK. The split between restricted and unrestricted capital is in accordance with the Norwegian limited companies act.

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

Lysaker, 20th February 2019

The Board of Directors of Santander Consumer Bank

Erik Kongelf (Chairman)	Bruno Montalvo Wilmot (Deputy Chairman)	Javier Anton
Frederico José Maria Ysart Alvarez de Toledo	Niels Christian Aall	Henning Strøm
Sigrid Dale (Employee Representative)	Jim Grøtner (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 Strandveien 18, Lysaker, Norway. The Company is a 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 (SCF OY) and the Special Purpose Vehicles ("SPV") as listed in note 32 for the Company.

The 2018 consolidated financial statements of the Group and financial statements of the Company cover the period 01.01.2018 to 31.12.2018 and was approved by the Board of Directors and general assembly on 20 February 2019.

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 (prior to 1.January 2018), financial assets measured at fair value through other comprehensive income (effective 1.January 2018) and financial 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. See section 3 for further details regarding the use of accounting estimates.

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

2.2. Changes in accounting policy and disclosures

The Group has adopted IFRS 9 *Financial Instruments* as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statement.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening balance of other equity and OCI items of the current period. See statement of change in equity. The Group has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of specific IFRS 9 accounting policies applied in the current period (previous IAS 39 accounting policies applied in comparative period are described in annual report for 2017) are described in more detail on section 2.6 below.

The Group has also adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018, but this standard do not have a material effect on the Group's financial statement.

(a) Classification and measurment of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

Classification of financial instruments on the date of initial application of IFRS 9
The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial instrument as at 1 January 2018.

	IAS 39		IFRS 9	
All amounts in millions of NOK	**Measurement category**	**Carrying amount**	**Measurement category**	**Carrying amount**
Financial assets				
Cash and receivables on central banks	Amortized costs (Loans and receivables)	65	Amortized cost	65
Deposits with and receivables on financial institutions	Amortized costs (Loans and receivables)	3 226	Amortized cost	3 226
Loans to customers	Amortized costs (Loans and receivables)	140 793	Amortized cost	140 194
Commercial papers and bonds	Available for sale	6 859	Amortized cost	6 845
Financial derivatives	FVTPL	237	FVTPL	237
Other ownership interests	Available for sale	23	FVOCI	23
Other financial assets	Amortized costs (Loans and receivables)	1 586	Amortized cost	1 586
Total financial assets		**152 790**		**152 176**
Financial liabilities				
Debt to credit institutions	Amortized cost	31 020	Amortized cost	31 020
Deposits from customers	Amortized cost	50 617	Amortized cost	50 617
Debt established by issuing securities	Amortized cost	51 270	Amortized cost	51 270
Financial derivatives	FVTPL	175	FVTPL	175
Other financial liabilities	Amortized cost	344	Amortized cost	344
Subordinated loan capital	Amortized cost	1 753	Amortized cost	1 753
Total financial liabilities		**135 179**		**135 179**

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

Please refer to 2.6.1 (i) for more detailed information regarding the new classification requirements of IFRS 9.

The following table reconciles the carrying amount of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

All amounts in millions of NOK	IAS 39 carrying amount 31 December 2017	Reclassification	Remeasurements	IFRS 9 carrying amount 1 January 2018
Amortized cost				
Cash and receivables on central banks:				
Opening balance under IAS 39	65			
Closing balance under IFRS 9				65
Deposits with and receivables on financial institutions:				
Opening balance under IAS 39	3 226			
Closing balance under IFRS 9				3 226
Loans to customers:				
Opening balance under IAS 39	140 793			
Remeasurement: ECL allowance			-599	
Closing balance under IFRS 9				140 194
Commercial papers and bonds:				
Opening balance under IAS 39	-			
Additions: From available for sale (IAS 39) **(A)**		6 859		
Remeasurement: From available for sale to amortized cost			-12	
Remeasurement: ECL allowance			-2	
Closing balance under IFRS 9				6 845
Other financial assets:				
Opening balance under IAS 39	1 586			
Closing balance under IFRS 9				1 586
Total financial assets measured at amortized cost	**145 670**	**6 859**	**-614**	**151 916**
Available for sale				
Commercial papers and bonds:				
Opening balance under IAS 39	6 859			
Subtraction: To amortized cost (IFRS 9) **(A)**		-6 859		
Closing balance under IFRS 9				-
Other ownership interests:				
Opening balance under IAS 39	23			
Subtraction: To FVOCI (IFRS 9) **(B)**		-23		
Closing balance under IFRS 9				-
Total financial assets measured at available for sale	**6 882**	**-6 882**	**-**	**-**
Fair value through profit or loss (FVTPL)				
Financial derivatives:				
Opening balance under IAS 39	237			
Closing balance under IFRS 9				237
Total financial assets measured at FVTPL	**237**	**-**	**-**	**237**
Fair value through OCI (FVOCI)				
Other ownership interests:				
Opening balance under IAS 39	-			
Addition: From FVOCI (IFRS 9) **(B)**		23		
Closing balance under IFRS 9				23
Total financial assets measured at FVOCI	**-**	**23**	**-**	**23**

The total remeasurement loss of MNOK 614 was recognized in other equity (599 +2) and OCI items (12) at 1 January 2018.

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Group as shown in table above:

(A) Liquidity portfolio reclassified from available for sale under IAS 39 to amortized cost under IFRS 9
For the liquidity portfolio the past practice in the Group has been to hold to collect contractual cash flows. Consequently, the Group assessed that the appropriate business model is held to collect. As the liquidity portfolio also passed the SPPI tests the Group has classified it as amortized costs. The liquidity portfolio, which amounted to 6 859 MNOK, has thus been reclassified from available for sale under IAS 39 to amortized cost under IFRS 9 from the date of initial application.

(B) Reclassification from retired categories with no change in measurement
The following equity instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:

(i) Those previously classified as available for sale and now classified at FVOCI

For the financial assets that have been reclassified to the amortized cost category, the following table shows their fair value as at 31 December 2018 and the fair value gain or loss that would have been recognised if these financial assets had not been reclassified as part of transition to IFRS 9:

All amounts in millions NOK

Reclassifications to amortized cost	**31.12.2018**
From available for sale (IAS 39 classification) - Item (A) above	
Fair value as at 31 December 2018	10 304
Fair value gain/(loss) that would have been reconised during the quarter if the financial asset had not been reclassified	6

(c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9
The following table reconciles the prior period's closing impairment allowance for financial assets measured in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018.

All amounts in millions NOK **Measurement category**	**Loan loss allowance under IAS 39/Provision under IAS 37**	**Reclassification**	**Remeasurement**	**Loan loss allowance under IFRS 9**
Loans and receivables (IAS 39)/Financial assets at amortized cost (IFRS 9)				
Cash and receivables on central banks	-	-	-	-
Deposits with and receivables on financial institutions	-	-	-	-
Loans to customers	2 822	-	599	3 421
Commercial papers and bonds	-	-	2	2
Total	**2 822**	**-**	**601**	**3 423**

Further information on the measurement of the impairment allowance under IFRS 9 can be found in section 2.6.1 (ii).

2.2.1. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

None of these are expected to have a significant effect on the consolidated financial statements of the Group.

Leases (IFRS 16)

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(i) Leases in which the Group is a lessee

The Group will recognize new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Group will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Group estimates that it will recognize additional 328 MNOK lease liability and right of use assets at 1 January 2019.

(ii) Leases in which the Group is a lessor

No significant impact is expected for other leases in which the Group is a lessor.

(iii) Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

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. Investment in subsidiaries

Shares in subsidiaries are valued at cost and tested for impairment. Any impairment losses and reversal of impairment losses are classified as net gains (loss and impairment) on investments in subsidiaries in the income statement.

2.5. 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.

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. IFRS 15 is effective for annual periods beginning on or after 1 January 2018.

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. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments

IFRS 15 introduces a 5-step approach to revenue recognition and measurement:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognize the revenue as each performance obligation is satisfied.

Extensive disclosures are also required by the new standard.

The Group has completed an assessment of the adoption of IFRS 15 on its consolidated financial statement. The Group recognizes fee and commission income (other than fees included in the calculation of the effective interest rate) in scope of the new revenue recognition requirements. Those fees and commissions are recognized on provision of the following services:

- sale of insurance policies (acting as an agent)
- Collections

The implementation of IFRS 15 will not have a significant impact on the timing of recognition or measurement of revenue in the consolidated financial statements of the Group.

2.6. Financial assets and liabilities

Measurement methods

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal payments, plus or minus the cumulative amortization using the effective interest method of any differences between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowances.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. The Group have not had any 'POCI' financial assets during 2018.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit of loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortized costs and investments in debt instruments measured at FVOCI, as described in section 2.6.1 (ii), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as gain or loss.
(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

2.6.1. Financial assets

(i) Classification and subsequent measurement

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit and loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortized cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

(i) The Group's business model for managing the asset; and
(ii) The cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (‘SPPI’), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by an expected credit loss allowance recognised and measured as described in section 2.6.1 (ii). Interest income from these financial assets is included in ‘Interest income’ using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets’ cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value thorugh other comprehensive income (FVOCI). Movements in carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument’s amortized cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain and loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in “Interest income” using the effective interest rate method.

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortized cost of FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group’s objective is solely to collect the contractual cash flows from the asset or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (i.e. financial assets are held for trading purposes), then the financial assets are classified as part of ‘other’ business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Group’s business model for Loans to customers is to hold and collect contractual cash flows as the Group’s objective is solely to collect contractual cash flows, and sales only being made internally to consolidated SPVs as part of the Group’s funding strategy, with no result of derecognition by the Group.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments’ cash flows represent solely payments of principal and interest (the ‘SPPI test’). In making the assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interests includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistant with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer’s perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer’s net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity instruments at fair value through profit or loss, except where the Group’s management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group’s policy is to designate equity investments as FVOCI when those investments are held for other purposes than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income then the Group’s right to receive payments is established. The Group elected, at initial recognition, to designate its equity instruments (Other ownership interests) at FVOCI.

Financial instruments with the characteristics of equity:
The Group has issued a capital instrument which satisfies the requirements in CRD IV as Additional Tier 1 capital. Since the Group has a unilateral right not to repay interest or the principal to the investors, the capital instrument does not meet the requirements for a

liability as defined in IAS 32 and are therefore presented as Additional Tier 1 capital within the Groups equity. Interest expense and associated tax deduction is presented as part of other equity.

(ii) Impairment

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group did not use the low credit risk exemption for any of its financial instruments for the year ended 31 December 2018.

Expected credit loss measurement

IFRS 9 outline a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2', but is not yet deemed to be credit-impaired. Please see below for a description of how the Group determines when a significant increase in credit risk has occurred.
- Along with financial assets assessed to be in "Stage 2" due to SICR criteria, the Group uses other criteria to classify financial assets in Stage 2. Please refer below for details on other criteria used by the Group.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please see below for a description of how the Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured based on default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please see below for a description of inputs, assumptions and estimation techniques used in measuring ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. See below for an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on lifetime basis (Stage 3).

Further explanation is also provided on how the Group determines appropriate groupings when ECL is measured on a collective basis. See below.

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The Group uses "Cure Period – not in default state as of reporting date but was in default during last 12 months prior to reporting date", as a condition to classify financial instruments in stage 2, the Group in that way ensures that stage 3 exposures are migrated first to stage 2 for a period of 12 months and then are migrated to stage 1 exposure if not moved to stage 3 during the cure period.

There is no specific criteria followed for migrating exposures from stage 2 to stage 1.

Significant increase in credit risk (SICR)

Credit rating being one of the risk characteristics as suggested in the guideline, in the Group, admission and behavior scores which can be directly translated to corresponding PD are used as key factors to identify any credit risk deterioration event. Initial SICR assessment methodology in the Group compared credit admission score at origination with the monthly updated behavior score (PIT) and based on empirical data test results, 10% score drop was considered a significant change in credit risk. To strengthen the IFRS 9 compliance, the Group developed a new SICR assessment methodology. In this new methodology, remaining lifetime PD at reporting date is compared with remaining lifetime PD at origination and using a combination of absolute and a relative threshold, SICR assessment is made if the credit risk has increased significantly since initial recognition. After completing internal validation and required governance, the new methodology will be implemented in second quarter of 2019.

Further, along with financial assets assessed to have increased credit risk, financial assets falling under either of the categories mentioned below are classified as stage 2.

(i) Not in default state as of reporting date but was in default during any of last 12 months before reporting date.
(ii) Loan with forbearance action and not normalized as of reporting date and not in stage 3.
(iii) More than 30 days past due and not in stage 3.

Definition of default and credit-impaired assets

For estimation purposes (PD, LGD or EAD) the following definition of default (credit-impaired) is used: “A contract is considered to be default if it reaches 90 days in arrears, or for reasons such as bankruptcy, litigation, or special handling within collections”. Concerning subjective doubtful, it includes contracts, which are not classifiable as write-off or objective default (more than 90 days past due), but for which there are reasonable doubts about their full repayment or future behavior under the contractual terms. The elements to be taken as indications of unlikeliness to pay could include:

- The bank puts the credit obligation on non-accrued status.
- The bank makes a charge-off or account-specific provision resulting from a significant perceived decline in credit quality subsequent to the bank taking on the exposure.
- The bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement of principal, interest or (where relevant) fees, negative equity, persistent losses, inadequate economic or financial structure, insufficient cash flows to meet debts or impossibility of obtaining further financing.
- The bank has filed for the obligor’s bankruptcy or a similar order in respect of the obligor’s credit obligation to the banking group.
- The transactions which the debtor has legally disputed, the collection of which depends on the lawsuit’s outcome.
- Situations in which the entity has decided to terminate the contract to recover possession of the asset.

Measuring ECL – explanation of inputs, assumptions and estimation techniques

The expected credit loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), defined as follow:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), of over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amount the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for credit cards, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- LGD represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of product, availability of collateral or other credit support and the geography where the financial asset is handled. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting the PD, EAD and LGD for future periods and each individual exposure or collective segment. PD estimation includes the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). These three components (PD adjusted with likelihood of survival, LGD and EAD) are multiplied together to calculate ECL. This effectively calculates an ECL for future periods, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the effective interest rate calculated at portfolio level based on interest and fee income specific to the portfolio.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by empirical analysis.

The 12-month and lifetime EAD are determined based on the expected payment profile, which varies by product type.

- For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower. The expected probability of full redemption is captured in PD estimation through incorporation of likelihood of survival. Any changes in contractual repayments due to refinancing or restructuring is included in ECL calculation by considering new schedule of payments.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by observed behavior of the exposure in the Group and current limit utilization band, based on analysis of the Group’s recent default data.

The LDGs is estimated based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral value realized from sale of repossessed asset, any recovery thereafter and also recovery from sale of debt.
- For unsecured products, LGDs are influenced by collection strategies, including contracted debt sales and price.
- The Group separately estimates LGD for defaulted exposures. These LGDs are largely influenced by product type (secured or unsecured) and months in default.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product time. See below for an explanation of forward-looking information and its inclusion in ECL calculations.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The macro economic variables incorporated in determining ECL include gross domestic product, unempolyment rates and housing Price Index. The macro economic forecast used is available for three years (2019-2021), after which the same macro economic factors are assumed for the rest of the years until remaining maturity of the financial exposures are captures. The macro economic variables used for the ECL estimates for the period ended 31 December 2018 together with a sensitivity analysis is disclosed in note 4.

Grouping of instruments for losses measured on a collective basis

All standardized portfolio ECL calculation is done on a collective basis. Since IFRS 9 parameters are built on IRB framework, portfolios used in IFRS 9 are the same as rating systems used in IRBA and a basic requirement for rating system is to have homogenous pool of exposures. The following characteristics are used within a rating system to determine grouping for ECL calculation collectively:

- Product type (Secured, Unsecured)
- Loan type (Close end loans , Revolving loans)
- Customer type (Individuals, SME, Non-Standardized portfolio)
- Relevant scores (Admission, behavior)
- Credit scoring band
- Risk Bucket
- Restricting action taken on exposure

(iii) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, that substantially affects the risk profile of the loan.
- Significant extension of the lean term when the borrower is not in financial difficulty.
- Significant change in interest rate.

Considering nature of business, the change in terms are not substantially different and hence the renegotiation or modification does not result in derecognition. In exceptional cases where the loan is derecognized. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments.

(iv) Derecognition other than on a modification

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.

Specific to consumer loan product, after observing desired payment behavior on the exiting loan, the Group in selected cases provides a top-up on existing loan. In some cases the old loan is derecognized and a new contract is created. The new date of booking is then subsequently considered to be date of initial recognition for impairment calculation purposes including SICR (Significant Increase in Credit Risk) assessment.

(v) Write-off policy

The Group write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) insolvency of the borrower and (ii) realization of the collateral where the Group’s recovery method is foreclosing on collateral is such that there is no reasonable expectation of recovery in full.

The Group may write-off financial assets that are still subject to enforcement activity. The Group still seeks to recover amounts it is legally owed in full, but which have been partly written off due to no reasonable expectation of full recovery.

2.6.2. Financial instruments with the characteristics of equity

The Group has issued a capital instrument which satisfies the requirements in CRD IV as Additional Tier 1 capital. Since the Group has a unilateral right not to repay interest or the principal to the investors, the capital instrument does not meet the requirements for a liability as defined in IAS 32 and are therefore presented as Additional Tier 1 capital within the Groups equity. Interest expense and associated tax deduction is presented as part of other equity.

2.6.3. Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortized cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that it attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that gives rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which the gains and losses attributable to changes in the credit risk of the liability are also presented in profit of loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and

- Financial guarantee contracts and loan commitments

(ii) Derecognition

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.

2.6.4. Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. 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 loss allowance (calculated as described in 2.6.1 (ii); and
- The amount initially recognized less, where appropriate, the cumulative amount of income recognized.

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculated as described in 2.6.1 (ii)). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

2.6.5. 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.

2.7. 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.

2.8. Derivative financial instruments and hedging activities

The Group has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.
The Group has not provided comparative information for periods before the date of initial application of IFRS 9 for the new disclosures introduced by IFRS 9 as a consequential amendment to IFRS 7, as permitted by IFRS 7 paragraph 44Z.
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.

2.9. 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.

2.9.1. Santander Consumer Bank as lessor

The Group 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 leasing. 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 and repossessed assets, are entered under 'Other operating income' in the profit and loss account.

Income from financial leasing fees consists of interest and repayment of principal and is classified under the item interest income in the profit and loss account.

The Group has contracts in which the Group guarantees residual value of the leased assets. For these contracts the Group considers that not substantially all the risk and rewards incidental to the ownership of the asset has been transferred and thus the contracts are classified as operating leases. 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.

2.9.2. 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.

2.10. 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.

2.10.1. 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 other comprehensive income, which are recognized under 'Value change and gain/loss on foreign exchange and securities'.

2.10.2. 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 equity under the heading 'Net exchange differences on translating foreign operations'.

2.10.3. 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.

2.11. Intangible assets

2.11.1. 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.

2.11.2. 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.

At the end of each reporting period, the Group reviews the carrying amounts of its itangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs of disposal and value in use. Is assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and and the risks specific to the asset for which the estimates for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immidiatly in profit and loss.

2.12. Pension benefit schemes

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension schemes. The Norwegian company and the Swedish branch have had both defined contribution and defined benefit schemes during the year, but at 31.12.2017 the Norwegian company has ended their defined benefit pension scheme, except for one executive liability in the defined benefit scheme and 5 early retirement plans subject to defined benefit. The Danish branch and the Finnish company only have defined contribution schemes.

A defined contribution scheme is a pension scheme 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 scheme is a pension scheme that is not a defined contribution scheme. Typically defined benefit schemes 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 schemes 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 24. 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 schemes, the Group pays contributions to publicly or privately administered pension insurance schemes 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.

2.13. 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.

2.14. 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.

2.15. 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.

2.16. 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

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 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 13.

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 (*Kapitalkravsforskriften*.)

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.

6. Reclassifications

The Group has reclassified consignment from the financial statement line "Consignment" to "Loans to customers" in 2018. Comparison figures are changed similarly. As of December 31 2018 the Consignment portfolio constitute 4.2 Bn NOK of the financial statement line "Loans to Customers".

7. Accounting principles in comparative periods

The following is applicable to periods prior to January 1, 2018 for financial instruments accounted for under IAS 39.
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.

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 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'.

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.

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

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, a significant or prolonged decline in fair value (below cost) indicating 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 an impairment, 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 estimated future cash flows, discounted by the financial asset's original effective interest, i.e. the effective interest calculated at initial rates. In estimating the future cash flows of 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 minimum 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.

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.

Notes

Santander Consumer Bank Nordic Group

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 of losses in on and off-balance sheet positions arising from adverse movements 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 in the Group is categorized into interest rate risk, currency risk, and other price risk.

Interest rate risk

Interest rate risk is the risk of reduced earnings or reduction in the economic value of the equity due to changes in the market interest rates. The Group strives for a balance sheet composition that minimizes the interest rate risk by ensuring a similar total weighted interest term for assets and liabilities.

Limits are set for interest risk exposure in each of the currencies the bank has operations in. The Interest rate risk position is assessed based on two methods; the Net Interest Margin (NIM) sensitivity and the Market Value of balance sheet equity (MVE) sensitivity. SCB monitors the sensitivity of NIM and MVE for +/- 100 bp parallel shift in market interest rates. In addition, the bank conducts stress testing of the interest rate risk with the Basel IRRBB scenarios containing non-parallel movements in the interest rate curves. Note 8

Currency risk

Currency risk is the risk of changes in the value of a currency position due to foreign exchange fluctuations, adversely affecting the Group. 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 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. Limits are set for each currency exposure as well as the total exposure. 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.
The Group does not have a trading portfolio. The credit spread risk on the bank's liquidity portfolio is managed through strict limits on type of bonds to be held, minimum rating and maximum maturities, bonds are also held to maturity rather than sold in the market. The counterparties credit risk is considered minimal as the Group have credit support annex' (CSA agreements) for all its derivatives, therefore there is not done any specific credit valuations adjustments (CVA) in relation to the derivatives.

Liquidity risk

Liquidity risk is the possibility of failing to meet payment obligations on time or at an excessive cost. This includes losses due to forced sales of assets or impacts on margins due to a mismatch between estimated cash inflows and outflows.
The Group manages liquidity risk through minimizing the maturity gap between assets and liabilities, maintaining a portfolio of High Quality Liquid Assets and diversification of funding. The main sources of funding are Intragroup loans, unsecured issuances, securitizations and deposits.
The main metrics for measuring liquidity risk is the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The bank also conducts liquidity stress testing on a monthly basis. The Group controls liquidity risk through limits for LCS, NSFR and the minimum stress test survival horizon.

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	**2018**	**2017**	**2018**	**2017**
Current - not past due date	150 742	137 019	-1 029	-908
Current - past due date	8 741	8 039	-574	-306
Total impaired loans	3 319	2 912	-1 915	-1 608
Total gross loans to customers	**162 802**	**147 970**	**-3 518**	**-2 822**

	Balance		Loss reserves	
Ageing of past due but not impaired loans	**2018**	**2017**	**2018**	**2017**
1 - 29 days	7 129	6 485	-286	-131
30 - 59 days	1 174	1 162	-177	-95
60 - 89 days	437	392	-112	-80
Total loans due but not impaired	**8 741**	**8 039**	**-574**	**-306**

Ageing of impaired loans	Balance 2018	Balance 2017	Loss reserves 2018	Loss reserves 2017
90 - 119 days	273	242	-142	-82
120 - 149 days	222	185	-112	-77
150 - 179 days	184	154	-96	-75
180 + days*	1 110	798	-709	-551
Economic doubtful**	1 530	1 532	-855	-823
Total impaired loans	**3 319**	**2 912**	**-1 915**	**-1 608**

*The criteria for derecognition of impaired loans was amended in 2018 resulting in an increase of impaired loans compared to 2017.
** Economic doubtful contracts are loans where there is a reasonable doubt of full repayment due to reasons other than payment arrears

Note 3 - Net foreign currency position

All amounts in millions of NOK	Balance			Net positions
2018	**Asset**	**Debt**	**In NOK**	**in foreign currency**
SEK	41 164	40 973	191	197
DKK	44 624	44 651	-27	-20
EUR	52 004	50 723	1 281	129
Total	**137 792**	**136 347**	**1 445**	**306**

A 5,00 % increase in SEK fx rate will result in a Agio gain of NOK 9,6 MM in other comprehensive income
A 5,00 % decrease in SEK fx rate will result in a Agio loss of NOK 9,6 MM in other comprehensive income
A 5,00 % increase in DKK fx rate will result in a Agio loss of NOK 1,3 MM in other comprehensive income
A 5,00 % decrease in DKK fx rate will result in a Agio gain of NOK 1,3 MM in other comprehensive income
A 5,00 % increase in EUR fx rate will result in a Agio gain of NOK 64,1 MM in other comprehensive income
A 5,00 % decrease in EUR fx rate will result in a Agio loss of NOK 64,1 MM in other comprehensive income

All amounts in millions of NOK	Balance			Net positions
2017	**Asset**	**Debt**	**In NOK**	**in foreign currency**
SEK	38 597	38 570	27	27
DKK	43 551	43 511	40	30
EUR	48 631	47 846	786	80
Total	**130 779**	**129 927**	**853**	**137**

A 5,00 % increase in SEK fx rate will result in a Agio gain of NOK 1,3 MM in other comprehensive income
A 5,00 % decrease in SEK fx rate will result in a Agio loss of NOK 1,3 MM in other comprehensive income
A 5,00 % increase in DKK fx rate will result in a Agio gain of NOK 2,0 MM in other comprehensive income
A 5,00 % decrease in DKK fx rate will result in a Agio loss of NOK 2,0 MM in other comprehensive income
A 5,00 % increase in EUR fx rate will result in a Agio gain of NOK 39,3 MM in other comprehensive income
A 5,00 % decrease in EUR fx rate will result in a Agio loss of NOK 39,3 MM in other comprehensive income

Note 4 - Credit risk exposure

All amounts in millions of NOK

Maximum exposure to credit risk - Financial intruments subject to impairment

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

	2018			
Unsecured loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Credit grade				
Loans not past due date	28 330	1 478	-	29 808
Standard monitoring	1 459	1 051	-	2 509
Special monitoring	-	197	-	197
Default	-	-	1 888	1 888
Gross carrying amount	**29 788**	**2 726**	**1 888**	**34 402**
Loss allowance	(504)	(310)	(1 205)	(2 019)
Carrying amount	**29 284**	**2 416**	**683**	**32 383**

Loans not past due date: Exposures that are not in arrears and not in default.
Standard monitoring: Exposures in early arrears.
Special monitoring: Exposures under special monitoring.
Default: Defaulted loans.

	2018			
Secured loans*	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Credit grade				
Loans not past due date	113 203	7 263	-	120 466
Standard monitoring	3 875	2 343	-	6 218
Special monitoring	71	211	16	298
Default	-	-	1 418	1 418
Gross carrying amount	**117 149**	**9 817**	**1 435**	**128 400**
Loss allowance	(535)	(281)	(683)	(1 499)
Carrying amount	**116 614**	**9 536**	**751**	**126 901**

Loans not past due date: Exposures that are not in arrears and not in default.
Standard monitoring: Exposures in early arrears.
Special monitoring: Exposures under special monitoring.
Default: Defaulted loans.

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

Commercial papers and bonds	2018			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Investment grade	10 364	-	-	10 364
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross carrying amount	**10 364**	-	-	**10 364**
Loss allowance	(1)	-	-	(1)
Carrying amount	**10 363**	-	-	**10 363**

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

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

	Maximum exposure to credit risk
Financial derivatives	45

Key macroeconomic variables:
The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The macro economic variables found impacting credit risk and ECL are GDP, unempolyment rate and Housing Price Index. The macro economic forecast used is available for three years (2019-2021), after which the same macro economic factors are assumed for the rest of the years until remaining maturity of the financial exposures are captures. Forward looking scenarios have been considered for SICR assessment, meaning if there is a worsening of economy in the forecast period the share of SICR exposure will be higher.

The macro economic variables used for ECL estimates for the year ended December 2018 are shown below. The table show data for five years, three years with forecasts and 2 years assuming the same factors as period ending 2021.

Norway Macro Variables	2019	2020	2021	2022	2023
Unemployment rate					
Base scenario	4,02	3,88	3,72	3,72	3,72
Upside scenario 1	3,71	3,45	3,25	3,25	3,25
Upside scenario 2	3,51	3,25	3,05	3,05	3,05
Downside scenario 1	4,95	4,97	4,77	4,77	4,77
Downside scenario 2	5,98	6,16	5,91	5,91	5,91
House price index					
Base scenario	7,51	7,64	7,51	7,51	7,51
Upside scenario 1	8,94	8,55	8,25	8,25	8,25
Upside scenario 2	10,32	9,60	8,96	8,96	8,96
Downside scenario 1	2,41	3,67	3,82	3,82	3,82
Downside scenario 2	-2,28	-0,63	1,12	1,12	1,12

Domestic GDP					
Base scenario	2,72	2,79	2,71	2,71	2,71
Upside scenario 1	3,45	3,26	3,00	3,00	3,00
Upside scenario 2	3,97	3,74	3,43	3,43	3,43
Downside scenario 1	1,16	2,43	2,58	2,58	2,58
Downside scenario 2	-0,40	2,07	2,45	2,45	2,45

Sweden					
Macro Variables	**2019**	**2020**	**2021**	**2022**	**2023**
Unemployment rate					
Base scenario	6,40	6,30	6,20	6,20	6,20
Upside scenario 1	6,00	5,53	5,39	5,39	5,39
Upside scenario 2	5,49	4,67	4,46	4,46	4,46
Downside scenario 1	7,78	8,56	8,67	8,67	8,67
Downside scenario 2	8,70	10,21	10,56	10,56	10,56
House price index					
Base scenario	4,06	3,85	3,70	3,70	3,70
Upside scenario 1	5,27	4,58	4,16	4,16	4,16
Upside scenario 2	6,63	5,46	4,56	4,56	4,56
Downside scenario 1	0,54	1,29	2,82	2,82	2,82
Downside scenario 2	-3,18	0,18	2,29	2,29	2,29
Domestic GDP					
Base scenario	2,02	1,76	1,53	1,53	1,53
Upside scenario 1	2,78	2,29	1,86	1,86	1,86
Upside scenario 2	3,55	2,73	2,02	2,02	2,02
Downside scenario 1	0,25	0,48	1,09	1,09	1,09
Downside scenario 2	-1,60	-0,07	0,83	0,83	0,83

Denmark					
Macro variables	**2019**	**2020**	**2021**	**2022**	**2023**
Unemployment rate					
Base scenario	5,40	5,43	5,58	5,58	5,58
Upside scenario 1	4,93	4,68	4,70	4,70	4,70
Upside scenario 2	4,61	4,14	4,11	4,11	4,11
Downside scenario 1	6,37	6,91	7,42	7,42	7,42
Downside scenario 2	7,29	8,20	8,74	8,74	8,74
House price index					
Base scenario	3,28	3,20	3,05	3,05	3,05
Upside scenario 1	4,78	4,14	3,41	3,41	3,41

Upside scenario 2	5,86	5,00	3,79	3,79	3,79
Downside scenario 1	0,51	0,63	1,56	1,56	1,56
Downside scenario 2	-3,13	-0,90	0,99	0,99	0,99
Domestic GDP					
Base scenario	1,69	1,61	1,46	1,46	1,46
Upside scenario 1	2,74	2,26	1,65	1,65	1,65
Upside scenario 2	3,42	2,82	1,86	1,86	1,86
Downside scenario 1	0,40	0,41	0,76	0,76	0,76
Downside scenario 2	-1,29	-0,30	0,50	0,50	0,50

Finland **Macro variables**	**2019**	**2020**	**2021**	**2022**	**2023**
Unemployment rate					
Base scenario	8,06	7,88	7,74	7,74	7,74
Upside scenario 1	7,72	7,18	6,87	6,87	6,87
Upside scenario 2	7,34	6,55	5,93	5,93	5,93
Downside scenario 1	8,93	9,14	9,24	9,24	9,24
Downside scenario 2	9,89	10,38	10,81	10,81	10,81
House price index					
Base scenario	3,37	3,34	3,33	3,33	3,33
Upside scenario 1	4,97	4,50	3,77	3,77	3,77
Upside scenario 2	6,30	5,47	4,21	4,21	4,21
Downside scenario 1	0,41	1,26	2,60	2,60	2,60
Downside scenario 2	-3,18	0,36	1,82	1,82	1,82
Domestic GDP					
Base scenario	1,81	1,36	1,28	1,28	1,28
Upside scenario 1	2,87	2,17	1,61	1,61	1,61
Upside scenario 2	3,80	2,80	1,81	1,81	1,81
Downside scenario 1	0,25	0,26	0,87	0,87	0,87
Downside scenario 2	-1,64	-0,21	0,45	0,45	0,45

Scenario weights applied in the ECL estimates for the period ended 31 December 2018 are shown below. ECL is estimated for all scenarios, and applying the weights shown below the final ECL requirement is estimated.

All units	**Weight**
Base scenario	50 %
Upside scenario 1	20 %
Upside scenario 2	5 %
Downside scenario 1	20 %
Downside scenario 2	5 %

A sensitivity analysis comparing relative increase or decrease in ECL from the base scenario to the four scenarios described above are shown below:

Relative impact on ECL	Downside Scenario 1	Downside Scenario 2	Upside scenario 1	Upside Scenario 2
Norway	4,88 %	2,81 %	-0,45 %	-1,34 %
Sweden	2,48 %	1,53 %	-0,43 %	-0,85 %
Denmark	6,94 %	34,43 %	-1,36 %	-2,91 %
Finland	3,69 %	1,92 %	-0,54 %	-1,01 %
Nordic	4,57 %	2,53 %	-0,62 %	-1,46 %

Below is a calculation of forward looking scenario impact for period ending 31 December 2018. For the period ending 31 December 2018, forward looking ECL parameters had resulted in additional reserves of 85.7 MM NOK for the Group.

Forward looking impact	Local currency	Exchange rate	NOK
Norway	38.4	1,0000	38.4
Sweden	18.2	0,9701	17.6
Denmark	9.2	1,3322	12.3
Finland	1.7	9,9483	17.4
Total Group			**85.7**

Note 5 - Loss allowance

All amounts in millions of NOK

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

Unsecured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
Loss allowance as at 1 January 2018	**570**	**336**	**1 110**	**2 017**
Transfers:	-	-	-	-
Transfer from Stage 1 to Stage 2	(101)	230	-	129
Transfer from Stage 1 to Stage 3	(133)	-	518	386
Transfer from Stage 2 to Stage 3	-	(50)	142	92
Transfer from Stage 2 to Stage 1	12	(73)	-	(61)
Transfer from Stage 3 to Stage 2	-	6	(57)	(51)
Transfer from Stage 3 to Stage 1	0	-	(5)	(5)
Assets remaining in same Stage	(80)	(17)	27	(71)
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	(81)	(37)	(87)	(205)
of which 'account that have clossed in the period'	(81)	(37)	(87)	(205)
of which 'foreclosed'	-	-	-	-
of which 'sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	(18)	(85)	(441)	(544)
New financial assets originated or purchased	339	-	-	339
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	(4)	(0)	(2)	(6)
Loss allowance as at 31 December 2018	**505**	**310**	**1 205**	**2 019**

Secured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2018	**552**	**198**	**583**	**1 333**
Transfers:	-	-	-	-
Transfer from Stage 1 to Stage 2	(145)	235	-	90
Transfer from Stage 1 to Stage 3	(84)	-	359	275
Transfer from Stage 2 to Stage 3	-	(19)	139	121
Transfer from Stage 2 to Stage 1	9	(48)	-	(39)
Transfer from Stage 3 to Stage 2	-	16	(40)	(24)
Transfer from Stage 3 to Stage 1	0	-	(6)	(6)
Assets remaining in same Stage	(95)	(37)	(61)	(193)
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	(140)	(46)	(84)	(270)
of which 'account that have clossed in the period'	(140)	(46)	(84)	(270)
of which 'foreclosed'	-	-	-	-
of which 'sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	(4)	(19)	(206)	(228)
New financial assets originated or purchased	443	-	-	443
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	(1)	0	(0)	(1)
Loss allowance as at 31 December 2018	**535**	**281**	**683**	**1 499**

Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2018	**2**	**-**	**-**	**2**
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	(1)	-	-	(1)
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	-	-	-	-
of which 'account that have clossed in the	-	-	-	-
of which 'foreclosed'	-	-	-	-
of which 'sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial	-	-	-	-
FX and other movements	-	-	-	-
Loss allowance as at 31 December 2018	**1**	**-**	**-**	**1**

Off balance exposure*	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2018	**47**	**8**	**15**	**70**
Transfers:	-	-	-	
Transfer from Stage 1 to Stage 2	(4)	7	-	4
Transfer from Stage 1 to Stage 3	(6)	-	12	6
Transfer from Stage 2 to Stage 3	-	(1)	1	-
Transfer from Stage 2 to Stage 1	0	(4)	-	(4)
Transfer from Stage 3 to Stage 2	-	1	(3)	(3)
Transfer from Stage 3 to Stage 1	0	-	-	-
Assets remaining in same Stage	11	4	12	27
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	(5)	(1)	(8)	(15)
of which 'account that have clossed in the period'	(5)	(1)	(8)	(15)
of which 'foreclosed'	-	-	-	-
of which 'sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	37	-	-	37
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial	-	-	-	-
FX and other movements	-	-	-	-
Loss allowance as at 31 December 2018	**81**	**14**	**27**	**121**

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

2017

The Group has not provided comparative information for periods before the date of initial application of IFRS 9 for the new disclosures introduced by IFRS 9 as a consequential amendment to IFRS 7, as permitted by IFRS 7 paragraph 44Z.

All amounts in millions of NOK

Specific loan reserves	**2017**
Specific loan reserves 01.01.	1 555
+/- Fx rate adjustment opening balance	28
Reclassification between specific and generic loan reserves	39
+ Specific loan reserves for the period	-17
= Specific loan reserves period end	**1 605**
Generic loan reserves	
Generic loan reserves 01.01	1 371
+/- Fx rate adjustment opening balance	56
Release of reserves related to bad debt sale	0
Reclassification between specific and generic loan reserves	-39
+/- Generic loan reserves for the year	-172
= Generic loan reserves period end	**1 216**
Total Loan Reserves in Balance Sheet	**2 822**

Loan losses expenses	**2017**
Change in loan reserves provision	189
+/- Fx rate adjustment	3
+ Total realized losses	-1 567
- Recoveries on previously realized losses	662
- Gain on sold portfolios	601
= Loan losses in the period	**-113**

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 6 - Gross carrying amount

The following table explains changes in the gross carrying amount of loans to customers to explain their significance to the changes in the loss allowance

Unsecured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
Gross carrying amount as at 1 January 2018	**29 866**	**2 734**	**1 712**	**34 312**
Transfers:	-	-	-	-
Transfer from Stage 1 to Stage 2	-1 759	1 759	-	-
Transfer from Stage 1 to Stage 3	-931	-	931	-
Transfer from Stage 2 to Stage 3	-	-266	266	-
Transfer from Stage 2 to Stage 1	607	-607	-	-
Transfer from Stage 3 to Stage 2	-	101	-101	-
Transfer from Stage 3 to Stage 1	9	-	-9	-
Financial assets derecognised during the period other than write-offs	-5 034	-719	495	-5 259
of which 'account that have clossed in the period'	-5 034	-719	495	-5 259
of which 'Foreclosed'	-	-	-	-
of which 'Sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	-2	-3	-1 351	-1 356
New financial assets originated or purchased	10 256	-	-	10 256
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-3 223	-273	-55	-3 552
Gross carrying amount as at 31 December 2018	**29 788**	**2 726**	**1 888**	**34 402**

Secured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
Gross carrying amount as at 1 January 2018	**104 947**	**7 380**	**1 214**	**113 540**
Transfers:	-	-	-	-
Transfer from Stage 1 to Stage 2	-7 820	7 820	-	-
Transfer from Stage 1 to Stage 3	-963	-	963	-
Transfer from Stage 2 to Stage 3	-	-368	368	-
Transfer from Stage 2 to Stage 1	1 889	-1 889	-	-
Transfer from Stage 3 to Stage 2	-	105	-105	-
Transfer from Stage 3 to Stage 1	21	-	-21	-
Financial assets derecognised during the period other than write-offs	-26 145	-1 914	-38	-28 097
of which 'account that have clossed in the period'	-26 145	-1 914	-38	-28 097
of which 'Foreclosed'	-	-	-	-
of which 'Sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	-1	-1	-562	-564
New financial assets originated or purchased	58 556	-	-	58 556
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-13 335	-1 316	-384	-15 036
Gross carrying amount as at 31 December 2018	**117 149**	**9 817**	**1 435**	**128 400**

Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at 1 January 2018	6 859	-	-	6 859
Transfers:	-	-	-	-
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Financial assets remaining in same Stage	6 858	-	-	6 858
Financial assets derecognised during the period other than write-offs	-10 397	-	-	-10 397
of which 'account that have clossed in the period'	-	-	-	-
of which 'Foreclosed'	-	-	-	-
of which 'Matured'	-10 397	-	-	-10 397
of which 'change of perimeter'	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	13 924	-	-	13 924
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-22	-	-	-22
Gross carrying amount as at 31 December 2018	**10 364**	-	-	**10 364**

Off balance exposure	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at 1 January 2018	**18 070**	**110**	**121**	**18 300**
Transfers:	-	-	-	-
Transfer from Stage 1 to Stage 2	-143	143	-	-
Transfer from Stage 1 to Stage 3	-85	-	85	-
Transfer from Stage 2 to Stage 3	-	-7	7	-
Transfer from Stage 2 to Stage 1	61	-61	-	-
Transfer from Stage 3 to Stage 2	-	11	-11	-
Transfer from Stage 3 to Stage 1	-	0	0	-
Financial assets derecognised during the period other than write-offs	-1 740	-22	-34	-1 796
of which 'account that have clossed in the period'	-1 740	-22	-34	-1 796
of which 'Foreclosed'	-	-	-	-
of which 'Sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	3 970	-	-	3 970
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-1 309	18	-35	-1 326
Gross carrying amount as at 31 December 2018	**18 824**	**193**	**132**	**19 149**

Note 7 - Liquidity risk

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

All amounts in millions of NOK

2018	=< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	With no specific maturity	Total
Cash and receivables on central banks	65	-	-	-	-	-	65
Deposits with and receivables on financial institutions	2 982	-	-	-	-	-	2 982
Loans to customers	3 121	6 259	31 921	100 154	22 594	-	164 049
Commercial papers and bonds	515	2 742	5 749	1 384	-	-	10 390
Financial derivatives	7	10	39	9	-	-	65
Other financial assets	-	-	-	-	-	-	-
Total cash from assets	6 690	9 011	37 709	101 547	22 594	-	177 551
Debt to credit institutions	6 716	6 583	19 747	7 343	-	240	40 629
Deposits from customers	46 869	885	2 157	4 463	272	-	54 646
Debt established by issuing securities	1 023	8 217	13 407	26 279	4 380	-	53 306
Financial derivatives	5	8	34	(2)	-	-	45
Other financial liabilities	106	239	-	-	-	-	345
Subordinated loan capital	3	12	35	1 504	526	-	2 080
Total cash from debt	54 720	15 943	35 380	39 587	6 313	240	151 050
Net cash flow	-48 030	-6 933	2 329	61 959	17 417		

All amounts in millions of NOK

2017	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	With no specific maturity	Total
Cash and receivables on central banks	65	-	-	-	-	-	65
Deposits with and receivables on financial institutions	3 226	-	-	-	-	-	3 226
Loans to customers	5 621	6 921	30 410	89 130	21 328	-	153 410
Commercial papers and bonds	82	1 522	3 396	1 866	-	-	6 866
Financial trading derivatives	45	87	104	1	-	-	237
Other financial assets	-	-	-	-	-	23	23
Total cash from assets	9 039	8 530	33 910	90 997	21 328	23	163 827
Debt to credit institutions	3 805	8 297	14 829	3 770	-	381	31 082
Deposits from customers	47 527	169	1 502	1 419	-	-	50 617
Debt established by issuing securities	957	3 058	14 941	32 533	-	-	51 489
Financial derivatives	44	86	44	-	-	-	174
Other financial liabilities	164		180	-	-	-	344
Subordinated loan capital	-	3	-	-	1 750	-	1 753
Total cash from debt	52 497	11 613	31 496	37 722	1 750	381	135 459
Net cash flow	-43 458	-3 083	2 414	53 275	19 578		

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. Consignment is included in the financial statement line "Loans to customers".

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 100% for SEK, DKK and EUR and 50% for NOK as per 31.12.2018. With a stable basis of High Quality Liquid Assets, SCB AS fulfills the minimum LCR requirements.

Liquidity Coverage Ratio (LCR) %	2018	2017
Liquidity Coverage Ratio (LCR) Total	134	148
Liquidity Coverage Ratio (LCR) NOK	88	125
Liquidity Coverage Ratio (LCR) SEK	129	128
Liquidity Coverage Ratio (LCR) DKK	219	283
Liquidity Coverage Ratio (LCR) EUR	142	198

Note 8 - 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 Nordic Group

All amounts in millions of NOK

2018	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Cash and receivables on central banks	65	-	-	-	-	-	65
Deposits with and receivables on financial institutions	2 982	-	-	-	-	-	2 982
Loans to customers*	37 789	68 424	30 606	25 517	467	-3 519	159 284
Commercial papers and bonds	3 013	4 047	3 303	-	-	-	10 363
Financial derivatives	6	7	24	28	-	-	64
Other non-interest bearing assets	-	-	-	-	-	3 350	3 350
Total assets	**43 855**	**72 478**	**33 932**	**25 544**	**467**	**-168**	**176 108**
Debt to credit institutions	9 627	16 567	9 470	4 590	-	-	40 253
Deposits from customers	5 487	21 183	26 547	1 428	-	-	54 645
Debt established by issuing securities	18 453	18 548	5 641	-	-	-	52 929
Financial derivatives	4	5	17	20	-	-	45
Subordinated loan capital	247	1 484	-	-	-	-	1 731
Other non- interest bearing liabilities	-	-	-	-	-	3 169	3 169
Equity	1 939	-	-	-	-	21 397	23 336
Total liabilities and equity	**35 758**	**57 787**	**41 674**	**16 325**	**-**	**24 565**	**176 108**
Net interest risk exposure	**8 097**	**14 691**	**-7 742**	**9 220**	**467**	**-24 733**	**-**

*During 2018, the Group has implemented some changes to the methodology in Sweden for repricing of loans to customers. This is a model driven change to better reflect the expected re-pricing of this portfolio.

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 (Balance sheet items nominated in NOK)

All amounts in millions of NOK

2018	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Assets	4 678	47 289	5 501	3 239	56	3 643	64 405
Liabilities	8 733	19 220	12 074	-	-	24 378	64 405
Net balance	**-4 055**	**28 069**	**-6 573**	**3 239**	**56**	**-20 735**	**-**
Repricing gap	-4 055	28 069	-6 573	3 239	56	-20 735	-
Cumulative gap	-4 055	24 014	17 441	20 680	20 735	-	-

A +1,00 % parallell increase in market rates will result in a 65,56 million NOK decrease in profit in Norway.

Santander Consumer Bank AS Norway (Balance sheet items nominated in EUR)

All amounts in millions of EUR

2018	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Assets	25	-	-	-	-	137	162
Liabilities	25	35	74	29	-	-	162
Net balance	**-**	**-35**	**-74**	**-29**	**-**	**137**	**-**
Repricing gap	-	-35	-74	-29	-	137	-
Cumulative gap	-	-35	-109	-137	-137	-	-

A +1,00 % parallell increase in market rates will result in a 1,13 million EUR increase in profit in Norway.

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

2018	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Assets	3 771	20 037	14 943	1 964	74	1 695	42 483
Liabilities	11 581	19 579	9 090	-	-	2 233	42 483
Net balance	**-7 809**	**457**	**5 853**	**1 964**	**74**	**-538**	**-**
Repricing gap	-7 809	457	5 853	1 964	74	-538	-
Cumulative gap	-7 809	-7 352	-1 500	465	538	-	-

A +1,00 % parallell increase in market rates will result in a 54,26 million SEK decrease in profit in Sweden.

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

2018	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Assets	19 876	705	2 074	2 714	52	1 822	27 244
Liabilities	2 300	10 608	8 373	4 417	-	1 545	27 244
Net balance	**17 576**	**-9 903**	**-6 299**	**-1 703**	**52**	**276**	**-**
Repricing gap	17 576	-9 903	-6 299	-1 703	52	276	-
Cumulative gap	17 576	7 673	1 375	-329	-276	-	-

A +1,00 % parallell increase in market rates will result in a 1,9 million DKK increase in profit in Denmark

Santander Consumer Finance OY

All amounts in millions of EUR

2018	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Assets	823	363	1 065	1 642	26	43	3 963
Liabilities	1 311	397	893	1 045	-	317	3 963
Net balance	**-488**	**-34**	**172**	**597**	**26**	**-274**	**-**
Repricing gap	-488	-34	172	597	26	-274	-
Cumulative gap	-488	-522	-349	247	274	-	-

A +1,00 % parallell increase in market rates will result in a 5,88 million EUR decrease in profit in Finland.

Santander Consumer Bank Nordic Group

All amounts in millions of NOK

2017	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Cash and receivables on central banks	65	-	-	-	-	-	65
Deposits with and receivables on financial institutions	3 226	-	-	-	-	-	3 226
Loans to customers	64 526	43 533	13 791	20 233	243	2 822	145 148
Commercial papers and bonds	2 795	2 872	1 193	-	-	-	6 859
Financial derivatives	94	139	2	-	-	-	237
Other non interest bearing assets	-	-	-	-	-	3 564	3 564
Total assets	**70 706**	**46 544**	**14 986**	**20 235**	**243**	**6 386**	**159 100**
Debt to credit institutions	4 014	10 622	14 781	1 603	-	-	31 020
Deposits from customers	4 798	19 151	25 239	1 428	-	-	50 617
Debt established by issuing securities	17 209	31 301	2 761	-	-	-	51 270
Financial derivatives	-	173	-	-			175
Subordinated loan capital	250	1 503	-	-	-	-	1 753
Other non interest bearing liabilities	-	-	-	-	-	3 085	3 086
Equity	2 250	-	-	-	-	18 930	21 180
Total liabilities and equity	**28 522**	**62 750**	**42 782**	**3 032**	**-**	**22 015**	**159 100**
Net interest risk exposure	**42 184**	**-16 206**	**-27 796**	**17 204**	**243**	**-15 629**	**-**

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 (Balance sheet items nominated in NOK)

All amounts in millions of NOK

2017	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Assets	4 703	40 667	5 209	4 723	55	26 352	81 710
Liabilities	9 476	19 037	11 095	-	-	42 102	81 710
Net balance	**-4 773**	**21 630**	**-5 886**	**4 723**	**55**	**-15 749**	**-**
Repricing gap	-4 773	21 630	-5 886	4 723	55	-15 749	-
Cumulative gap	-4 773	16 857	10 971	15 694	15 749	-	15 300

A +1,00 % parallell increase in market rates will result in a 110,1 million NOK decrease in profit in Norway.

Santander Consumer Bank AS Norway (Balance sheet items nominated in EUR)

All amounts in millions of EUR

2017	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Assets	18	-	-	-	-	195	213
Liabilities	7	41	37	90	-	38	213
Net balance	**11**	**-41**	**-37**	**-90**	**-**	**157**	**-**
Repricing gap	11	-41	-37	-90	-	157	-
Cumulative gap	11	-29	-66	-156	-156	-	-

A +1,00 % parallell increase in market rates will result in a 1,64 million EUR increase in profit in Norway.

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

2017	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Assets	33 854	2 654	631	357	33	451	37 980
Liabilities	11 228	15 844	8 667	960	-	1 282	37 980
Net balance	**22 626**	**-13 189**	**-8 036**	**-603**	**33**	**-831**	**-**
Repricing gap	22 626	-13 189	-8 036	-603	33	-831	-
Cumulative gap	22 626	9 437	1 401	798	831	-	-

A +1,00 % parallell increase in market rates will result in a 53,5 million SEK increase in profit in Sweden.

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

2017	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Assets	17 919	834	1 605	2 719	65	971	24 113
Liabilities	4 100	6 134	6 495	6 551	-	833	24 113
Net balance	**13 819**	**-5 300**	**-4 890**	**-3 832**	**65**	**137**	**-**
Repricing gap	13 819	-5 300	-4 890	-3 832	65	137	-
Cumulative gap	13 819	8 519	3 629	-203	-137	-	-

A +1,00 % parallell increase in market rates will result in a -4,1 million DKK decrease in profit in Denmark

Santander Consumer Finance OY

All amounts in millions of EUR

2017	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Assets	744	238	742	1 248	8	189	3 169
Liabilities	971	363	790	635	-	410	3 169
Net balance	**-227**	**-125**	**-48**	**613**	**8**	**-221**	**-**
Repricing gap	-227	-125	-48	613	8	-221	-
Cumulative gap	-	-	-	-	-	-	-

A +1,00 % parallell increase in market rates will result in a 8,7 million EUR decrease in profit in Finland.

Note 9 - Capital adequacy

All amounts in millions of NOK

	2018	2017
Balance sheet equity		
Share capital	9 652	9 652
Share capital premium	891	891
Other equity	10 478	8 274
Additional tier 1 Capital	2 250	2 250
Other reserves	65	111
Total Equity	**23 336**	**21 179**
Common Equity Additional tier 1 Capital		
(-) Profit not eligible as capital	-1 000	-350
Cash-flow hedge adjustment	-	-21
IRB Expected Loss - Reserves	-327	-361
Goodwill	-705	-700
Other intangible assets	-302	-317
Deferred tax assets	-	-
Adjustment Prudent Valuation (AVA)	-10	-7
Additional tier 1 Capital	-2 250	-2 251
Total common Equity Additional tier 1 Capital	**18 741**	**17 172**
Capital adjustment according to IFRS9 Transitional rules	434	-
Total common Equity Additional tier 1 Capital (after IFRS9 transitional rules)	**19 175**	**17 172**
Additional tier 1 Capital		
Paid in Additional tier 1 capital instruments	2 250	2 250
Total Additional tier 1 Capital (with full IFRS9 impact)	**20 991**	**19 422**
Total Additional tier 1 Capital (after IFRS9 transitional rules)	**21 425**	**19 422**
Total Capital		
Paid up subordinated loans	1 711	1 711
Subordinated loans not eligible	-	-
Total Capital (with full IFRS9 impact)	**22 702**	**21 133**
Total Capital (after IFRS9 transitional rules)	**23 136**	**21 568**
Risk exposure on Standard Approach		
Regional governments or local authorities	73	78
Institutions	836	978
Corporates	9 156	5 528
Retail Standard Approach	56 206	51 402
Exposures in default SA	999	1 051
Covered bonds	466	420
Other Exposures	3 490	7 414
Total Risk exposure amount on Standard Approach	**71 226**	**66 871**

Risk exposure on Internal Rating Based Approach		
Retail Other	35 571	31 032
Total Risk exposure amount on Internal Rating Based Approach	**35 571**	**31 032**
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**106 797**	**97 903**
Foreign exchange (zero if under threshold)	1 472	852
Risk exposure amount for position, foreign exchange and commodities risks	**1 472**	**852**
Basic indicator approach	13 168	11 896
Risk exposure amount for operational risk	**13 168**	**11 896**
Standardized method	105	165
Risk exposure amount for credit valuation adjustment	**105**	**165**
Total risk exposure amount (with full IFRS9 impact)	**121 542**	**110 815**
Risk Exposure adjustment according to IFRS9 Transitional rules	380	-
Total risk exposure amount (after IFRS9 transitional rules)	**121 921**	**110 815**
Total exposure for Leverage Ratio		
Derivatives: Add-on under market-to-market method	642	734
Off-balance sheet items with 10% CCF	2 399	2 041
Off-balance sheet items with 20% CCF	788	269
Off-balance sheet items with 50% CCF	37	41
Adjusted On balance sheet exposure	174 763	159 100
Total exposure for Leverage Ratio (with full IFRS9 impact)	**178 630**	**162 184**
Exposure adjustment according to IFRS9 Transitional rules	571	-
Total exposure for Leverage Ratio (after IFRS9 transitional rules)	**179 201**	**162 184**
Minimum Regulatory Capital		
Minimum Core Equity	4,50%	4,50%
Pillar 2 Requirement	2,30%	2,20%
Countercyclical Buffer (combined)	1,14%	1,14%
Conservation Buffer	2,50%	2,50%
Systemic Risk Buffer	3,00%	3,00%
Minimum Regulatory Capital ratio (CET1)	**13,44%**	**13,44%**
Minimum Regulatory Capital		
Minimum Core Equity	5 469	4 987
Pillar 2 Requirement	2 795	2 438
Countercyclical Buffer (combined)	1 386	1 263
Conservation Buffer	3 039	2 770
Systemic Risk Buffer	3 646	3 324
Minimum Regulatory Capital amount (full IFRS9 impact)	**16 335**	**14 783**
Surplus of Core Equity Additional tier 1 capital (full IFRS9 impact)	2 406	2 389
Minimum Regulatory Capital amount (after IFRS9 transitional rules)	**16 386**	**14 783**
Surplus of Core Equity Additional tier 1 capital (after IFRS9 transitional rules)	2 789	2 389

Common equity Additional tier 1 capital ratio (full IFRS9 impact)	**15,42%**	**15,50%**
Common equity Additional tier 1 capital ratio (after IFRS9 transitional rules)	**15,73%**	**15,50%**
CET1 regulatory requirements	13,44%	13,34%
Additional tier 1 capital ratio (full IFRS9 impact)	**17,27%**	**17,53%**
Additional tier 1 capital ratio (after IFRS9 transitional rules)	**17,57%**	**17,53%**
Tire 1 regulatory requirements	14,94%	14,70%
Total capital ratio (full IFRS9 impact)	**18,68%**	**19,07%**
Total capital ratio (after IFRS9 transitional rules)	**18,98%**	**19,07%**
Total capital regulatory requirements	16,94%	16,70%
Leverage ratio (full IFRS9 impact)	**11,75%**	**11,98%**
Leverage ratio (after IFRS9 transitional rules)	**11,96%**	**11,98%**
LR regulatory requirements	5,00%	5,00%

Specification of IFRS Transition rules (based on initial impact)	
IFRS 9 Increase in Loss Reserves	-601
- whereof Internal Rating Based	-
Tax impact from increased loss reserves	144
Deferred tax assets impact on capital	-
Initial IFRS9 net impact on capital	-457
Base amount for IFRS9 transitional rule on capital	457
Transition %	95%
Capital adjustment due to Transitional rule	**434**

Std Approach value adjustments Spec Reserves	-601
- whereof Retail (75%RW)	-600
- whereof Covered Bonds (10%RW)	-2
Deferred tax assets impact on Risk Exposure Amount (250%RW)	20
Initial IFRS9 net impact on Risk Exposure Amount	-400
Base amount for IFRS9 transitional rule on Risk Exposure Amount	400
Transition %	95%
Risk Exposure adjustment due to Transitional rule	**380**
Impact from Transitional rules on capital ratios (same impact for Additional tier 1 and 2)	0,31%

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. The Pillar 3 Discolsure report is be published at www.santander.no.

Note 10 - 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 expected losses)

	31 December 2018				
All amounts in millions of NOK	**Unsecure loans**	**Secured loans**	**Financial lease**	**Operational lease**	**Total**
Norway	11 065	37 354	10 807	-	**59 226**
Sweden	14 416	17 561	5 268	-	**37 245**
Denmark	6 170	23 311	2 663	209	**32 353**
Finland	2 752	28 755	2 681	420	**34 608**
Total	**34 402**	**106 981**	**21 419**	**630**	**163 432**

	31 December 2017				
All amounts in millions of NOK	**Unsecure loans**	**Secured loans**	**Financial lease**	**Operational lease**	**Total**
Norway	11 410	35 088	9 837	-	**56 335**
Sweden	14 094	15 740	4 823	-	**34 658**
Denmark	5 777	21 440	2 487	161	**29 865**
Finland	2 648	22 889	1 736	318	**27 592**
Total	**33 930**	**95 157**	**18 884**	**479**	**148 450**

Balance sheet and P&L per country

All amounts in millions of NOK	31 December 2018					
	Norway	**Sweden**	**Denmark**	**Finland**	**Eliminations***	**Total Group**
Total interest income	3 831	1 569	1 691	1 143	-75	8 158
Total interest expenses	-880	-145	-165	-124	75	-1 239
Net interest income	**2 951**	**1 424**	**1 526**	**1 019**	**-**	**6 919**
Fee and commission income	183	146	171	61	-	561
Fee and commission expenses	-81	-8	-23	-20	-	-132
Value change and gain/loss on foreign exchange and securities	13	1	10	4	-	27
Other operating income	29	8	59	120	-	216
Other operating expenses	-36	-23	-47	-102	-	-208
Gross margin	**3 059**	**1 548**	**1 696**	**1 082**	**-**	**7 384**
Salaries and personnel expenses	-567	-415	-346	-207	-2	-1 538
Administration expenses	-720	-340	-241	-246	2	-1 545
Depreciation and amortisation	-96	-17	-37	-13	-	-162
Net operating income	**1 675**	**775**	**1 072**	**616**	**-**	**4 139**
Other income and costs	-149	-40	-1	1	-	-189
Impairment losses on loan, guarantees etc.	80	275	-219	48	-	184
Profit before tax	**1 606**	**1 010**	**852**	**665**	**-**	**4 134**
Income tax expense	-456	-227	-179	-133	-	-995
Profit after tax	**1 150**	**783**	**673**	**532**	**-**	**3 139**
Cash and receivables on central banks	65	-	-	-	-	65
Deposits with and receivables on financial institutions	865	737	2	1 378	-	2 982
Total gross loans to customers	59 226	37 245	32 144	34 188	-	162 802
Write-downs	-1 662	-748	-581	-528	-	-3 518
Commercial papers and bonds	2 130	2 510	2 217	3 506	-	10 363
Financial derivatives	50	-	-	14	-	64
Investments in subsidiaries	-	-	-	-	-	-
Other assets	20 668	425	1 542	658	-19 943	3 351
Total assets	**81 342**	**40 170**	**35 323**	**39 217**	**-19 943**	**176 108**
Debt to credit institutions	5 406	11 908	16 489	25 502	-19 052	40 253
Deposits from customers	22 051	15 415	17 180	-	-	54 645
Debt established by issuing securities	30 232	11 188	706	10 804	-	52 929
Financial derivatives	38	-	-	7	-	45
Other liabilities	2 088	1 532	994	317	-32	4 899
Equity	21 527	128	-46	2 587	-859	23 336
Total liabilities and equity	**81 342**	**40 170**	**35 323**	**39 217**	**-19 943**	**176 108**

	31 December 2017					
All amounts in millions of NOK	**Norway**	**Sweden**	**Denmark**	**Finland**	**Eliminations**	**Total Group**
Total interest income	3 740	1 607	1 568	1 000	-65	7 850
Total interest expenses	-895	-157	-158	-112	79	-1 243
Net interest income	**2 845**	**1 449**	**1 410**	**888**	**15**	**6 607**
Fee and commission income	198	154	147	55	-	553
Fee and commission expenses	-61	-8	-19	-23	-	-111
Value change and gain/loss on foreign exchange and securities	-33	4	-2	-3	1	-32
Other operating income	261	8	42	123	-241	194
Other operating expenses	-45	-25	-51	-101	-	-222
Gross margin	**3 165**	**1 583**	**1 527**	**939**	**-226**	**6 989**
Salaries and personnel expenses	-406	-329	-267	-116	-6	-1 124
Administration expenses	-749	-426	-245	-159	-8	-1 587
Depreciation and amortisation	-46	-19	-30	-10	-1	-106
Net operating income	**1 965**	**808**	**984**	**654**	**-240**	**4 171**
Other income and costs	-58	-	-1	-4	-	-63
Impairment losses on loan, guarantees etc.	155	-107	-112	-48	-	-113
Profit before tax	**2 062**	**701**	**871**	**601**	**-240**	**3 995**
Income tax expense	-461	-158	-202	-120	-	-941
Profit after tax	**1 601**	**543**	**670**	**481**	**-240**	**3 055**
Cash and receivables on central banks	65	-	-	-	-	65
Deposits with and receivables on financial institutions	1 449	829	20	929	-	3 226
Total gross loans to customers	56 335	34 658	29 704	27 274	-	147 970
Write-downs	-1 442	-582	-401	-397	-	-2 822
Commercial papers and bonds	2 256	2 357	1 150	1 097	-	6 859
Financial derivatives	232	-	-	5	-	237
Investments in subsidiaries	1 277	-	-	-	-1 277	-
Other assets	21 902	352	1 400	666	-20 756	3 564
Total assets	**82 074**	**37 613**	**31 872**	**29 574**	**-22 034**	**159 100**
Debt to credit institutions	5 725	11 827	16 636	18 156	-21 324	31 020
Deposits from customers	20 893	15 408	14 316	-	-	50 617
Debt established by issuing securities	33 337	8 905	-1	9 030	-	51 270
Financial derivatives	172	-	-	2	-	175
Other liabilities	2 071	1 470	875	278	145	4 839
Equity	19 876	2	47	2 109	-855	21 179
Total liabilities and equity	**82 074**	**37 613**	**31 872**	**29 574**	**-22 034**	**159 100**

Note 11 - Net interest income

All amounts in millions of NOK	2018	2017
Interest and similar income on loans to and receivables from credit institutions	86	80
Interest and similar income on loans to and receivables from customers	8 028	7 670
Interest and similar income on comm. paper, bonds and other securities	44	100
Total interest income*	**8 158**	**7 850**
Interest and similar expenses on debt to credit institutions	-206	-205
Interest and similar expenses on deposits from and debt to customers	-666	-603
Interest and similar expenses on issued securities	-321	-391
Interest on subordinated loan capital	-46	-37
Other interest expenses and similar expenses	-	-7
Total interest expense	**-1 239**	**-1 243**
Net interest income	**6 919**	**6 607**

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

All amounts in millions of NOK

To credit institutions	**2018**	**2017**
Interest expenses	-206	-205
Average loan	35 637	33 019
Average nominal interest rate	**0,58%**	**0,62%**
To customers	**2018**	**2017**
Interest expenses	-666	-603
Average deposit	52 631	45 794
Average nominal interest rate	**1,27%**	**1,32%**
To bondholders	**2018**	**2017**
Interest expenses	-321	-391
Average issued notes and bonds	52 100	46 940
Average nominal interest rate	**0,62%**	**0,83%**
Subordinated loan capital	**2018**	**2017**
Interest expenses	-46	-37
Average subordinated loan capital	1 742	1 525
Average nominal interest rate	**2,64%**	**2,43%**
Total of tables above:	**2018**	**2017**
Interest expenses	-1 239	-1 236
Loan	142 110	127 278
Average nominal interest rate	**0,87%**	**0,97%**

Note 12 - Other operating income and expenses

All amounts in millions of NOK	**2018**	**2017**
Operational leasing income	110	110
Dividends from investments	-	-
Other	106	84
Total other operating income	**216**	**194**
Ordinary depreciation operational leasing	-104	-99
Fee to The Norwegian Banks' Guarantee Fund	-57	-55
Other	-47	-68
Total other operating expenses	**-208**	**-222**

Note 13 - Tax

All amounts in millions of NOK

Income tax

	2018	**2017**
Tax payable	1 073	1 025
Adjustments in respect of prior years	-6	-6
Currency effects foreign tax credits	-	-2
Total current tax	**1 067**	**1 016**
Change in temporary differences	-72	-89
Currency effects	-	6
Adjustments in respect of prior years	-	7
Total change in deferred tax	**-72**	**-76**
Income tax expense	**995**	**941**

	2 018	**2 017**
Profit before tax	4 134	3 995
Estimated income tax at nominal tax rate 25%	1 033	999
Tax effects of:		
- Income not subject to tax	-	-
- Non deductible expenses	1	-36
Impact of lower tax rate in subsidiary	-33	-30
Adjustments in respect of prior years	-6	1
Currency effects	-	6
Tax charge	**995**	**941**

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

	2018		
All amounts in thousands of NOK	**Before tax**	**Tax (charge)/ credit**	**After tax**
Actuarial assumption related to pension	142	35	106
Cash flow hedges	26	6	19
Net investment Hedge	81	20	61
Currency translation differences	-222	3	-225
VISA Shares value adjustment	-26	-	-26
Other comprehensive income	**1**	**65**	**-65**

Tax payable	3
Deferred tax	62
Tax in OCI	**65**

Deferred tax in the balance sheet

	2018	2017
Deferred tax as of 1 January	376	465
Changes recognized in income statement	-72	-89
Changes recognized in OCI	-32	16
Adjustments in respect of prior years	-13	-15
Deferred tax at 31 December	**259**	**376**

Deferred taxes related to the following temporary differences

	2018	2017
Fixed assets	2 306	2 116
Net pension commitments	-126	-193
Financial instruments	-14	38
Net other taxable temporary differences	1 307	-654
Net translation differences	-	-
Total deferred tax position	**859**	**1 306**
Fixed assets	577	529
Net pension commitments	-31	-48
Financial instruments	-6	9
Net other taxable temporary differences	-280	-114
Net translation differences	-	-
Total deferred taxes at 31 December	**259**	**376**

Tax effect of different tax rates in other countries
The Group has operations in Sweden, Denmark and Finland whose tax rates are different from that in Norway (25 percent).

2018 figures: No changes in tax rates
2017 figures: No changes in tax rates

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.
The Group utilized tax credits from taxes paid in Denmark and Sweden in the tax settlement for 2017, for that purpose a reclassification between tax payable and deferred tax of MNOK 311 is done in the balance sheet in the comparison figures from 2017.
The reclassification did not affect recognized income tax in the statement of profit and loss.

Note 14 - Loans to customers

All amounts in millions of NOK

	2018
Unsecured loans	27 372
Credit Cards	7 030
Auto loans	128 400
- Installment loans	106 981
- Financial leasing	21 419
Total gross loans to customers	**162 802**
- Loan loss allowance - Stage 1	-1 039
- Loan loss allowance - Stage 2	-591
- Loan loss allowance - Stage 3	-1 888
Total net loans to customers	**159 284**

2017

The Group has not provided comparative information for periods before the date of initial application of IFRS 9 for the new disclosures introduced by IFRS 9 as a consequential amendment to IFRS 7, as permitted by IFRS 7 paragraph 44Z.

All amounts in millions of NOK	**2017**
Unsecured loans	27 324
Credit Cards	6 606
Auto loans	114 040
- Installment loans	*95 157*
- Financial leasing	*18 884*
Total gross loans to customers	**147 970**
- Specific loan reserves	-1 605
- Generic loan reserves	-1 216
Total net loans to customers	**145 148**

Note 15 - Impairment losses on loan, guarantees etc.

All amounts in millions of NOK

	2018	**2017**
Change in loss allowance - Unsecured loans	-65	109
Change in loss allowance - Secured loans	-46	82
Change in loss allowance - Commercial papers and bonds	1	1
+/- Fx rate adjustment opening balance	-	-1
+ Total realized losses	-1 919	-1 567
- Recoveries on previously realized losses	606	662
- Gain on sold portfolios	1 607	601
Impairment losses on loan, guarantees etc.	**184**	**-113**

Note 16 - Loans and impairment by main sectors

All amounts in millions of NOK

2018	Gross carrying amount	Accumulated impairment	Total
Private individuals	130 916	-3 086	127 830
Wholesale and retail trade	14 241	-210	14 031
Construction	6 083	-78	6 005
Real estate activities	4 717	-55	4 662
Transport and storage	2 742	-46	2 697
Manufacturing	1 456	-14	1 442
Human health services and social work activities	1 039	-12	1 028
Governments	243	-	241
Accommodation and food service activities	566	-9	557
Education	257	-3	254
Agriculture, forestry and fishing	328	-3	325
Electricity, gas, steam and air conditioning supply	140	-2	138
Other financial corporations	14	-	14
Mining and quarrying	36	-1	36
Information and communication	-	-	-
Public administration and defence, compulsory social security	23	-	23
Other services	-	-	-
Professional, scientific and technical activities	-	-	-
Total	**162 802**	**-3 519**	**159 284**

2017	Gross carrying amount	Accumulated impairment	Total
Private individuals	126 090	-2 527	123 563
Wholesale and retail trade	11 295	-153	11 142
Construction	3 534	-44	3 490
Real estate activities	3 071	-39	3 032
Transport and storage	1 674	-36	1 638
Manufacturing	673	-10	664
Human health services and social work activities	504	-4	501
Governments	391	-	391
Accommodation and food service activities	267	-4	263
Education	175	-1	174
Agriculture, forestry and fishing	176	-3	174
Electricity, gas, steam and air conditioning supply	58	-1	57
Other financial corporations	29	-	29
Mining and quarrying	30	-	30
Information and communication	-	-	-
Public administration and defence, compulsory social security	3	-	3
Other services	-	-	-
Professional, scientific and technical activities	-	-	-
Total	**147 970**	**-2 822**	**145 148**

Note 17 – Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 31 December 2018	Financial assets at fair value through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Cash and receivables on central banks	-	-	65	65
Deposits with and receivables on financial institutions	-	-	2 982	2 982
Loans to customers	-	-	159 284	159 284
Commercial papers and bonds	-	-	10 363	10 363
Financial derivatives	64	-	-	64
Other ownership interests	-	26	-	26
Other financial assets	-	-	-	-
Total financial assets	**64**	**26**	**172 693**	**172 784**
			Non financial assets	3 324
			Total assets	**176 108**

Classification of financial liabilities 31 December 2018	Financial liabilities at fair value through P&L	Financial liabilities at fair value through OCI	Amortized cost	Booked value
Debt to credit institutions	-	-	40 235	40 253
Deposits from customers	-	-	54 645	54 645
Debt established by issuing securities	-	-	52 929	52 929
Financial derivatives	45	-	-	45
Other financial liabilities	-	-	345	345
Subordinated loan capital	-	-	1 731	1 731
Total financial liabilities	**45**	-	**149 904**	**149 949**
			Non financial liabilities and equity	26 159
			Total liabilities	**176 108**

2017

The Group has not provided comparative information for periods before the date of initial application of IFRS 9 for the new disclosures introduced by IFRS 9 as a consequential amendment to IFRS 7, as permitted by IFRS 7 paragraph 44Z.

Classification of financial assets 31 December 2017	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	-	-	-	65	65
Deposits with and receivables on financial institutions	-	-	-	3 226	3 226
Loans to customers	-	-	-	145 148	145 148
Commercial papers and bonds	-	6 859	-	-	6 859
Financial derivatives	237	-	-	-	237
Other ownership interests	-	23	-	-	23

Other financial assets	-	-	-	1 586	1 586
Total financial assets	**237**	**6 882**	**-**	**150 025**	**157 145**
				Non financial assets	1 955
				Total assets	**159 100**

Classification of financial liabilities 31 December 2017	**Financial liabilities at fair value through P&L**	**Financial liabilities measured at amortized cost**	**Booked value**
Debt to credit institutions	-	31 020	31 020
Deposits from customers	-	50 617	50 617
Debt established by issuing securities	-	51 270	51 270
Financial derivatives	175	-	175
Other financial liabilities	-	344	344
Subordinated loan capital	-	1 753	1 753
Total financial liabilities	**175**	**135 004**	**135 179**
		Non financial liabilities and equity	23 921
		Total liabilities	**159 100**

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

Note 18 - Issued securities

All amounts in millions of NOK

	2018	2017
Issued certificates	1 751	901
Issued bonds	51 178	50 369
Total liability issued securities	**52 929**	**51 270**

Changes in liability issued securities

	Book value 31.12.2017	New issues/ repurchase	Monthly payments and at maturity	Book value 31.12.2018
Issued certificates	901	1 751	-901	1 751
Issued bonds	50 369	16 945	-16 136	51 178
Total liability issued securities	**51 270**	**18 696**	**-17 037**	**52 929**

Specification of issued securities

Bonds

Issuer	Net nominal value	Currency	Interest	Call date	Book value NOK 31.12.2018
Senior unsecured issued securities					
Santander Consumer Bank AS	1 700	NOK	Floating	2019-03-14	1 702
Santander Consumer Bank AS	1 751	NOK	Floating	2019-08-08	1 755
Santander Consumer Bank AS	1 100	NOK	Floating	2022-01-17	1 106
Santander Consumer Bank AS	1 400	NOK	Floating	2020-01-17	1 406
Santander Consumer Bank AS	700	NOK	Floating	2020-09-21	701
Santander Consumer Bank AS	800	NOK	Floating	2020-09-21	802
Santander Consumer Bank AS	650	NOK	Floating	2021-02-26	651
Santander Consumer Bank AS	700	NOK	Floating	2021-08-27	700
Santander Consumer Bank AS	500	EUR	Fixed	2019-02-25	5 016
Santander Consumer Bank AS	500	EUR	Fixed	2019-09-30	4 972
Santander Consumer Bank AS	500	EUR	Fixed	2020-02-17	4 991
Santander Consumer Bank AS	500	EUR	Fixed	2023-03-01	5 005
Santander Consumer Bank AS	1 450	SEK	Floating	2019-11-18	1 407
Santander Consumer Bank AS	1 000	SEK	Floating	2020-03-30	970
Santander Consumer Bank AS	1 000	SEK	Floating	2021-06-14	972
Santander Consumer Bank AS	500	SEK	Floating	2023-01-18	485
Santander Consumer Bank AS	500	SEK	Floating	2021-03-22	488
Santander Consumer Bank AS	500	SEK	Floating	2022-05-11	485
Santander Consumer Bank AS	750	SEK	Floating	2023-08-13	726
Santander Consumer Bank AS	500	SEK	Floating	2021-10-18	485
Santander Consumer Bank AS	500	DKK	Floating	2021-09-20	672
Asset backed issued securities					
Bilkreditt 7 Ltd	56	EUR	Floating	2030-03-25	557
SAF WH 1 Ltd	4 455	SEK	Floating	2029-06-09	4 322
SCF Rahoituspalvelut II DAC	102	EUR	Floating	2025-11-25	1 011

SCF Rahoituspalvelut KIMI VI DAC	321	EUR	Floating	2026-11-25	3 194
SCF Rahoituspalvelut VII DAC	663	EUR	Floating	2027-11-25	6 599
Totals issued bonds					**51 178**

Certificates

Issuer	Net nominal value	Currency	Interest	Call date	Book value NOK 31.12.2018
Certificates					
Santander Consumer Bank AS	250	NOK	Fixed	2019-07-26	251
Santander Consumer Bank AS	250	NOK	Fixed	2019-04-26	251
Santander Consumer Bank AS	250	NOK	Fixed	2019-11-22	250
Santander Consumer Bank AS	150	NOK	Fixed	2019-06-20	150
Santander Consumer Bank AS	300	SEK	Fixed	2019-02-08	291
Santander Consumer Bank AS	150	SEK	Fixed	2019-04-08	146
Santander Consumer Bank AS	100	SEK	Fixed	2019-04-24	97
Santander Consumer Bank AS	150	SEK	Fixed	2019-02-19	146
Santander Consumer Bank AS	175	SEK	Fixed	2019-02-21	170
Totals issued certificates					**1 751**

The Group has not had any defaults of principal or interest or other breaches with respect to its issued securities during the year ended 31 December 2018 and 2017.

Note 19 - Valuation Hierarchy

All amounts in millions of NOK

Financial instruments measured at fair value

2018			Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Financial assets						
Name	***Type***	***Notional***				
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 75	-	50	-	50
Kimi 5 Fixed	Interest Rate Swap	MM EUR 108	-	-	-	-
Kimi 5 Pass-trough	Interest Rate Swap	MM EUR 102	-	-	-	-
Kimi 6 Pass-trough	Interest Rate Swap	MM EUR 321	-	3	-	3
Kimi 7 Pass-trough	Interest Rate Swap	MM EUR 599	-	11	-	11
Total financial trading derivatives			**-**	**64**	**-**	**64**
Name	***Type***					
VISA	Equity		-	26	-	26
Total other ownership interests			**-**	**26**	**-**	**26**
Total Assets			**-**	**90**	**-**	**90**
Financial liabilities						
Name	***Type***	***Notional***				
Bilkreditt 7 Pass-trough	Cross Currency Swap	MM EUR 56	-	38	-	38
Kimi 5 Front	Interest Rate Swap	MM EUR 102	-	-	-	-
Kimi 6 Fixed	Interest Rate Swap	MM EUR 308	-	2	-	2
Kimi 7 Fixed	Interest Rate Swap	MM EUR 599	-	5	-	5
Total financial trading derivatives			**-**	**45**	**-**	**45**
Total Liabilities			**-**	**45**	**-**	**45**
Derivatives designated for hedge accounting - assets						
Name	***Type***	***Notional***				
Bilkreditt 7 Front	Cross Currency Swap	MM EUR 56	-	38	-	38
DK EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	19	-	19
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	62	-	62
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	4	-	4
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	18	-	18
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	46	-	46
Total dervatives designated for hedging - assets*			**-**	**188**	**-**	**188**

Derivatives designated for hedge accounting - liabilities

Name	*Type*	*Notional*				
Kimi 6 Front	Interest Rate Swap	MM EUR 321	-	4	-	4
Kimi 7 Front	Interest Rate Swap	MM EUR 599	-	11	-	11
Total dervatives designated for hedging - liabilities*			**-**	**16**	**-**	**16**

* 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.

Financial instruments measured at fair value

2017			**Quoted market price Level 1**	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
Financial assets						
Name	*Type*	***Notional***				
Bilkreditt 6 Fixed	Cross Currency Swap	MM EUR 81	-	139	-	139
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 168	-	94	-	94
Kimi 5 Fixed	Interest Rate Swap	MM EUR 258	-	2	-	2
Kimi 4 Pass-trough	Interest Rate Swap	MM EUR 48	-	1	-	1
Kimi 6 Pass-trough	Interest Rate Swap	MM EUR 590	-	-	-	-
Kimi 6 Fixed	Interest Rate Swap	MM EUR 578	-	2	-	2
Total financial trading derivatives			**-**	**237**	**-**	**237**
Name	***Type***					
Government bonds and Treasury Bills	Bonds		2 663	-	-	2 663
Covered Bonds	Bonds		4 197	-	-	4 197
Total commercial papers and bonds			**6 859**	**-**	**-**	**6 859**
Name	***Type***					
VISA	Equity		-	23	-	23
Total other ownership interests			**-**	**23**	**-**	**23**
Total Assets			**6 859**	**260**	**-**	**7 119**
Financial liabilities						
Name	*Type*	***Notional***				
Bilkreditt 6 Pass-trough	Cross Currency Swap	MM EUR 52	-	88	-	88
Bilkreditt 7 Pass-trough	Cross Currency Swap	MM EUR 152	-	85	-	85
Kimi 5 Pass-trough	Interest Rate Swap	MM EUR 264	-	1	-	1
Kimi 4 Pass trough	Interest Rate Swap	MM EUR 48	-	1	-	1
Kimi 4 Fixed	Interest Rate Swap	MM EUR 56	-	1	-	1
Total financial derivatives			**-**	**175**	**-**	**175**
Total Liabilities			**-**	**175**	**-**	**175**

Derivatives designated for hedge accounting - assets

Name	*Type*	***Notional***				
Bilkreditt 6	Cross Currency Swap	MM EUR 52	-	88	-	88
Bilkreditt 7	Cross Currency Swap	MM EUR 152	-	85	-	85

EMTN MEUR 350	Cross Currency Swap	MM EUR 350	-	8	-	8
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	26	-	26
DK EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	26	-	26
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	21	-	21
EMTN SEK	Interest Rate Swap	MM EUR 500	-	2	-	2
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	7	-	7
Total dervatives designated for hedging - assets*			**-**	**263**	**-**	**263**

Derivatives designated for hedge accounting - liabilities

Name	*Type*	***Notional***				
Kimi 5	Interest Rate Swap	MM EUR 264	-	-	-	-
Kimi 6	Interest Rate Swap	MM EUR 590	-	3	-	3
EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	3	-	3
Total dervatives designated for hedging - liabilities*			**-**	**6**	**-**	**6**

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

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

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

Level 2:
Instruments at this level is not considered to have an active market. Fair value is obtained from relevant observable market data. This includes prices based on identical instruments, as well as prices based on similar assets and price indicators that are observable for the asset or liability. Examples of instruments at Level 2 are securities priced out of interest rate curves. 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.

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.

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the below 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 – amortised cost

All amounts in millions of NOK				Related amounts not offset in the statement of financial position		
2018	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	252	-	252	-	240	12
Reverse repurchase arrangements	97	-	97	97	-	-
Financial liabilites						
Derivatives	61		61	-	43	18
Repurchase arrangements	-	-	-	-	-	-

All amounts in millions of NOK				Related amounts not offset in the statement of financial position		
2017	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	499	-	499	-	381	118
Reverse repurchase arrangements	852	-	852	852	-	-
Financial liabilites						
Derivatives	181		181	-	92	89
Repurchase arrangements	-	-	-	-	-	-

Note 20 - Hedging

Fair Value Hedge
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. 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 the 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.

The fair values of derivatives designated as fair value hedges is as follows:

	2018			2017		
All amounts in millions of NOK	Assets	Liabilities	Gains (losses) recognized in P&L	Assets	Liabilities	Gains (losses) recognized in P&L
Hedged item (Issued Bonds)	-	10 232	26	-	11 688	-5
Hedge instruments (Cross currency swaps)	-	49	-81	9	12	7
Fair value hedge adjustment	2	35	-	6	8	-
Nominal of hedging instruments	-	10 232	-	4 828	6 860	-
Net exposure over P&L			**-55**			**2**

	2018	2017
Inefficiency	Ineffectiveness recognized in P&L	Ineffectiveness recognized in P&L
Fair value hedging ineffectiveness	-55	2

Cash Flow Hedge
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 assess 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

The fair values of derivatives designated as cash flow hedges are as follows:

All amounts in millions of NOK	2018 Assets	2018 Liabilities	2018 Amount recognized in OCI	2017 Assets	2017 Liabilities	2017 Amount recognized in OCI
Hedged item (Bonds)	-	15 058	-	-	23 085	-
Hedge instruments (Cross currency interest rate swaps)	237	-	21	266	3	23
Hedge instruments (Interest rate swaps)	-	16	5	-	3	5
Nominal of hedging instruments	1 016	14 106	-	22 553	539	-
Net exposure over OCI			**26**			**28**

Inefficiency	2018 Ineffectiveness recognized in P&L	2017 Ineffectiveness recognized in P&L
Cash flow hedging ineffectiveness	-12	1

Periods when the cash flows are expected to occur and when they are expected to affect profit or loss;	2018 < 1 year	2018 1-5 years	2018 Over 5 years	2017 < 1 year	2017 1-5 years	2017 Over 5 years
Cash inflows (assets)	-	-	-	-	-	-
Cash outflows (liabilities)	3 193	11 865	-	10 053	13 032	-
Net cash flows	**3 193**	**11 865**	-	**10 053**	**13 032**	-

Reclass from OCI to profit and loss:	**2018**	**2017**
Reclassified amount	54	-94

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 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..

The fair values of the loans designated as net investment hedge is as follows:

All amounts in millions of NOK	2018 Assets	2018 Liabilities	2018 Amount recognized in OCI	2017 Assets	2017 Liabilities	2017 Amount recognized in OCI
Hedged item (Net assets in foreign subsidiary)	1 303	-	-14	1 289	-	-99
Hedge instrument (EUR-loan)	-	-1 303	14	-	-1 289	99
Net exposure over OCI			-			-

Inefficiency	2018 Ineffectiveness recognized in P&L	2017 Ineffectiveness recognized in P&L
Net investment hedging ineffectiveness	-	-

Note 21 - Financial instruments measured at amortized cost

Most of the financial instruments in the Group's balance sheet is measured and booked to amortized cost. This primarily applies to loans and advances to credit instititutions and customers, commercial papers and bonds, due to credit institutitions, deposits from customers and issued securities. Accounting for these items at amortized cost implies that the Group intend to hold or issue the items to collect or pay the contractual cash flows, and adjust for impairment if relevant.

Differences between amortized cost and fair value of the items may be caused by a number of factors, such as different view on macro-economic perspectives, credit risk, market conditions, return requirements and varying access to accurate information. The below table shows estimated fair value of items carried at amortized cost.

Fair value is measured on the basis of the fair value hierarchy as described in note 19.

Commercial papers and bonds:
Quoted prices in active markets exists for these instruments, and the fair value is reported in level 1 for this group of financial instruments.

Loans and advances to credit institutions:
These items consist of cash, posted swap collateral and reverse repurchase agreements, and the fair value is due to their short term nature assumed to equal the book value.

Loans to customers:
The Group's portfolio of loans to customers consists of the following main groups; credit cards, financial leasing, installment loans and unsecured loans. All loans in the portfolio is subject for continuous evaluation of whether an impairment or loan loss allowance should be booked for it. This evaluation take into consideration credit risk, macro-economic perspectives, time value of money and an unbiased and probability-weighted for possible outcomes for the loans. For further details on calculations of impairments and loan loss allowances please see note 4. The net value of the loan portfolios is assessed to give a good reflection of the portfolios fair value as the impairments and loan loss allowances is considered to give a fair view of the credit risk for the portfolios.

Deposits from customers:
Fair value is assessed to equal amortized cost as contractual maturity is short and the deposits to a limit extend is affected by changes in credit risk.

Loans and deposits from credit institutions:
These items consist of intercompany funding, repurchase agreements and swap collateral received. The portfolio of intercompany funding from Santander Consumer Finance S.A. have a short term to maturity of approximately six months, the portfolio therefore have a high turnover and is repriced regularly. Due to the short term nature of the portfolio it is assumed that the fair value equal the book value.

Issued securities:
The Group have issued securities in both EUR, SEK, DKK and NOK. Issuances of bonds in SEK/EUR/NOK are done on traded markets and quoted market prices for the securities is used as fair value (level 1).

The Group have one issued bond nominated in DKK in the unsecured bond market. The Danish market is highly illiquid and a liquidity premium is priced into the spread of this floating rate bond. It is therefore assessed that the book value is the best estimate of the fair value.

The Group also issue commercial papers (bonds with maturity less than one year). As the securities have short time to maturity it is assessed that the book value reflects the fair value most accurately.

Subordinated loan capital:
The Group hvertfall issue subordinated loan capital as a part of their funding. The loans are floating rate, and repriced quarterly based on a 3M STIBOR and NIBOR. The book value of the loans is considered to be a good estimate of the fair value as the loans are floating rate with frequent repricing's ensuring the debt is at market terms
.

Financial instruments measured at amortized cost

	2018		2017	
All amounts in millions of NOK	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets				
Type				
Deposits with external institutions	3 047	3 047	3 291	3 291
Loans to customers	159 284	159 284	145 148	145 148
Commercial papers and bonds	10 363	10 370	6 859	6 859
Loans to subsidiaries and SPV's	-	-	-	-
Total financial assets	172 694	172 701	155 299	155 299
Financial liabilities				
Type				
Loans and deposits from financial institutions	40 253	40 253	31 020	31 020
Deposits from customers	54 645	54 645	50 617	50 617
Issued securities	52 929	52 976	51 270	51 446
Subordinated loan capital	1 731	1 731	1 753	1 753
Total financial liabilities	149 558	149 605	134 660	134 836

Note 22 - 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 23 - Fixed assets

2018

All amounts in millions of NOK	**Machines, fittings, equipment**	**Leasing portfolio (operational)**	**Total 2018**
Acquisition cost 1.1	160	682	842
Rate difference opening balance	-	1	1
Acquisition cost 1.1 rate 31.12	160	683	844
Additions during the year	21	438	459
Disposals during the year	-62	-286	-348
Impairment	-	-	-
Rate difference year's acquisition cost	-1	-	-1
Acquisition cost 31.12	**118**	**836**	**954**
Acc. ordinary depreciation 1.1	-84	-181	-265
Rate difference 01.01	-	-	-
Acc. ordinary depreciation 1.1 rate 31.12	-84	-181	-265
Year's ordinary depreciation*	-26	-118	-145
Impairment	-	-1	-1
Rate difference year's depreciation average rate	-	-	-
Reversed depreciation on disposals	53	122	174
Acc. depreciation 31.12	**-57**	**-179**	-236
Accrued fees and provisions	-	-28	-28
Book value in the balance sheet 31.12	**61**	**630**	**691**

* Year's ordinary depreciation related to operational leasing is included in "Other operating expenses" in profit and loss.

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

2017

All amounts in millions of NOK	**Machines, fittings, equipment**	**Leasing portfolio (operational)**	**Total 2017**
Acquisition cost 1.1	145	661	806
Rate difference opening balance	5	55	60
Acquisition cost 1.1 rate 31.12	151	715	866
Additions during the year	34	282	316
Disposals during the year	-25	-316	-340
Impairment	-	-	-
Rate difference year's acquisition cost	-	-	-
Acquisition cost 31.12	**160**	**682**	**842**
Acc. ordinary depreciation 1.1	-68	-193	-261
Rate difference 01.01	-2	-16	18
Acc. ordinary depreciation 1.1 rate 31.12	-71	-209	-279

Year's ordinary depreciation*	-26	-99	-126
Impairment	-	-1	-1
Rate difference year's depreciation average rate	-1	-6	-6
Reversed depreciation on disposals	14	133	147
Acc. depreciation 31.12	**-84**	**-181**	**-265**
Accrued fees and provisions	-	-21	-21
Book value in the balance sheet 31.12	**76**	**479**	**555**

* Year's ordinary depreciation related to operational leasing is included in "Other operating expenses" in profit and loss.

Note 24 - Intangible assets

2018

All amounts in millions of NOK	**Intangible assets (software)**	**Goodwill**	**Total 2018**
Acquisition cost 1.1	629	784	1413
Rate difference opening balance	-10	6	-4
Acquisition cost 1.1 rate 31.12	619	790	1409
Additions during the year	138	-	138
Disposals during the year	-87	-	-87
Impairment	-	-	-
Rate difference year's acquisition cost	-8	-	-8
Acquisition cost 31.12	**662**	**790**	**1452**
Acc. ordinary amortization 1.1	-313	-	-313
Rate difference 01.01	-	-	-
Acc. ordinary amortization 1.1 rate 31.12	-313	-	-313
Year's ordinary amortization	-136	-	-137
Impairment	-	-	-
Rate difference year's amortization average rate	3	-	3
Reversed amortization on disposals	87	-	87
Acc. amortization 31.12	**-359**	**-**	**-360**
	-	-	-
Book value in the balance sheet 31.12	**303**	**790**	**1 093**

Method on measurement	Acquisition cost	Acquisition cost
amortization method	Linear	-
Plan of amortization and useful life	3 – 7 years	-
Average useful life	5 years	

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

2017

All amounts in millions of NOK	Intangible assets (software)	Goodwill	Total 2017
Acquisition cost 1.1	497	1 288	1 785
Rate difference opening balance	12	103	115
Acquisition cost 1.1 rate 31.12	509	1 391	1 900
Additions during the year	143	-	143
Disposals during the year	-23	-	-23
Impairment	-	-	-
Acquisition cost 31.12	**629**	**1 391**	**2 020**
Acc. ordinary amortization 1.1	-238	-563	-801
Rate difference 01.01	-7	-44	-51
Acc. ordinary amortization 1.1 rate 31.12	-245	-607	-852
Year's ordinary amortization	-81	-	-81
Impairment	-	-	-
Rate difference year's amortization average rate	-1	-	-1
Reversed amortization on disposals	15	-	15
Acc. amortization 31.12	**-313**	**-607**	**-920**
Book value in the balance sheet 31.12	**316**	**784**	**1 100**

Note 25 - Leasing

Financial leases (as lessor):

The Group 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	2018	2017
Gross investment in the lease:		
Due in less than 1 year	6 487	6 784
Due in 1 - 5 years	14 861	12 031
Due later than 5 years	71	69
Total gross investment in the lease	**21 419**	**18 884**
Present value of minimum lease payments receivable:		
Due in less than 1 year	6 250	6 533
Due in 1 - 5 years	11 506	10 801
Due later than 5 years	55	53
Total present value of minimum lease payments receivable	**17 811**	**17 388**
Unearned finance income	**3 608**	**1 496**

Operational leases (as lessor)

The Group owns assets leased to customers under operational lease agreements. Operational lease agreements are reported as fixed assets in the balance sheet.

All amounts in millions of NOK	2018	2017
Future minimum lease payments under non-cancellable operating leases		
Due in less than 1 year	202	216
Due in 1 - 5 years	405	340
Due later than 5 years	-	-
Total future minimum lease payments under non-cancellable operating leases	**607**	**556**

Note 26 - Repossessed assets

All amounts in millions of NOK

	2018	2017
Vehicles	12	12
Net	**12**	**12**

Note 27 - Changes in liabilities arising from financing activities

The table below shows a reconciliation of the opening and closing balances for liabilities arising from financing activities.

All amounts in millions of NOK

Liability	2017	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair value	Other changes	2018
Debt to credit institutions	**31 020**	9 202	31	-	-	**40 253**
Debt established by issuing securities	**51 270**	1 335	324	-	-	**52 929**
Subordinated loan capital	**1 753**	(22)	-	-	-	**1 731**

Note 28 - Pension expenses and provisions

All amounts in millions of NOK

In Norway the bank has a collective defined contribution pension scheme under the Occupational Pensions Act for all employees. In addition employees can withdraw pension from the collectively agreed AFP scheme. This scheme only applies to employees in Norway and forms part of a collective agreement. The previous defined benefit pension schemes were terminated in 2017 and active members were transferred to the defined contribution pension scheme. The remaining defined benefit pension commitments to certain employees consist of executive and early retirement pension schemes.

In Sweden the bank 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. Starting 1 July 2015, the results below include the former GE Money Bank pension schemes acquired in Sweden (BTP plan consistent with description above).

The defined benefit pension schemes expose the bank to risks associated with longevity, inflation and salaries and also market risks on plan assets.

In Denmark and Finland, the bank has defined contribution plans.

Pension expenses for defined benefit plans	**2018**	**2017**
Present value of year's pension earnings	-13	-24
Curtailment (gain) / loss	-	-
Settlement (gain) / loss	-	166
Interest cost on accrued liability	-9	-18
Interest income on plan assets	7	13
Allowance for taxes	-3	-5
Net Pension expenses	**-18**	**132**

Pension expenses for defined contribution plans	**2018**	**2017**
Total expenses	119	99

Pension liabilities in balance sheet	**2018**	**2017**
Pension funds at market value	264	248
Estimated pension liability	-390	-336
Net pension liability	**-126**	**-88**

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 2018	-336	248	-88
Current service cost	-13	-	-13
Curtailment gain / (loss)	-	-	-
Settlement gain / (loss)	-	-	-
Interest expense / Income	-9	7	-2
	-22	7	-15

Remeasurements:			
- Return on plan assets	-	-	-
- Gain/(Loss) from change in demographic assumptions	-	-	-
- Gain/(Loss) from change in financial assumptions	-47	-	-47
- Gain/(Loss) from plan experience	-3	-	-3
- Change in asset ceiling	-	-	-
	-50	-	-50
Exchange rate differences	9	-7	2
Contributions:			
- Employer	-	25	25
- Plan participants	-	-	-
Payments from plans:			
- Benefit payments	9	-9	-
Acquired in a business combination	-	-	-
Settlement	-	-	-
Others	-	-	-
	18	9	27
At 31 December 2018	**-390**	**264**	**-126**

	Present value of obligation	**Fair value of plan assets**	**Net pension liability**
At 1 January 2017	-659	441	-218
Current service cost	-24	-	-24
Curtailment gain / (loss)	-	-	-
Settlement gain / (loss)	166	-	166
Interest expense / Income	-18	13	-5
	124	13	137
Remeasurements:			
- Return on plan assets	-	-6	-6
- Gain/(Loss) from change in demographic assumptions	-	-	-
- Gain/(Loss) from change in financial assumptions	-23	-	-23
- Gain/(Loss) from plan experience	-5	-	-5
- Change in asset ceiling	-	-	-
	-27	-6	-34
Exchange rate differences	-13	11	-2
Contributions:			
- Employer	-	34	34
- Plan participants	-	-	-
Payments from plans:			
- Benefit payments	23	-23	-
Acquired in a business combination	-	-	-
Settlement	-	--	-
Others	-5	-	-5
	227	-200	27
	-	--	-
At 31 December 2017	**-336**	**248**	**-88**

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

	2018			2017		
	Norway	Sweden	Total	Norway	Sweden	Total
Present value of obligation	-13	-376	-390	-13	-324	-336
Fair value of plan assets	-	264	264	-	248	248
Total	**-13**	**-112**	**-126**	**-13**	**-76**	**-88**

The following assumptions have been used calculating future pensions:

	2018		2017	
	Norway	Sweden	Norway	Sweden
Discount rate	2,70%	2,50%	2,50%	2,75%
Inflation	N/A	2,00%	N/A	1,75%
Salary growth rate	2,75%	3,25%	2,50%	3,25%
Pension growth rate	1,45%	2,00%	1,32%	1,75%
Rate of social security increases	2,50%	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:

	2018		2017	
	Norway*	Swede n	Norway*	Sweden
Retiring at the end of the reporting period:				
- Male	-	22	4	22
- Female	-	24	3	25
Retiring 20 years after the end of the reporting period:				
- Male	1	23	1	24
- Female	-	25	-	26

The Mortality table K2013 is used for Norway and DUS14 (White collar) for Sweden.

*The Norwegian defined benefit schemes were terminated in 2017 and the table show remaining members.

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 6.71%	Increase by 7.25%
Salary growth rate	1,00%	Increase by 0.99%	Decrease by 0.97%

	Impact on defined benefit obligation - Sweden		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 26.19%	Increase by 30.74%
Salary growth rate	1,00%	Increase by 1.16%	Decrease by 1.09%

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 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 defined benefit pension schemes in Norway are unfunded.

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 25,193 TNOK.

The weighted average duration of the defined benefit obligation is 7.2 years in Norway and 28.3 years in Sweden.

Expected maturity analysis of undiscounted pension benefit payments:

At 31 December 2018	**Less than 1 year**	**Between 1 - 2 years**	**Between 2 - 5 years**	**Between 5 - 10 years**	**Total**
Pension benefit payments	11	9	34	39	**92**

Note 29 - Remuneration

All values in thousands of NOK

Santander Consumer Bank AS has established a Remuneration Committee, and a Remuneration Policy, which was last updated in November 2018. The Policy applies to all employees in the Company’s operations in Norway, Denmark and Sweden, as well as the subsidiary in Finland. There are special regulations for Senior Management with duties of material importance to risk exposure, and the heads of the control functions.

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 Bank and to support the Company’s performance culture. The Policy is 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 remuneration. Additionally, the Policy intend to ensure that the overall remuneration structure reflects sound and effective risk management principles. As a result, a key element in the Policy is to counteract risk-taking that exceeds the level of tolerated risk for the Bank while, at the same time, offer a flexible remuneration structure.

The Policy shall further ensure that the total variable remuneration payed out will not conflict with the requirement of maintaining a sound capital base.

Senior Management Team and Material Risk Takers are 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 Bank 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 Contribution: 7% up to 7G and 18% from 7G to 12G
2. Pension scheme for wages above 12G: 18% paid over payroll

Sweden
Two different types of pension's 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 75 "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.

Salary expense as of 31.12.2018 includes a restructuring provision amounting to 200 MM NOK.

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 2018	Total 2017
Michael Hvidsten, Chief Executive Officer	3 275	1 025	143	836	5 279	5 730
Knut Øvernes, Managing Director Norway	2 091	512	145	493	3 241	3 356
Bo Jakobsen, Managing Director Denmark	2 683	356	444	326	4 059	4 473
Peter Sjöberg, Managing Director Finland	2 322	442	-	384	3 148	3 421
Juan Calvera, Nordic IT & OPS Director	1 611	461	130	487	2 689	2 540
Olav Hasund, Nordic Auto Director	2 040	266	150	467	2 923	3 011
Martin Brage - Managing Director Sweden	1 808	287	896	69	3 060	-
Anders Bruun-Olsen, Nordic Financial Management Director	1 836	358	132	391	2 717	2 812
Mira Naumanen - Nordic Compliance Director	1 141	172	811	153	2 277	-

Mika Ylinen - Nordic Collection Director	1 151	196	-	148	1 495	-
Trond Debes, Nordic Legal, HR & Internal Comminication Director	1 611	266	138	372	2 387	2 440
Tatjana Toth, Chief Controlling Officer (Until 30.04.2018)	2 291	-	108	372	2 771	2 538
Espen Hovland, Chief Control Officer (As of 07.05.2018)	966	307	186	126	1 585	-
Andres Diez - Chief Risk Officer	1 444	266	125	237	2 072	1 933
Rocío Sánchez Aragonés - Nordic Internal Audit Director	1 129	256	-	1 145	2 530	2 283
Total	**27 399**	**5 170**	**3 316**	**6 065**	**41 950**	**34 537**

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 2018*	Total Number of shares earned, but not issued per 31.12.2018*	Value of the shares earned, but not issued per 31.12.2018* (thousand NOK)
Michael Hvidsten, Chief Executive Officer	12 967	24 210	1 101
Knut Øvernes, Managing Director Norway	6 483	12 087	554
Bo Jakobsen, Managing Director Denmark	3 540	7 945	284
Peter Sjöberg, Managing Director Finland	5 600	7 660	320
Juan Calvera, Nordic IT & OPS Director	5 834	9 433	413
Olav Hasund, Nordic Auto Director	3 371	6 411	291
Martin Brage, Managing Director Sweden	3 933	3 933	165
Anders Bruun-Olsen, Nordic Financial Management Director	4 538	9 058	413
Mika Ylinen, Nordic Collection Director	2 489	2 489	101
Mira Naumanen, Nordic Compliance Director	2 360	3 279	144
Trond Debes, Nordic Legal, HR & Internal Communication Director	3 371	6 607	300
Andres Diez, Chief Risk Officer	3 371	4 430	202
Rocío Sánchez Aragonés, Nordic Internal Audit Director	3 241	4 372	201
Total	**61 098**	**101 914**	**4 489**

Defined share value	**2018**	**2017**	**2016**
Share value - Banco Santander (EUR) *	4	6	5
Share value - Banco Santander (NOK) *	42	57	45

*Value of shares is delivered by Corporate per 02.02.2019, and the exchange rate per 31.12.2018.

Board of Directors		2018	2017
Erik Kongelf	Chairman	550	550
Bruno Montalvo Wilmot	Deputy Chairman	-	-
Federico Alvarez De Toledo Ysart	Member	-	-
Jyri Oskar Vilamo	Deputy	-	-
Javier Anton San Pablo	Member	-	-
Henning Strøm	Member	450	450
Niels Aall	Member	450	450
Mette Kjærsund	Deputy board member, employee representative	25	-
Berndt Ola Tillberg	Observer	25	213
Jim Grøtner	Deputy Employee representative	200	57
Sigrid Dale (From 01.11.2017)	Employee representative	200	30
Arja Punnonen	Employee representative	10	-
Total		**1 910**	**1 750**

	2018		2017	
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	645	545	595	541
Sweden	364	351	374	358
Denmark	268	244	271	245
Finland	191	182	182	176
Total	**1 468**	**1 322**	**1 422**	**1 320**

Audit services and advisory services (without VAT)	2018	2017
Audit services	18 019	13 585
Statutory audit and reporting SCF	10 258	8 118
IFRS 9	950	2 000
SOX	6 811	3 467
Other services	214	813
Total	**18 233**	**14 398**

Note 30 – 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. (See note 32 in AS for list of SPV's) These are fully consolidated into the Nordic Group Financial statement.

Note 31 - Receivables and liabilities to related parties

Debt to related parties: *All amounts in millions of NOK*	**2018**	**Accrued interest 2018**	**2 017**	**Accrued interest 2017**
Santander Benelux	-	-	582	2
Santander Consumer Finance S.A.	39 912	10	29 939	8
Banco Madesant	-	-	-	-
Total	**39 912**	**10**	**30 520**	**10**
Balance sheet line: "Subordinated loan capital" - Bonds				
MNOK 250, maturity March 2025, 3 months NIBOR +2.2575% (Santander Consumer Finance S.A)	250	-	250	-
MNOK 250, maturity July 2025, 3 months NIBOR +3.135% (Santander Consumer Finance S.A)	250	2	250	2
MSEK 750, maturity December 2024, 3 months STIBOR +2.2825% (Santander Consumer Finance S.A)	728	-	750	-
MNOK 500, maturity September 2027, 3 months NIBOR + 1,66% (Santander Consumer Finance S.A)	500	-	500	-
Total	**1 728**	**2**	**1 750**	**2**

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

Financial information in accordance with the capital requirement regulation is published at www.santander.no

Note 32 - 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:

	2018	**2017**
Interest income	13	39
Interest expenses	-132	-201
Interest payments additional Tier 1 capital	-169	-174
Fees	10	57
Other	-22	-4
Net transactions	**-301**	**-284**

Santander Consumer Bank Nordic Group had transactions with the following related parties per 31.12.2018

Banco Santander
Santander Consumer Finance SA
Santander Benelux
Produban
Banco Madesant
Santander Securities Services, S.A
Santander Insurance Europe Limited
Santander Insurance Services Ireland Limited
Abbey National Treasury Services plc

Note 33 - Contingent liabilities & commitments and provisions

All amounts in millions of NOK	**2018**	**2017**
Contingent liabilities*	74	82
Commitments (Granted undrawn credits)	28 296	20 558

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

Note 34 - Result over total assets

All amounts in millions of NOK

	2018	**2017**
Profit after tax (PAT)	3 139	3 055
Total assets (Assets)	176 108	159 100
PAT over Assets	1,78%	1,92%

Notes

Santander Consumer Bank AS

Note 1 - Risk Management

SCB AS'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. SCB AS's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on SCB AS's financial performance. SCB AS 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 SCB AS'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 of losses in on and off-balance sheet positions arising from adverse movements in market prices. SCB AS's strategy is to avoid taking on market risk in excess of what follows directly from the operation of the bank. Market risk in SCB AS is categorized into interest rate risk, currency risk, and other price risk.

Interest rate risk

Interest rate risk is the risk of reduced earnings or reduction in the economic value of the equity due to changes in the market interest rates. SCB AS strives for a balance sheet composition that minimizes the interest rate risk by ensuring a similar total weighted interest term for assets and liabilities.

Limits are set for interest risk exposure in each of the currencies the bank has operations in. The Interest rate risk position is assessed based on two methods; the Net Interest Margin (NIM) sensitivity and the Market Value of balance sheet equity (MVE) sensitivity. SCB monitors the sensitivity of NIM and MVE for +/- 100 bp parallel shift in market interest rates. In addition, the bank conducts stress testing of the interest rate risk with the Basel IRRBB scenarios containing non-parallel movements in the interest rate curves. Note 8

Currency risk

Currency risk is the risk of changes in the value of a currency position due to foreign exchange fluctuations, adversely affecting SCB AS. SCB AS strives for a composition of the balance sheet that minimizes currency risk by ensuring that assets, liabilities and incoming and outgoing cash flows are 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.
SCB AS currency risk is connected to currency positions as a result of operations in Sweden, Finland, and Denmark. Limits are set for each currency exposure as well as the total exposure. 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.

SCB AS does not have a trading portfolio. The credit spread risk on the bank's liquidity portfolio is managed through strict limits on type of bonds to be held, minimum rating and maximum maturities, bonds are also held to maturity rather than sold in the market. The CVA risk is considered minimal as SCB AS's derivatives have CSA agreements.

Liquidity risk

Liquidity risk is the possibility of failing to meet payment obligations on time or at an excessive cost. This includes losses due to forced sales of assets or impacts on margins due to a mismatch between estimated cash inflows and outflows.
SCB AS manages liquidity risk through minimizing the maturity gap between assets and liabilities, maintaining a portfolio of High Quality Liquid Assets and diversification of funding. The main sources of funding are Intragroup loans, unsecured issuances, securitizations and deposits.
The main metrics for measuring liquidity risk is the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The bank also conducts liquidity stress testing on a monthly basis. SCB AS controls liquidity risk through limits for LCS, NSFR and the minimum stress test survival horizon. Note 7

Operational risk

SCB AS 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 SCB AS 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. SCB AS continuously strives to improve the internal control environment.
SCB AS 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	**2018**	**2017**	**2018**	**2017**
Current - not past due date	119 880	112 124	-783	-673
Current - past due date	5 728	5 864	-442	-257
Total impaired loans	3 007	2 708	-1 766	-1 495
Total gross loans to customers	**128 615**	**120 696**	**-2 991**	**-2 425**

	Balance		Loss reserves	
Ageing of past due but not impaired loans	**2018**	**2017**	**2018**	**2017**
1 - 29 days	4 455	4 556	-206	-106
30 - 59 days	908	969	-143	-82
60 - 89 days	365	339	-94	-70
Total loans due but not impaired	**5 728**	**5 864**	**-442**	**-257**

	Balance		Loss reserves	
Ageing of impaired loans	**2018**	**2017**	**2018**	**2017**
90 - 119 days	243	215	-129	-72
120 - 149 days	203	166	-104	-70
150 - 179 days	168	144	-89	-70
180 + days*	1 077	797	-693	-550
Economic doubtful**	1 316	1 386	-751	-733
Total impaired loans	**3 007**	**2 708**	**-1 766**	**-1 495**

*The criteria for derecognition of impaired loans was amended in 2018 resulting in an increase of impaired loans compared to 2017.

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

Note 3 - Net foreign currency position

All amounts in millions of NOK	Balance		Net positions	
2018	**Asset**	**Debt**	**in NOK**	**in foreign currency**
SEK	41 525	41 334	191	197
DKK	44 624	44 651	-27	-20
EUR	21 293	21 313	-20	-2
Total	**107 442**	**107 298**	**144**	

A 5,00 % increase in SEK fx rate will result in a Agio gain of NOK 9,6 MM in other comprehensive income
A 5,00 % decrease in SEK fx rate will result in a Agio loss of NOK 9,6 MM in other comprehensive income
A 5,00 % increase in DKK fx rate will result in a Agio loss of NOK 1,3 MM in other comprehensive income
A 5,00 % decrease in DKK fx rate will result in a Agio gain of NOK 1,3 MM in other comprehensive income
A 5,00 % increase in EUR fx rate will result in a Agio loss of NOK 1 MM in other comprehensive income
A 5,00 % decrease in EUR fx rate will result in a Agio gain of NOK 1 MM in other comprehensive income

All amounts in millions of NOK	Balance		Net positions	
2017	**Asset**	**Debt**	**in NOK**	**in foreign currency**
SEK	38 949	38 922	27	27
DKK	43 551	43 511	40	30
EUR	25 160	25 201	-41	-4
Total	**107 660**	**107 634**	**26**	

A 5,00 % increase in SEK fx rate will result in a Agio gain of NOK 1,3 MM in other comprehensive income
A 5,00 % decrease in SEK fx rate will result in a Agio loss of NOK 1,3 MM in other comprehensive income
A 5,00 % increase in DKK fx rate will result in a Agio gain of NOK 2,0 MM in other comprehensive income
A 5,00 % decrease in DKK fx rate will result in a Agio loss of NOK 2,0 MM in other comprehensive income
A 5,00 % increase in EUR fx rate will result in a Agio loss of NOK 2,0 MM in other comprehensive income
A 5,00 % decrease in EUR fx rate will result in a Agio gain of NOK 2,0 MM in other comprehensive income

Note 4 - Credit risk exposure

All amounts in millions of NOK

Maximum exposure to credit risk - Financial intruments subject to impairment

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

	2018			
Unsecured loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Credit grade				
Loans not past due date	26 420	1 092	-	27 512
Standard monitoring	1 317	829	-	2 146
Special monitoring	-	192	-	192
Default	-	-	1 801	1 801
Gross carrying amount	**27 737**	**2 113**	**1 801**	**31 651**
Loss allowance	(469)	(240)	(1 161)	(1 870)
Carrying amount	**27 268**	**1 873**	**640**	**29 781**

Loans not past due date: Exposures that are not in arrears and not in default.
Standard monitoring: Exposures in early arrears.
Special monitoring: Exposures under special monitoring.
Default: Defaulted loans.

Secured loans*	2018 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Loans not past due date	85 986	5 945	-	91 932
Standard monitoring	2 061	1 514	-	3 574
Special monitoring	71	177	16	264
Default	-	-	1 193	1 193
Gross carrying amount	**88 118**	**7 636**	**1 209**	**96 963**
Loss allowance	(345)	(198)	(578)	(1 121)
Carrying amount	**87 773**	**7 438**	**631**	**95 842**

Loans not past due date: Exposures that are not in arrears and not in default.
Standard monitoring: Exposures in early arrears.
Special monitoring: Exposures under special monitoring.
Default: Defaulted loans.

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

Commercial papers and bonds	2018 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Investment grade	8 026	-	-	8 026
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross carrying amount	**8 026**	**-**	**-**	**8 026**
Loss allowance	-1	-	-	-1
Carrying amount	**8 025**	**-**	**-**	**8 025**

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

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

	Maximum exposure to credit risk
Financial derivatives	38

Key macroeconomic variables:
The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The macro economic variables found impacting credit risk and ECL are GDP, unempolyment rate and Housing Price Index. The macro economic forecast used is available for three years (2019-2021), after which the same macro economic factors are assumed for the rest of the years until remaining maturity of the financial exposures are captures. Forward looking scenarios have been considered for SICR assessment, meaning if there is a worsening of economy in the forecast period the share of SICR exposure will be higher.

The macro economic variables used for ECL estimates for the year ended December 2018 are shown below. The table show data for five years, three years with forecasts and 2 years assuming the same factors as period ending 2021.

Norway Macro Variables	2019	2020	2021	2022	2023
Unemployment rate					
Base scenario	4,02	3,88	3,72	3,72	3,72
Upside scenario 1	3,71	3,45	3,25	3,25	3,25

Upside scenario 2	3,51	3,25	3,05	3,05	3,05
Downside scenario 1	4,95	4,97	4,77	4,77	4,77
Downside scenario 2	5,98	6,16	5,91	5,91	5,91
House price index					
Base scenario	7,51	7,64	7,51	7,51	7,51
Upside scenario 1	8,94	8,55	8,25	8,25	8,25
Upside scenario 2	10,32	9,60	8,96	8,96	8,96
Downside scenario 1	2,41	3,67	3,82	3,82	3,82
Downside scenario 2	-2,28	-0,63	1,12	1,12	1,12
Domestic GDP					
Base scenario	2,72	2,79	2,71	2,71	2,71
Upside scenario 1	3,45	3,26	3,00	3,00	3,00
Upside scenario 2	3,97	3,74	3,43	3,43	3,43
Downside scenario 1	1,16	2,43	2,58	2,58	2,58
Downside scenario 2	-0,40	2,07	2,45	2,45	2,45

Sweden					
Macro Variables	**2019**	**2020**	**2021**	**2022**	**2023**
Unemployment rate					
Base scenario	6,40	6,30	6,20	6,20	6,20
Upside scenario 1	6,00	5,53	5,39	5,39	5,39
Upside scenario 2	5,49	4,67	4,46	4,46	4,46
Downside scenario 1	7,78	8,56	8,67	8,67	8,67
Downside scenario 2	8,70	10,21	10,56	10,56	10,56
House price index					
Base scenario	4,06	3,85	3,70	3,70	3,70
Upside scenario 1	5,27	4,58	4,16	4,16	4,16
Upside scenario 2	6,63	5,46	4,56	4,56	4,56
Downside scenario 1	0,54	1,29	2,82	2,82	2,82
Downside scenario 2	-3,18	0,18	2,29	2,29	2,29
Domestic GDP					
Base scenario	2,02	1,76	1,53	1,53	1,53
Upside scenario 1	2,78	2,29	1,86	1,86	1,86
Upside scenario 2	3,55	2,73	2,02	2,02	2,02
Downside scenario 1	0,25	0,48	1,09	1,09	1,09
Downside scenario 2	-1,60	-0,07	0,83	0,83	0,83

Denmark					
Macro variables	**2019**	**2020**	**2021**	**2022**	**2023**
Unemployment rate					
Base scenario	5,40	5,43	5,58	5,58	5,58
Upside scenario 1	4,93	4,68	4,70	4,70	4,70
Upside scenario 2	4,61	4,14	4,11	4,11	4,11

Downside scenario 1	6,37	6,91	7,42	7,42	7,42
Downside scenario 2	7,29	8,20	8,74	8,74	8,74
House price index					
Base scenario	3,28	3,20	3,05	3,05	3,05
Upside scenario 1	4,78	4,14	3,41	3,41	3,41
Upside scenario 2	5,86	5,00	3,79	3,79	3,79
Downside scenario 1	0,51	0,63	1,56	1,56	1,56
Downside scenario 2	-3,13	-0,90	0,99	0,99	0,99
Domestic GDP					
Base scenario	1,69	1,61	1,46	1,46	1,46
Upside scenario 1	2,74	2,26	1,65	1,65	1,65
Upside scenario 2	3,42	2,82	1,86	1,86	1,86
Downside scenario 1	0,40	0,41	0,76	0,76	0,76
Downside scenario 2	-1,29	-0,30	0,50	0,50	0,50

Scenario weights applied in the ECL estimates for the period ended 31 December 2018 are shown below. ECL is estimated for all scenarios, and applying the weights shown below the final ECL requirement is estimated.

All units	
	Weight
Base scenario	50 %
Upside scenario 1	20 %
Upside scenario 2	5 %
Downside scenario 1	20 %
Downside scenario 2	5 %

A sensitivity analysis comparing relative increase or decrease in ECL from the base scenario to the four scenarios described above are shown below:

Relative impact on ECL	Downside Scenario 1	Downside Scenario 2	Upside scenario 1	Upside Scenario 2
Norway	4,88 %	2,81 %	-0,45 %	-1,34 %
Sweden	2,48 %	1,53 %	-0,43 %	-0,85 %
Denmark	6,94 %	34,43 %	-1,36 %	-2,91 %

Below is a calculation of forward looking scenario impact for period ending 31 December 2018. For the period ending 31 December 2018, forward looking ECL parameters had resulted in additional reserves of 68.3 MM NOK for the Company.

Forward looking impact	Local currency	Exchange rate	NOK
Norway	38.4	1,0000	38.4
Sweden	18.2	0,9701	17.6
Denmark	9.2	1,3322	12.3
Total			68.3

Note 5 - Loss allowance

All amounts in millions of NOK

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

Unsecured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
Loss allowance as at 1 January 2018	**502**	**262**	**1 087**	**1 851**
Transfers:	-	-	-	-
Transfer from Stage 1 to Stage 2	(80)	187	-	**107**
Transfer from Stage 1 to Stage 3	(126)	-	492	**366**
Transfer from Stage 2 to Stage 3	-	(45)	142	**79**
Transfer from Stage 2 to Stage 1	10	(61)	-	**(51)**
Transfer from Stage 3 to Stage 2	-	6	(56)	**(50)**
Transfer from Stage 3 to Stage 1	0	-	(5)	**(5)**
Assets remaining in same Stage	(55)	(9)	30	**(34)**
Methodological changes	-	-	-	**-**
Financial assets derecognised that are not write-offs	(69)	(27)	(86)	**(182)**
of which 'account that have clossed in the period'	(69)	(27)	(86)	**(182)**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	(17)	(72)	(423)	**(512)**
New financial assets originated or purchased	309	-	-	**309**
Changes in PDs/LGDs/EADs	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	(5)	(1)	(3)	**(8)**
Loss allowance as at 31 December 2018	**469**	**240**	**1 161**	**1 870**

Secured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
Loss allowance as at 1 January 2018	**359**	**136**	**504**	**999**
Transfers:	-	-	-	-
Transfer from Stage 1 to Stage 2	(100)	167	-	67
Transfer from Stage 1 to Stage 3	(56)	-	292	236
Transfer from Stage 2 to Stage 3	-	(16)	118	102

Transfer from Stage 2 to Stage 1	7	(38)	-	(31)
Transfer from Stage 3 to Stage 2	-	16	(37)	(22)
Transfer from Stage 3 to Stage 1	0	-	(6)	(6)
Assets remaining in same Stage	(38)	(23)	(55)	(116)
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	(110)	(29)	(59)	(197)
of which 'account that have clossed in the period'	(110)	(29)	(59)	(197)
of which 'foreclosed'	-	-	-	-
of which 'sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	(4)	(14)	(178)	(196)
New financial assets originated or purchased	290	-	-	290
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	(3)	(1)	(1)	(5)
Loss allowance as at 31 December 2018	**345**	**198**	**578**	**1 121**

Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
Loss allowance as at 1 January 2018	**1**	**-**	**-**	**1**
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	1	-	-	1
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	-	-	-	-
of which 'account that have clossed in the period'	-	-	-	-
of which 'foreclosed'	-	-	-	-
of which 'sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-

FX and other movements	-	-	-	-
Loss allowance as at 31 December 2018	**1**	**-**	**-**	**1**

Off balance exposure	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
Loss allowance as at 1 January 2018	**47**	**8**	**15**	**70**
Transfers:	-	-	-	
Transfer from Stage 1 to Stage 2	(4)	7	-	4
Transfer from Stage 1 to Stage 3	(6)	-	12	6
Transfer from Stage 2 to Stage 3	-	(1)	1	0
Transfer from Stage 2 to Stage 1	0	(4)	-	(4)
Transfer from Stage 3 to Stage 2	-	1	(3)	(3)
Transfer from Stage 3 to Stage 1	0	-	(0)	(0)
Assets remaining in same Stage	11	4	12	27
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	(5)	(1)	(8)	(15)
of which 'account that have clossed in the period'	(5)	(1)	(8)	(15)
of which 'foreclosed'	-	-	-	-
of which 'sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	37	-	-	37
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-	-	-	-
Loss allowance as at 31 December 2018	**81**	**14**	**27**	**121**

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

2017

The Group has not provided comparative information for periods before the date of initial application of IFRS 9 for the new disclosures introduced by
IFRS 9 as a consequential amendment to IFRS 7, as permitted by IFRS 7 paragraph
44Z.

All amounts in millions of NOK

Specific loan reserves	**2017**
Specific loan reserves 01.01.	1 475
+/- Fx rate adjustment opening balance	22
Reclassification between specific and generic loan reserves	39
+ Specific loan reserves for the period	-41

= Specific loan reserves period end	**1 495**

Generic loan reserves	
Generic loan reserves 01.01	1 064
+/- Fx rate adjustment opening balance	30
Release of reserves related to bad debt sale	-
Reclassification between specific and generic loan reserves	-39
+/- Generic loan reserves for the year	-125
= Generic loan reserves period end	**930**

Total Loan Reserves in Balance Sheet	**2 425**

Loan losses expenses	**2017**
Change in loan reserves provision	166
+/- Fx rate adjustment	5
+ Total realized losses	-1 363
- Recoveries on previously realized losses	607
- Gain on sold portfolios	545
= Loan losses in the period	**-40**

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 6 - Gross carrying amount

The following table explains changes in the gross carrying amount of loans to customers to explain their significance to the changes in the loss allowance

Unsecured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
Gross carrying amount as at 1 January 2018	**27 278**	**2 145**	**1 670**	**31 093**
Transfers:	-	-	-	-
Transfer from Stage 1 to Stage 2	-1 354	1 354	-	-
Transfer from Stage 1 to Stage 3	-877	-	877	-
Transfer from Stage 2 to Stage 3	-	-231	231	-
Transfer from Stage 2 to Stage 1	479	-479	-	-
Transfer from Stage 3 to Stage 2	-	99	-99	-
Transfer from Stage 3 to Stage 1	9	-	-9	-
Financial assets derecognised during the period other than write-offs	-4 519	-573	421	-4 671
of which 'account that have clossed in the period'	-4 519	-573	421	-4 671
of which 'Foreclosed'	-	-	-	-
of which 'Sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	-2	-3	-1 241	-1 245
New financial assets originated or purchased	9 230	-	-	9 230
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-2 508	-200	-49	-2 757
Gross carrying amount as at 31 December 2018	**27 737**	**2 113**	**1 801**	**31 651**

Secured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at 1 January 2018	**82 536**	**5 657**	**1 053**	**89 246**
Transfers:	-	-	-	-
Transfer from Stage 1 to Stage 2	-6 002	6 002	-	-
Transfer from Stage 1 to Stage 3	-795	-	795	-
Transfer from Stage 2 to Stage 3	-	-323	323	-
Transfer from Stage 2 to Stage 1	1 475	-1 475	-	-
Transfer from Stage 3 to Stage 2	-	98	-98	-
Transfer from Stage 3 to Stage 1	20	-	-20	-
Financial assets derecognised during the period other than write-offs	-20 370	-1 354	-11	-21 736
of which 'account that have clossed in the period'	-20 370	-1 354	-11	-21 736
of which 'Foreclosed'	-	-	-	-
of which 'Sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	-1	-1	-483	-485
New financial assets originated or purchased	41 971	-	-	41 971
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-10 717	-967	-350	-12 033
Gross carrying amount as at 31 December 2018	**88 118**	**7 636**	**1 209**	**96 963**

Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at 1 January 2018	**8 475**	-	-	**8 475**
Transfers:	-	-	-	-
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Financial assets remaining in same Stage	8 474	-	-	8 474
Financial assets derecognised during the period other than write-offs	-7 236	-	-	-7 236
of which 'account that have clossed in the period'	-	-	-	-
of which 'Foreclosed'	-	-	-	-
of which 'Matured'	-7 236	-	-	-7 236
of which 'change of perimeter'	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	6 875	-	-	6 875
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-88	-	-	-88
Gross carrying amount as at 31 December 2018	**8 025**	-	-	**8 025**

Off balance exposure	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
Gross carrying amount as at 1 January 2018	**16 971**	**110**	**82**	**17 163**
Transfers:	-	-	-	-
Transfer from Stage 1 to Stage 2	-140	140	-	-
Transfer from Stage 1 to Stage 3	-85	-	85	-
Transfer from Stage 2 to Stage 3	-	-7	7	-
Transfer from Stage 2 to Stage 1	61	-61	-	-
Transfer from Stage 3 to Stage 2	-	11	-11	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Financial assets derecognised during the period other than write-offs	-1 635	-22	-39	-1 696
of which 'account that have clossed in the period'	-1 635	-22	-39	-1 696
of which 'Foreclosed'	-	-	-	-
of which 'Sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	3 970	-	-	3 970
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-314	21	4	-
Gross carrying amount as at 31 December 2018	**18 829**	**193**	**127**	**19 149**

Note 7 - Liquidity Risk

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

All amounts in millions of NOK

2018	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	With no specific maturity	Total
Cash and receivables on central banks	65	-	-	-	-	-	65
Deposits with and receivables on financial institutions	1 216	-	-	-	-	-	1 216
Loans to customers	2 367	4 738	24 849	73 130	20 687	-	125 771
Commercial papers and bonds	276	1 451	3 791	1 967	739	-	8 224
Financial derivatives	3	7	30	9	-	-	49
Loans to subsidiaries and SPV's	-	2 270	1 025	5 596	-	-	8 891
Investment in subsidiaries	-	-	-	-	-	1 292	1 292
Other financial assets	-	-	-	-	-	1 317	1 317
Total cash from assets	3 927	8 466	29 695	80 702	21 426	2 609	146 825
Debt to credit institutions	9 610	4 870	11 849	3 055	-	199	29 583
Deposits from customers	46 869	885	2 157	4 463	272	-	54 646
Debt established by issuing securities	32	7 116	9 406	21 009	-	-	37 563
Financial derivatives	3	6	28	-	-	-	37
Other financial liabilities	106	-	237	-	-	-	343
Subordinated loan capital	3	12	35	1 504	526	-	2 080
Total cash from debt	56 622	12 889	23 711	30 031	798	199	124 252
Net liquidity risk	-52 693	-4 423	5 984	50 671	20 628		

All amounts in millions of NOK

2017	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	With no specific maturity	Total
Cash and receivables on central banks	65	-	-	-	-	-	65
Deposits with and receivables on financial institutions	1 351	-	-	-	-	-	1 351
Loans to customers	3 690	5 022	23 936	67 406	20 152	-	120 207
Commercial papers and bonds	7	1 079	3 057	4 341	-	-	8 483
Financial derivatives	44	86	101	-	-	-	232
Loans to subsidiaries and SPV's	435	125	212	8 785	-	-	9 556
Investment in subsidiaries	-	-	-	-	-	1 277	1 277
Other financial assets	-	-	-	-	-	23	23
Total cash from assets	5 592	6 313	27 306	80 532	20 152	1 301	141 195
Debt to credit institutions	3 452	5 155	11 742	8 061	1 491	208	30 109
Deposits from customers	47 527	169	1 502	1 419	-	-	50 617
Debt established by issuing securities	261	1 637	9 252	25 031	-	-	36 181
Financial derivatives	44	86	43	-	-	-	172
Other financial liabilities	164	-	178	-	-	-	342
Subordinated loan capital	-	3	-	-	1 750	-	1 753
Total cash from debt	51 448	7 049	22 718	34 511	3 241	208	119 174
Net liquidity risk	-45 856	-737	4 589	46 021	16 911		

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.
Consignment is included in the financial statement line "Loans to customers".

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 100% for SEK and DKK and 50% for NOK as per 31.12.2018. With a stable basis of High Quality Liquid Assets, SCB AS fulfills the minimum LCR requirements.

Liquidity Coverage Ratio (LCR) %	2018	2017
Liquidity Coverage Ratio (LCR) Total	126	135
Liquidity Coverage Ratio (LCR) NOK	88	125
Liquidity Coverage Ratio (LCR) SEK	129	128
Liquidity Coverage Ratio (LCR) DKK	219	283

Note 8 - 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

2018	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Cash and receivables on central banks	65	-	-	-	-	-	65
Deposits with and receivables on financial institutions	1 216	-	-	-	-	-	1 216
Loans to customers*	31 235	66 341	21 891	8 946	201	(2 991)	125 624
Commercial papers and bonds	3 245	3 209	1 571	-	-	-	8 025
Financial derivatives	4	8	30	8	-	-	50
Loans to subsidiaries and SPV's	138	2 246	998	5 490	-	-	8 872
Other non interest bearing assets	-	-	-	-	-	3 457	3 457
Total assets	**35 903**	**71 804**	**24 490**	**14 444**	**201**	**556**	**147 400**
Debt to credit institutions	8 416	18 580	1 916	357	-	-	29 269
Deposits from customers	5 487	21 183	26 547	1 428	-	-	54 645
Debt established by issuing securities	8 052	29 195	-	-	-	-	37 247
Financial derivatives	4	7	27	-	-	-	38
Subordinated loan capital	247	1 484	-	-	-	-	1 731
Other non interest bearing liabilities	-	-	-	-	-	2 861	2 861
Equity	1 939	-	-	-	-	19 670	21 609
Total liabilities and equity	**24 145**	**70 449**	**28 490**	**1 785**	**-**	**22 531**	**147 400**
Net interest risk exposure	**11 758**	**1 356**	**-4 000**	**12 659**	**201**		

*During 2018, the Group implemented some changes to the methodology in Sweden for repricing of loans to customers. This is a model driven change to better reflect the expected re-pricing of this portfolio.

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 (Balance sheet items nominated in NOK)

All amounts in millions of NOK

2018	0 - 1 months	1 - 3 months.	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	4 678	47 289	5 501	3 239	56	3 643	64 405
Liabilities	8 733	19 220	12 074	-	-	24 378	64 405
Net balance	**-4 055**	**28 069**	**-6 573**	**3 239**	**56**	**-20 735**	**-**
Repricing gap	-4 055	28 069	-6 573	3 239	56	-20 735	-
Cumulative gap	-4 055	24 014	17 441	20 680	20 735	-	-

A +1,00 % parallell increase in market rates will result in a 65,56 million NOK decrease in profit in Norway.

Santander Consumer Bank AS Norway (Balance sheet items nominated in EUR)

All amounts in millions of EUR

2018	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	25	-	-	-	-	137	162
Liabilities	25	35	74	29	-	-	162
Net balance	**-**	**-35**	**-74**	**-29**	**-**	**137**	**-**
Repricing gap	-	-35	-74	-29	-	137	-
Cumulative gap	-	-35	-109	-137	-137	-	-

A +1,00 % parallell increase in market rates will result in a 1,13 million EUR increase in profit in Norway.

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

2018	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	3 771	20 037	14 943	1 964	74	1 695	42 483
Liabilities	11 581	19 579	9 090	-	-	2 233	42 483
Net balance	**-7 809**	**457**	**5 853**	**1 964**	**74**	**-538**	**-**
Repricing gap	-7 809	457	5 853	1 964	74	-538	-
Cumulative gap	-7 809	-7 352	-1 500	465	538	-	-

A +1,00 % parallell increase in market rates will result in a 54,26 million SEK decrease in profit in Sweden.

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

2018	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	19 876	705	2 074	2 714	52	1 822	27 244
Liabilities	2 300	10 608	8 373	4 417	-	1 545	27 244
Net balance	**17 576**	**-9 903**	**-6 299**	**-1 703**	**52**	**276**	**-**
Repricing gap	17 576	-9 903	-6 299	-1 703	52	276	-
Cumulative gap	17 576	7 673	1 375	-329	-276	-	-

A +1,00 % parallell increase in market rates will result in a 1,9 million DKK increase in profit in Denmark

Santander Consumer Bank AS

All amounts in millions of NOK

2017	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Cash and receivables on central banks	65	-	-	-	-	-	65
Deposits with and receivables on financial institutions	1 351	-	-	-	-	-	1 351
Loans to customers	57 630	42 266	7 219	8 559	172	2 425	118 271
Commercial papers and bonds	2 578	2 342	842	-	2 713	-	8 475
Financial derivatives	94	139	-	-	-	-	232
Loans to subsidiaries and SPV's	-	2 586	3 103	3 362	-	-	9 051
Other non interest bearing assets	-	-	-	-	-	3 682	3 682
Total assets	**61 717**	**47 333**	**11 164**	**11 921**	**2 885**	**6 107**	**141 126**
Debt to credit institutions	13 122	6 256	10 667	-	-	-	30 045
Deposits from customers	4 798	19 151	25 239	1 428	-	-	50 617

Debt established by issuing securities	11 101	20 191	1 781	-	2 713	-	35 785
Financial derivatives	0	172	-	-	-	-	172
Subordinated loan capital	250	1 503	-	-	-	-	1 753
Other non interest bearing liabilities	-	-	-	-	-	2 825	2 825
Equity	2 250	-	-	-	-	17 678	19 928
Total liabilities and equity	**31 521**	**47 273**	**37 687**	**1 428**	**2 713**	**20 504**	**141 126**
Net interest risk exposure	**30 196**	**59**	**-26 523**	**10 493**	**172**		

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 (Balance sheet items nominated in NOK)

All amounts in millions of NOK

2017	0 - 1 months	1 - 3 months.	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	4 703	40 667	5 209	4 723	55	26 352	81 710
Liabilities	9 476	19 037	11 095	-	-	42 102	81 710
Net balance	**-4 773**	**21 630**	**-5 886**	**4 723**	**55**	**-15 749**	**-**
Repricing gap	-4 773	21 630	-5 886	4 723	55	-15 749	-
Cumulative gap	-4 773	16 857	10 971	15 694	15 749	-	-

A +1,00 % parallell increase in market rates will result in a 110,1 million NOK decrease in profit in Norway.

Santander Consumer Bank AS Norway (Balance sheet items nominated in EUR)

All amounts in millions of EUR

2017	0 - 1 months.	1 - 3 months.	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	18	-	-	-	-	195	213
Liabilities	7	41	37	90	-	38	213
Net balance	**11**	**-41**	**-37**	**-90**	**-**	**157**	**-**
Repricing gap	11	-41	-37	-90	-	157	-
Cumulative gap	11	-29	-66	-156	-156	-	-

A +1,00 % parallell increase in market rates will result in a 1,64 million EUR increase in profit in Norway.

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

2017	0 - 1 months.	1 - 3 months.	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	33 854	2 654	631	357	33	451	37 980
Liabilities	11 228	15 844	8 667	960	-	1 282	37 980
Net balance	**22 626**	**-13 189**	**-8 036**	**-603**	**33**	**-831**	**-**
Repricing gap	22 626	-13 189	-8 036	-603	33	-831	-
Cumulative gap	22 626	9 437	1 401	798	831	-	-

A +1,00 % parallell increase in market rates will result in a 53,5 million SEK increase in profit in Sweden.

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

2017	0 - 1 months.	1 - 3 months.	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	17 919	834	1 605	2 719	65	971	24 113
Liabilities	4 100	6 134	6 495	6 551	-	833	24 113
Net balance	**13 819**	**-5 300**	**-4 890**	**-3 832**	**65**	**138**	**-**
Repricing gap	13 819	-5 300	-4 890	-3 832	65	138	-
Cumulative gap	13 819	8 519	3 629	-203	-137	-	-

A +1,00 % parallell increase in market rates will result in a -4,1 million DKK decrease in profit in Denmark

Note 9 - Capital adequacy

All amounts in millions of NOK

	2018	2017
Balance sheet equity		
Share capital	9 652	9 652
Share capital premium	891	891
Other equity	8 920	7 164
Additional tier 1 Capital	2 250	2 250
Other reserves	-105	-30
Total Equity	**21 609**	**19 928**
Common Equity Additional tier 1 Capital		
(-) Profit not eligible as capital	-1 000	-350
Cash-flow hedge adjustment	0	-20
IRB Expected Loss - Reserves	-196	-250
Goodwill	-294	-294
Other intangible assets	-274	-299
Deferred tax assets	0	-
Adjustment Prudent Valuation (AVA)	-7	-6
Additional tier 1 Capital	-2 250	-2 250
Total common Equity Additional tier 1 Capital (with full IFRS9 impact)	**17 588**	**16 458**
Capital adjustment according to IFRS9 Transitional rules	355	-
Total common Equity Additional tier 1 Capital (after IFRS9 transitional rules)	**17 944**	**16 458**
Additional tier 1 Capital		
Paid in Additional tier 1 capital instruments	2 250	2 250
Total Additional tier 1 Capital (with full IFRS9 impact)	**19 838**	**18 708**
Total Additional tier 1 Capital (after IFRS9 transitional rules)	**20 194**	**18 708**
Total Capital		
Paid up subordinated loans	1 711	1 711
Subordinated loans not eligible	-	-
Total Capital (with full IFRS9 impact)	**21 549**	**20 419**
Total Capital (after IFRS9 transitional rules)	**21 905**	**20 419**
Risk exposure on Standard Approach		
Regional governments or local authorities	73	78
Institutions	386	585
Corporates	8 778	9 505
Retail Standard Approach	49 918	46 214
Exposures in default SA	902	999
Covered bonds	443	388
Other Exposures	11 075	12 560
Total Risk exposure amount on Standard Approach	**71 575**	**70 330**
Risk exposure on Internal Rating Based Approach		
Retail Other	23 589	21 920
Total Risk exposure amount on Internal Rating Based Approach	**23 589**	**21 920**
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**95 164**	**92 250**
Foreign exchange (zero if under threshold)	-	-

Risk exposure amount for position, foreign exchange and commodities risks	**-**	**-**
Basic indicator approach	11 772	10 607
Risk exposure amount for operational risk	**11 772**	**10 607**
Standardized method	105	165
Risk exposure amount for credit valuation adjustment	**105**	**165**
Total risk exposure amount (with full IFRS9 impact)	**107 040**	**103 021**
Risk Exposure adjustment according to IFRS9 Transitional rules	354	-
Total risk exposure amount (after IFRS9 transitional rules)	**107 394**	**103 375**
Total exposure for Leverage Ratio		
Derivatives: Add-on under market-to-market method	430	532
Off-balance sheet items with 10% CCF	2 286	1 927
Off-balance sheet items with 20% CCF	782	257
Off-balance sheet items with 50% CCF	37	41
Adjusted On balance sheet exposure	146 629	140 661
Total exposure for Leverage Ratio (with full IFRS9 impact)	**150 164**	**143 419**
Exposure adjustment according to IFRS9 Transitional rules	473	-
Total exposure for Leverage Ratio (after IFRS9 transitional rules)	**150 637**	**143 419**
Minimum Regulatory Capital		
Minimum Core Equity	4,50%	4,50%
Pillar 2 Requirement	2,30%	2,20%
Countercyclical Buffer (combined)	1,47%	1,49%
Conservation Buffer	2,50%	2,50%
Systemic Risk Buffer	3,00%	3,00%
Minimum Regulatory Capital ratio (CET1)	**13,77%**	**13,69%**
Minimum Regulatory Capital		
Minimum Core Equity	4 817	4 636
Pillar 2 Requirement	2 462	2 266
Countercyclical Buffer (combined)	1 573	1 535
Conservation Buffer	2 676	2 576
Systemic Risk Buffer	3 211	3 091
Minimum Regulatory Capital amount (full IFRS9 impact)	**14 739**	**14 104**
Surplus of Core Equity Additional tier 1 capital (full IFRS9 impact)	2 849	2 355
Minimum Regulatory Capital amount (after IFRS9 transitional rules)	**14 788**	**14 104**
Surplus of Core Equity Additional tier 1 capital (after IFRS9 transitional rules)	3 155	2 355
Common equity Additional tier 1 capital ratio (full IFRS9 impact)		
Common equity Additional tier 1 capital ratio (after IFRS9 transitional rules)	**16,43%**	**15,98%**
CET1 regulatory requirements	**16,71%**	**15,98%**
	13,77%	13,43%
Additional tier 1 capital ratio (full IFRS9 impact)		
Additional tier 1 capital ratio (after IFRS9 transitional rules)	**18,53%**	**18,16%**
Tire 1 regulatory requirements	**18,80%**	**18,16%**
	15,27%	14,93%
Total capital ratio (full IFRS9 impact)		
Total capital ratio (after IFRS9 transitional rules)	**20,13%**	**19,82%**
Total capital regulatory requirements	**20,40%**	**19,82%**
	17,27%	16,93%
Leverage ratio (full IFRS9 impact)		
Leverage ratio (after IFRS9 transitional rules)	**13,21%**	**13,04%**
LR regulatory requirements	**13,41%**	**13,04%**

	5,00%	5,00%

Specification of IFRS Transition rules (based on initial impact)	
IFRS 9 Increase in Loss Reserves	-498
- whereof Internal Rating Based	-
Tax impact from increased loss reserves	124
Deferred tax assets impact on capital	-
Initial IFRS9 net impact on capital	-374
Base amount for IFRS9 transitional rule on capital	374
Transition %	95%
Capital adjustment due to Transitional rule	**355**
Std Approach value adjustments Spec Reserves	-498
- whereof Retail (75%RW)	-496
- whereof Covered Bonds (10%RW)	-2
Deferred tax assets impact on Risk Exposure Amount (250%RW)	-
Initial IFRS9 net impact on Risk Exposure Amount	-372
Base amount for IFRS9 transitional rule on Risk Exposure Amount	372
Transition %	95%
Risk Exposure adjustment due to Transitional rule	**354**
Impact from Transitional rules on capital ratios (same impact for Tier 1 and 2)	0,28%

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. The Pillar 3 Discolsure report is published at www.santander.no.

Note 10 - 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 expected losses)

	31 December 2018				
	Unsecured loans	**Secured loans**	**Financial lease**	**Operational lease**	**Total**
Norway	11 065	37 354	10 807	-	**59 226**
Sweden	14 416	17 561	5 268	-	**37 245**
Denmark	6 170	23 311	2 663	209	**32 352**
Total	**31 651**	**78 226**	**18 738**	**209**	**128 823**

	31 December 2017				
	Unsecured loans	**Secured loans**	**Financial lease**	**Operational lease**	**Total**
Norway	11 410	35 088	9 837	-	**56 335**
Sweden	14 094	15 740	4 823	-	**34 658**
Denmark	5 777	21 440	2 487	161	**29 865**
Total	**31 281**	**72 268**	**17 147**	**161**	**120 857**

Balance sheet and P&L per country

All amounts in millions of NOK	31 December 2018				
	Norway	Sweden	Denmark	Eliminations*	Total Group
Total interest income	3 781	1 532	1 691	-	7 004
Total interest expenses	-860	-135	-165	-	-1 161
Net interest income	**2 921**	**1 397**	**1 526**	**-**	**5 843**
Fee and commission income	193	168	171	-	532
Fee and commission expenses	-79	-7	-23	-	-109
Value change and gain/loss on foreign exchange and securities	12	1	10	-	22
Other operating income	29	8	59	-	96
Other operating expenses	-36	-22	-47	-	-105
Gross margin	**3 039**	**1 544**	**1 696**	**-**	**6 280**
Salaries and personnel expenses	-567	-415	-346	-	-1 328
Administration expenses	-720	-340	-241	-	-1 301
Depreciation and amortisation	-95	-17	-37	-	-149
Net operating income	**1 657**	**772**	**1 072**	**-**	**3 502**
Other income and costs	-149	-40	-1	-	-191
Impairment losses on loan, guarantees etc.	99	279	-219	-	159
Profit before tax	**1 607**	**1 011**	**852**	**-**	**3 470**
Income tax expense	-456	-227	-179	-	-862
Profit after tax	**1 151**	**784**	**673**	**-**	**2 607**
Cash and receivables on central banks	65	-	-	-	65
Deposits with and receivables on financial institutions	685	530	2	-	1 217
Total gross loans to customers	59 226	37 245	32 144	-	128 615
Write-downs	-1 662	-748	-581	-	-2 991
Commercial papers and bonds	2 791	3 017	2 217	-	8 025
Financial derivatives	50	-	-	-	50
Investments in subsidiaries	-	-	-	-	-
Other assets	20 734	486	1 542	-10 343	12 419
Total assets	**81 889**	**40 531**	**35 323**	**-10 343**	**147 400**
Debt to credit institutions	6 506	16 592	16 489	-10 318	29 269
Deposits from customers	22 051	15 415	17 180	-	54 646
Debt established by issuing securities	29 675	6 866	706	-	37 247
Financial derivatives	38	-	-	-	38
Other liabilities	2 092	1 530	994	-25	4 591
Equity	21 528	128	-46	-	21 610
Total liabilities and equity	**81 889**	**40 531**	**35 323**	**-10 343**	**147 400**

All amounts in millions of NOK	31 December 2017 Norway	Sweden	Denmark	Eliminations*	Total Group
Total interest income	3 638	1 574	1 568	-	6 781
Total interest expenses	-841	-152	-158	-	-1 150
Net interest income	**2 797**	**1 423**	**1 410**	-	**5 630**
Fee and commission income	222	177	147	-	545
Fee and commission expenses	-60	-7	-19	-	-86
Value change and gain/loss on foreign exchange and securities	-35	4	-2	-	-33
Other operating income	261	8	42	-	312
Other operating expenses	-45	-24	-51	-	-120
Gross margin	**3 141**	**1 580**	**1 527**	-	**6 248**
Salaries and personnel expenses	-406	-329	-267	-	-1 002
Administration expenses	-746	-426	-245	-	-1 418
Depreciation and amortisation	-46	-19	-30	-	-95
Net operating income	**1 943**	**805**	**984**	-	**3 733**
Other income and costs	-58	0	-1	-	-59
Impairment losses on loan, guarantees etc.	177	-104	-112	-	-40
Profit before tax	**2 062**	**701**	**871**	-	**3 634**
Income tax expense	-461	-158	-202	-	-820
Profit after tax	**1 601**	**543**	**670**	-	**2 814**
Cash and receivables on central banks	65	-	-	-	65
Deposits with and receivables on financial institutions	747	584	20	-	1 351
Total gross loans to customers	56 335	34 658	29 704	-	120 696
Write-downs	-1 442	-582	-401	-	-2 425
Commercial papers and bonds	4 446	2 879	1 150	-	8 475
Financial derivatives	232	-	-	-	232
Investments in subsidiaries	1 277	-	-	-	1 277
Other assets	22 144	426	1 400	-12 515	11 455
Total assets	**83 804**	**37 965**	**31 872**	**-12 515**	**141 126**
Debt to credit institutions	9 455	16 634	16 636	-12 679	30 045
Deposits from customers	20 893	15 408	14 316	-	50 617
Debt established by issuing securities	31 334	4 452	-1	-	35 785
Financial derivatives	172	-	-	-	172
Other liabilities	2 071	1 469	875	164	4 578
Equity	19 879	2	47	-	19 928
Total liabilities and equity	**83 804**	**37 965**	**31 872**	**-12 515**	**141 126**

Note 11 - Net interest income

All amounts in millions of NOK	2018	2017
Interest and similar income on loans to and receivables from credit institutions	398	513
Interest and similar income on loans to and receivables from customers	6 547	6 126
Interest and similar income on comm. paper, bonds and other securities	59	142
Total interest income*	**7 004**	**6 781**
Interest and similar expenses on debt to credit institutions	-156	-174
Interest and similar expenses on deposits from and debt to customers	-666	-603
Interest and similar expenses on issued securities	-288	-325
Interest on subordinated loan capital	-46	-37
Other interest expenses and similar expenses	-5	-11
Total interest expense	**-1 161**	**-1 150**
Net interest income	**5 844**	**5 630**

*Total interest income calculated using the effective interest method

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

All amounts in millions of NOK

To credit institutions	**2018**	**2017**
Interest expenses	-156	-174
Average loan	29 657	34 233
Average nominal interest rate	**0,53%**	**0,51%**

To customers	**2 018**	**2017**
Interest expenses	-666	-603
Average deposit	52 631	45 794
Average nominal interest rate	**1,27%**	**1,32%**

To bondholders	**2 018**	**2017**
Interest expenses	-288	-325
Average issued notes and bonds	36 516	31 129
Average nominal interest rate	**0,79%**	**1,04%**

Subordinated loan capital	**2 018**	**2017**
Interest expenses	-46	-37
Average subordinated loan capital	1 742	1 525
Average nominal interest rate	**2,64%**	**2,44%**

Total of tables above:	**2 018**	**2017**
Interest expenses	-1 156	-1 139
Loan	120 546	112 680
Average nominal interest rate	**0,96%**	**1,01%**

Note 12 - Other operating income and expenses

All amounts in millions of NOK	2018	2017
Operational leasing income	1	1
Dividends from investments	0	241
Other	96	70
Total other operating income	**96**	**312**
Ordinary depreciation operational leasing	-12	-10
Fee to The Norwegian Banks' Guarantee Fund	-57	-55
Other	-36	-56
Total other operating expense	**-105**	**-120**

Note 13 - Tax

All amounts in millions of NOK

Income tax

	2018	2017
Tax payable	976	897
Adjustments in respect of prior years	-6	-6
Currency effects foreign tax credits	-	-2
Total current tax	**970**	**889**
Change in temporary differences	-108	-82
Currency effects	-	6
Adjustments in respect of prior years	-	7
Total change in deferred tax	**-108**	**-68**
Income tax expense	**862**	**820**

	2018	2017
Profit before tax	3 469	3 634
Estimated income tax at nominal tax rate 25%	867	909
Tax effects of:		
- Income not subject to tax*	-	-60
- Non deductible expenses	1	-35
Adjustments in respect of prior years	-6	1
Currency effects	-	6
Tax charge	**862**	**820**

* Non-taxable dividend from subsidiary 241 MNOK recognized through P&L in 2017 (25% = 60 MNOK)

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

		2018	
	Before tax	**Tax (charge)/ credit**	**After tax**
Actuarial assumption related to pension	142	35	106
Cash flow hedges	20	5	15
Currency translation differences	13	-	9
VISA Shares value adjustment	-26	-	-26
Other comprehensive income	**148**	**44**	**105**
Tax payable		3	
Deferred tax		40	
Tax in OCI		**44**	

Deferred tax in the balance sheet

	2018	2017

Deferred tax assets/deferred taxes as at 1 January	593	631
Changes recognized in income statement	-107	-82
Changes recognized in OCI	-27	35
Adjustments in respect of prior years	8	9
Deferred tax at 31 December	**468**	**593**

Deferred taxes related to the following temporary differences

	2018	**2017**
Fixed assets	2 306	2 116
Net pension commitments	-126	-193
Financial instruments	-20	38
Net other taxable temporary differences	-292	412
Total deferred tax position	**1 868**	**2 372**
Fixed assets	577	529
Net pension commitments	-31	-48
Financial instruments	-5	9
Net other taxable temporary differences	-73	103
Total deferred taxes at 31 December	**468**	**593**

Tax effect of different tax rates in other countries
SCB AS has operations in Sweden and Denmark whose tax rates are different from that in Norway (25 per cent). Taxes are paid in Norway and later credited by amount paid in other countries.

Change in tax rate

2018 figures: No changes in tax rates
2017 figures: No changes in tax rates

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.
The Group utilized tax credits from taxes paid in Denmark and Sweden in the tax settlement for 2017, for that purpose a reclassification between tax payable and deferred tax of MNOK 311 is done in the balance sheet in the comparison figures from 2017. The reclassification did not affect recognized income tax in statement of profit and loss.

Note 14 - Loans to customers

All amounts in millions of NOK

	2018
Unsecured loans	24 625
Credit Cards	7 026
Auto loans	96 964
- Installment loans	*78 226*
- Financial leasing	*18 738*
Total gross loans to customers	**128 615**
- Loan loss allowance - Stage 1	-814
- Loan loss allowance - Stage 2	-438
- Loan loss allowance - Stage 3	-1 739
Total net loans to customers	**125 624**

2017

The Group has not provided comparative information for periods before the date of initial application of IFRS 9 for the new disclosures introduced by IFRS 9 as a consequential amendment to IFRS 7, as permitted by IFRS 7 paragraph 44Z.

All amounts in millions of NOK	2017
Unsecured loans	24 678
Credit Cards	6 603
Auto loans	89 415
- Installment loans	*72 267*
- Financial leasing	*17 147*
Total gross loans to customers	**120 696**
- Specific loan reserves	-1 495
- Generic loan reserves	-930
Total net loans to customers	**118 271**

Note 15 - Impairment losses on loan, guarantees etc.

All amounts in millions of NOK

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

	2 018	2 017
Change in loss allowance - Unsecured loans	-53	100
Change in loss allowance - Secured loans	-37	66
Change in loss allowance - Commercial papers and bonds	1	-
+/- Fx rate adjustment opening balance	-	5
+ Total realized losses	-1 698	-1 363
- Recoveries on previously realized losses	558	607
- Gain on sold portfolios	1 388	545
Impairment losses on loan, guarantees etc.	**159**	**-40**

Note 16 - Loans and impairment by main sectors

All amounts in millions of NOK

2018	Gross carrying amount	Accumulated impairment	Total
Private individuals	108 310	-2 686	105 624
Professional, scientific and technical activities	-	-	-
Construction	4 166	-56	4 110
Real estate activities	3 038	-36	3 002
Transport and storage	1 775	-37	1 738
Manufacturing	768	-8	760
Human health services and social work activities	501	-6	495
Governments	214	-	213
Wholesale and retail trade	9 023	-148	8 875
Accommodation and food service activities	300	-5	295
Education	178	-2	176
Agriculture, forestry and fishing	216	-3	214
Electricity, gas, steam and air conditioning supply	79	-1	78
Other financial corporations	12	0	12
Mining and quarrying	30	-1	30
Information and communication	-	-	-
Public administration and defence, compulsory social security	2	-	2
Other services	-	-	-
Total	**128 614**	**-2 991**	**125 624**

2017	Gross carrying amount	Accumulated impairment	Total
Private individuals	103 298	-2 204	101 094
Professional, scientific and technical activities	-	-	-
Construction	3 335	-40	3 295
Real estate activities	2 888	-37	2 851
Transport and storage	1 563	-34	1 529
Manufacturing	609	-8	600
Human health services and social work activities	444	-3	441
Governments	390	-	390
Wholesale and retail trade	7 502	-91	7 412
Accommodation and food service activities	236	-4	233
Education	166	-1	165
Agriculture, forestry and fishing	159	-2	157
Electricity, gas, steam and air conditioning supply	47	-1	46
Other financial corporations	29	-	29
Mining and quarrying	29	-	29
Information and communication	-	-	-
Public administration and defence, compulsory social security	1	-	1
Other services	-	-	-
Total	**120 696**	**-2 425**	**118 271**

Note 17 – Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 31 December 2018	Financial assets at fair value through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Cash and receivables on central banks	-	-	65	65
Deposits with and receivables on financial institutions	-	-	1 216	1 216
Loans to customers	-	-	125 624	125 624
Commercial papers and bonds	-	-	8 025	8 025
Financial derivatives	50	-	-	50
Loans to subsidiaries and SPV's	-	-	8 872	8 872
Other ownership interests	-	26	-	26
Other financial assets	-	-	-	-
Total financial assets	**50**	**26**	**143 802**	**143 878**
			Non financial assets	3 521
			Total assets	**147 400**

Classification of financial liabilities 31 December 2018	Financial liabilities at fair value through P&L	Financial liabilities at fair value through OCI	Amortized cost	Booked value
Debt to credit institutions	-	-	29 269	29 269
Deposits from customers	-	-	54 645	54 645
Debt established by issuing securities	-	-	37 247	37 247
Financial derivatives	38	-	-	38
Other financial liabilities	-	-	343	343
Subordinated loan capital	-	-	1 731	1 731
Total financial liabilities	**38**	**-**	**123 235**	**123 273**
			Non financial liabilities and equity	24 127
			Total liabilities	**147 400**

2017

The Group has not provided comparative information for periods before the date of initial application of IFRS 9 for the new disclosures introduced by IFRS 9 as a consequential amendment to IFRS 7, as permitted by IFRS 7 paragraph 44Z.

Classification of financial assets 31 December 2017	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	-	-	-	65	65
Deposits with and receivables on financial institutions	-	-	-	1 351	1 351
Loans to customers	-	-	-	118 271	118 271
Commercial papers and bonds	-	5 762	2 713	-	8 475
Financial derivatives	232	-	-	-	232
Loans to subsidiaries and SPV's	-	-	-	9 050	9 050
Other ownership interests	-	23	-	-	23
Other financial assets	-	-	-	1 412	1 412
Total financial assets	**232**	**5 785**	**2 713**	**128 362**	**137 092**
				Non financial assets	4 034

		Total assets	141 126

Classification of financial liabilities 31 December 2017	Financial liabilities at fair value through P&L	Financial liabilities measured at amortized cost	Booked value
Debt to credit institutions	-	30 045	30 045
Deposits from customers	-	50 617	50 617
Debt established by issuing securities	-	35 785	35 785
Financial derivatives	172	-	172
Other financial liabilities	-	342	342
Subordinated loan capital	-	1 753	1 753
Total financial liabilities	**172**	**118 543**	**118 715**

Non financial liabilities and equity	22 411
Total liabilities	**141 126**

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

Note 18 - Issued securities

All amounts in million NOK

	2018	2017
Issued Certificates	1 751	901
Issued bonds	35 496	34 884
Total liability issued securities	**37 247**	**35 785**

Changes in liability issued securities

	Book value 31.12.2017	New issues/ repurchase	Monthly payments and at maturity	Book value 31.12.2018
Issued Certificates	901	1 751	-901	1 751
Issued bonds	34 884	10 346	-9 734	35 496
Total liability issued securities	**35 785**	**12 096**	**-10 635**	**37 247**

Specification of issued securities

Bonds

Issuer	Net nominal value	Currency	Interest	Call date	Book value NOK 31.12.2018
Senior unsecured issued securities					
Santander Consumer Bank AS	1 700	NOK	Floating	2019-03-14	1 702
Santander Consumer Bank AS	1 751	NOK	Floating	2019-08-08	1 755
Santander Consumer Bank AS	1 100	NOK	Floating	2022-01-17	1 106
Santander Consumer Bank AS	1 400	NOK	Floating	2020-01-17	1 406
Santander Consumer Bank AS	700	NOK	Floating	2020-09-21	701
Santander Consumer Bank AS	800	NOK	Floating	2020-09-21	802
Santander Consumer Bank AS	650	NOK	Floating	2021-02-26	651
Santander Consumer Bank AS	700	NOK	Floating	2021-08-27	700
Santander Consumer Bank AS	500	EUR	Fixed	2019-02-25	5 016
Santander Consumer Bank AS	500	EUR	Fixed	2019-09-30	4 972
Santander Consumer Bank AS	500	EUR	Fixed	2020-02-17	4 991
Santander Consumer Bank AS	500	EUR	Fixed	2023-03-01	5 005
Santander Consumer Bank AS	1 450	SEK	Floating	2019-11-18	1 407

Santander Consumer Bank AS	1 000	SEK	Floating	2020-03-30	970
Santander Consumer Bank AS	1 000	SEK	Floating	2021-06-14	972
Santander Consumer Bank AS	500	SEK	Floating	2023-01-18	485
Santander Consumer Bank AS	500	SEK	Floating	2021-03-22	488
Santander Consumer Bank AS	500	SEK	Floating	2022-05-11	485
Santander Consumer Bank AS	750	SEK	Floating	2023-08-13	726
Santander Consumer Bank AS	500	SEK	Floating	2021-10-18	485
Santander Consumer Bank AS	500	DKK	Floating	2021-09-20	672
Totals issued bonds					**35 496**

Certificates

Issuer	Net nominal value	Currency	Interest	Call date	Book value NOK 31.12.2018
Certificates					
Santander Consumer Bank AS	250	NOK	Fixed	2019-07-26	251
Santander Consumer Bank AS	250	NOK	Fixed	2019-04-26	251
Santander Consumer Bank AS	250	NOK	Fixed	2019-11-22	250
Santander Consumer Bank AS	150	NOK	Fixed	2019-06-20	150
Santander Consumer Bank AS	300	SEK	Fixed	2019-02-08	291
Santander Consumer Bank AS	150	SEK	Fixed	2019-04-08	146
Santander Consumer Bank AS	100	SEK	Fixed	2019-04-24	97
Santander Consumer Bank AS	150	SEK	Fixed	2019-02-19	146
Santander Consumer Bank AS	175	SEK	Fixed	2019-02-21	170
Totals issued certificates					**1 751**

Note 19 - Valuation Hierarchy

All amounts in millions of NOK

Financial instruments measured at fair value

2018			**Quoted market price Level 1**	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
Financial assets						
Name	*Type*	*Notional*				
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 75	-	50	-	50
Total financial derivatives			**-**	**50**	**-**	**50**
Name	*Type*					
VISA	Equity		-	26	-	26
Total other ownership interests			**-**	**26**	**-**	**26**
Total Assets			**-**	**76**	**-**	**76**
Financial liabilities						
Name	*Type*	*Notional*				
Bilkreditt 7 Pass-trough	Cross Currency Swap	MM EUR 56	-	38	-	38
Total financial derivatives			**-**	**38**	**-**	**38**
Total Liabilities			**-**	**38**	**-**	**38**

Derivatives designated for hedge accounting - assets

Name	*Type*	*Notional*				
DK EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	19	-	19
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	62	-	62
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	4	-	4
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	18	-	18
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	46	-	46
Total dervatives designated for hedging - assets**			**-**	**150**	**-**	**150**

2017			**Quoted market price Level 1**	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
Financial assets						
Name	*Type*	*Notional*				
Bilkreditt 6 Fixed	Cross Currency Swap	MM EUR 81	-	139	-	139
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 168	-	94	-	94
Total financial derivatives			**-**	**232**	**-**	**232**
Name	*Type*					
Government bonds and Treasury Bills	Bonds		1 879	-	-	1 879
Covered Bonds	Bonds		3 883	-	-	3 883
Total commercial papers and bonds *			**5 762**	**-**	**-**	**5 762**
Name	*Type*					
VISA	Equity		-	23	-	23
Total other ownership interests			**-**	**23**	**-**	**23**
Total Assets			**5 762**	**256**	**-**	**6 017**
Financial liabilities						
Name	*Type*	*Notional*				
Bilkreditt 6 Pass Through	Cross Currency Swap	MM EUR 52	-	88	-	88
Bilkreditt 7 Pass Through	Cross Currency Swap	MM EUR 152	-	85	-	85
Total financial derivatives			**-**	**172**	**-**	**172**
Total Liabilities			**-**	**172**	**-**	**172**
Derivatives designated for hedge accounting - assets						
Name	*Type*	*Notional*				
EMTN MEUR 350	Cross Currency Swap	MM EUR 350	-	8	-	8
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	26	-	26
DK EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	26	-	26
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	21	-	21
EMTN SEK	Interest Rate Swap	MM SEK 500	-	2	-	2
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	7	-	7
Total dervatives designated for hedging - assets**			**-**	**90**	**-**	**90**
Derivatives designated for hedge accounting - liabilities						
Name	*Type*	Notional				
EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	3	-	3
Total dervatives designated for hedging - liabilities**			**-**	**3**	**-**	**3**

* 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 18.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which 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 curves. 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.

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

2018	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	200	-	200	-	199	1
Reverse repurchase arrangements	97		97	97	-	-
Financial liabilites						
Derivatives	38	-	38	-	37	1
Repurchase arrangements	-	-	-	-	-	-

All amounts in millions of NOK

2017	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	322	-	322	-	208	113
Reverse repurchase arrangements	852		852	852	-	-
Financial liabilites						
Derivatives	175	-	175	-	89	87
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

Note 20 - Hedging

Fair Value Hedge
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. 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 the 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.

The fair values of derivatives designated as fair value hedges is as follows:

		2018			2017	
All amounts in millions of NOK	Assets	Liabilities	Gains (losses) recognized in P&L	Assets	Liabilities	Gains (losses) recognized in P&L
Hedged item (Issued Bonds)	-	10 232	26	-	11 688	-5
Hedge instruments (Cross currency swaps)	-	49	-81	93	12	7
Fair value hedge adjustment	-	35	-	6	8	-
Nominal of hedging instruments	-	10 232	-	4 828	6 860	-
Net exposure over P&L	-	-	**-55**	-	-	**2**

	2018	2017
Inefficiency	Ineffectiveness recognized in P&L	Ineffectiveness recognized in P&L
Fair value hedging ineffectiveness	-55	2

Cash Flow Hedge
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 hypothetical derivative method. This method assess 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.

The fair values of derivatives designated as cash flow hedges are as follows:

	2018			2017		
All amounts in millions of NOK	Assets	Liabilities	Amount recognized in OCI	Assets	Liabilities	Amount recognized in OCI
Hedged item (Bonds)	-	10 296	-	-	11 688	-
Hedge instruments (Cross currency interest rate swaps)	-	-	20	-	3	27
Hedge instruments (Interest rate swaps)	-	-	-	-	-	-
Nominal of hedging instruments	-	-	-	-	371	-
Net exposure over OCI			**20**			**27**

Inefficiency	2018 Ineffectiveness recognized in P&L	2017 Ineffectiveness recognized in P&L
Cash flow hedging ineffectiveness	-12	1

	2018			2017		
Periods when the cash flows are expected to occur and when they are expected to affect profit or loss;	< 1 year	1-5 years	Over 5 years	< 1 year	1-5 years	Over 5 years
Cash inflows (assets)	-	-	-	-	-	-
Cash outflows (liabilities)	-	10 296	-	3 457	8 231	-
Net cash flows	-	**10 296**	-	**3 457**	**8 231**	-

Reclass from OCI to profit and loss:	2018	2017
Reclassified amount	47	-69

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.

The fair values of derivatives designated as net investment hedges is as follows:

	2018			2017		
All amounts in millions of NOK	Assets	Liabilities	Amount recognized in OCI	Assets	Liabilities	Amount recognized in OCI
Hedged item (Net assets in foreign subsidiary)	1 292	-	14	1 277	-	98
Hedge instrument (EUR-loan)	-	-1 303	-14	-	-1 289	-99
Net exposure over OCI			-			**-1**

Inefficiency	2018 Ineffectiveness recognized in P&L	2017 Ineffectiveness recognized in P&L
Net investment hedging ineffectiveness	-	1

Note 21 - Financial instruments measured at amortized cost

Most of the financial instruments in SCB AS's balance sheet is measured and booked to amortized cost. This primarily applies to loans and advances to credit instititutions and customers, commercial papers and bonds, due to credit institutitions, deposits from customers and issued securities. Accounting for these items at amortized cost implies that SCB AS intend to hold or issue the items to collect or pay the contractual cash flows, and adjust for impairment if relevant.

Differences between amortized cost and fair value of the items may be caused by a number of factors, such as different view on macro-economic perspectives, credit risk, market conditions, return requirements and varying access to accurate information. The below table shows estimated fair value of items carried at amortized cost.

Fair value is measured on the basis of the fair value hierarchy as described in note 19.

Commercial papers and bonds:
Quoted prices in active markets exists for these instruments, and the fair value is reported in level 1 for this group of financial instruments.

Loans and advances to credit institutions:
These items consist of cash, posted swap collateral and reverse repurchase agreements, and the fair value is due to their short term nature assumed to equal the book value.

Loans to customers:
SCB AS's portfolio of loans to customers consists of the following main groups; credit cards, financial leasing, installment loans and unsecured loans. All loans in the portfolio is subject for continuous evaluation of whether an impairment or loan loss allowance should be booked for it. This evaluation take into consideration credit risk, macro-economic perspectives, time value of money and an unbiased and probability-weighted for possible outcomes for the loans. For further details on calculations of impairments and loan loss allowances please see note 4. The net value of the loan portfolios is assessed to give a good reflection of the portfolios fair value as the impairments and loan loss allowances is considered to give a fair view of the credit risk for the portfolios.

Loans and deposits from credit institutions:
These items consist of intercompany funding, repurchase agreements and swap collateral received. The portfolio of intercompany funding from Santander Consumer Finance S.A. have a short term to maturity of approximately six months, the portfolio therefore have a high turnover and is repriced regularly. Due to the short term nature of the portfolio it is assumed that the fair value equal the book value.

Deposits from customers:
Fair value is assessed to equal amortized cost as contractual maturity is short and the deposits to a limit extend is affected by changes in credit risk.

Issued securities:
SCB AS have issued securities in both EUR, SEK, DKK and NOK. Issuances of bonds in SEK/EUR/NOK are done on traded markets and quoted market prices for the securities is used as fair value (level 1).

SCB AS have one issued bond nominated in DKK in the unsecured bond market. The Danish market is highly illiquid and a liquidity premium is priced into the spread of this floating rate bond. It is therefore assessed that the book value is the best estimate of the fair value.

SCB AS also issue commercial papers (bonds with maturity less than one year). As the securities have short time to maturity it is assessed that the book value reflects the fair value most accurately.

Subordinated loan capital:
SCB AS issue subordinated loan capital as a part of their funding. The loans are floating rate, and repriced quarterly based on a 3M STIBOR and NIBOR. The book value of the loans is considered to be a good estimate of the fair value as the loans are floating rate with frequent repricing's ensuring the debt is at market terms.

Loans to subsidiaries and SPV's:
SCB AS have issued subordinated loans its SPV's and loans to its subsidiary Santander Consumer Finance OY. The book value of the loans to the SPV's is assumed to equal the fair value of the loan. The loans to Santander Consumer Finance OY follow the same terms as issued unsecured notes (EUR EMTN's issued by SCB AS), and the fair value assessed by using quoted market price for the issued unsecured notes with the equal terms as the loans.

Financial instruments measured at amortized cost

	2018		2017	
All amounts in millions of NOK	Book value	Fair value	Book value	Fair value
Financial assets				
Type				
Deposits with external institutions	1 281	1 281	1 416	1 416
Loans to customers	125 624	125 624	118 271	118 271
Commercial papers and bonds	8 025	8 026	8 475	8 475
Loans to subsidiaries and SPV's	8 872	8 886	9 050	9 093
Total financial assets	143 802	143 818	137 212	137 212
Financial liabilities				
Type				
Loans and deposits from financial institutions	29 269	29 269	30 045	30 045
Deposits from customers	54 645	54 645	50 617	50 617
Issued securities	37 247	37 293	35 785	35 960
Subordinated loan capital	1 731	1 731	1 753	1 753
Total financial liabilities	122 892	122 938	118 201	118 376

Note 22 - 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 and motorcycles) and the related collateral. At 31.12.2018, Santander Consumer Bank AS has sold auto loan portfolio to four different SPV's. (See note 31 for a list of SPVs)

According to IFRS 9, 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 carrying amounts of all financial assets transferred that are not derecognised in their entirety and associated liabilities as of 31.12.2018.

All amounts in millions of NOK	2018	2017
Carrying amount of assets (Portfolio of auto loans)	5 822	8 705
Carrying amount of associated liabilities	5 822	8 705

Note 23 - Fixed assets

2018

All amounts in millions of NOK	**Machines, fittings, equipment**	**Leasing portfolio (operational)**	**Total 2018**
Acquisition cost 1.1	138	212	350
Rate difference opening balance	-	2	1
Acquisition cost 1.1 rate 31.12	138	214	352
Additions during the year	11	128	139
Disposals during the year	-54	-73	-127
Impairment	-	-	-
Rate difference year's acquisition cost	-1	-	-
Acquisition cost 31.12	**94**	**269**	**364**
Acc. ordinary depreciation 1.1	-77	-29	-106
Rate difference 01.01	-	-	-
Acc. ordinary depreciation 1.1 rate 31.12	-77	-29	-106
Year's ordinary depreciation*	-21	-13	-33
Impairment	-	-1	-1
Rate difference year's depreciation average rate	-	-	-
Reversed depreciation on disposals	49	10	60
Acc. depreciation 31.12	**-48**	**-33**	**-80**
Accrued feesd and provisions	-	-28	-28
Book value in the balance sheet 31.12	**47**	**209**	**256**

* Year's ordinary depreciation related to operational leasing is included in "Other operating expenses" in profit and loss.

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

2017

All amounts in millions of NOK	**Machines, fittings, equipment**	**Leasing portfolio (operational)**	**Total 2017**
Acquisition cost 1.1	125	183	307
Rate difference opening balance	4	15	19
Acquisition cost 1.1 rate 31.12	128	197	326
Additions during the year	27	87	114
Disposals during the year	-17	-73	-90
Impairment	-	-	-
Rate difference year's acquisition cost	-	-	-
Acquisition cost 31.12	**138**	**212**	**350**
Acc. ordinary depreciation 1.1	-63	-20	-83
Rate difference 01.01	-2	-2	-3
Acc. ordinary depreciation 1.1 rate 31.12	-65	-22	-87
Year's ordinary depreciation*	-22	-10	-31
Impairment	-	-	-
Rate difference year's depreciation average rate	-	-1	-1
Reversed depreciation on disposals	10	3	14

Acc. depreciation 31.12	**-77**	**-29**	**-106**
Accrued fees and provisions	-	-21	-21
Book value in the balance sheet 31.12	**61**	**161**	**222**

* Year's ordinary depreciation related to operational leasing is included in "Other operating expenses" in profit and loss.

Note 24 - Intangible assets

2018

All amounts in millions of NOK	**Intangible assets (software)**	**Goodwill**	**Total 2018**
Acquisition cost 1.1	605	377	982
Rate difference opening balance	-11	2	-9
Acquisition cost 1.1 rate 31.12	594	379	973
Additions during the year	124	-	124
Disposals during the year	-84	-	-84
Impairment	-	-	-
Rate difference year's acquisition cost	-8	-	-8
Acquisition cost 31.12	**626**	**379**	**1 005**
Acc. ordinary amortization 1.1	-305	-	-305
Rate difference 01.01	0	-	-
Acc. ordinary amortization 1.1 rate 31.12	-305	-	-305
Year's ordinary amortization	-132	-	-132
Impairment	-	-	-
Rate difference year's amortization average rate	1	-	1
Reversed amortization on disposals	84	-	84
Acc. amortization 31.12	**-352**	**-**	**-352**
Book value in the balance sheet 31.12	**274**	**379**	**653**

Method on measurement	Acquisition cost	Acquisition cost
Amortization method	Linear	-
Plan of amortization and useful life	3 – 7 years	-
Average useful life	5 years	

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

2017

All amounts in millions of NOK	**Intangible assets (software)**	**Goodwill**	**Total 2017**
Acquisition cost 1.1	476	913	1 389
Rate difference opening balance	10	72	82
Acquisition cost 1.1 rate 31.12	486	984	1 470
Additions during the year	132	-	132
Disposals during the year	-13	-	**-13**
Impairment	-	-	-
Rate difference year's acquisition cost	-	-	-
Acquisition cost 31.12	**605**	**984**	**1 589**

Acc. ordinary amortization 1.1	-225	-563	-788
Rate difference 01.01	-6	-44	-50
Acc. ordinary amortization 1.1 rate 31.12	-231	-607	-838
Year's ordinary amortization	-78	-	-78
Impairment	-	-	-
Rate difference year's amortization average rate	-1	-	-1
Reversed amortization on disposals	5	-	5
Acc. amortization 31.12	**-305**	**-607**	**-912**
Book value in the balance sheet 31.12	**300**	**377**	**677**

Note 25 - Leasing

Financial leases (as lessor):

The Group 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	**2018**	**2017**
Gross investment in the lease:		
Due in less than 1 year	5 611	6 107
Due in 1 - 5 years	13 061	10 971
Due later than 5 years	66	69
Total gross investment in the lease	**18 738**	**17 147**
Present value of minimum lease payments receivable:		
Due in less than 1 year	5 405	5 880
Due in 1 - 5 years	10 114	9 817
Due later than 5 years	51	52
Total present value of minimum lease payments receivable	**15 570**	**15 749**
Unearned finance income	**3 168**	**1 398**

Operational leases (as lessor)

The Group owns assets leased to customers under operational lease agreements. Operational lease agreements are reported as fixed assets in the balance sheet.

All amounts in millions of NOK	**2018**	**2017**
Future minimum lease payments under non-cancellable operating leases		
Due in less than 1 year	88	80
Due in 1 - 5 years	170	138
Due later than 5 years	-	-
Total future minimum lease payments under non-cancellable operating leases	**259**	**218**

Note 26 - Repossessed assets

All amounts in millions of NOK

	2018	2017
Vehicles	7	6
Net	**7**	**6**

Note 27 - Changes in liabilities arising from financing activities

The table below shows a reconciliation of the opening and closing balances for liabilities arising from financing activities.

All amounts in millions of NOK

Liability	2017	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair value	Other changes*	2018
Debt to credit institutions	**30 045**	2 133	(25)	-	(2 884)	**29 269**
Debt established by issuing securities	**35 785**	1 321	140	-	-	**37 247**
Subordinated loan capital	**1 753**	(22)	-	-	-	**1 731**

* Other changes represents the change in portfolios outstanding in the SPVs through the year that is included in the Debt to credit institutions

Note 28 - Pension expenses and provisions

All amounts in millions of NOK

In Norway the bank has a collective defined contribution pension scheme under the Occupational Pensions Act for all employees. In addition employees can withdraw pension from the collectively agreed AFP scheme. This scheme only applies to employees in Norway and forms part of a collective agreement. The previous defined benefit pension schemes were terminated in 2017 and active members were transferred to the defined contribution pension scheme. The remaining defined benefit pension commitments to certain employees consist of executive and early retirement pension schemes.

In Sweden the bank 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. Starting 1 July 2015, the results below include the former GE Money Bank pension schemes acquired in Sweden (BTP plan consistent with description above).

The defined benefit pension schemes expose the bank to risks associated with longevity, inflation and salaries and also market risks on plan assets.

In Denmark, the bank has defined contribution plans.

Pension expenses for defined benefit plans	**2018**	**2017**
Present value of year's pension earnings	-13	-24
Curtailment (gain) / loss	-	-
Settlement (gain) / loss	-	166
Interest cost on accrued liability	-9	-18
Interest income on plan assets	7	13
Allowance for taxes	-3	-5
Net Pension expenses	**-18**	**132**

Pension expenses for defined contribution plans	**2018**	**2017**
Total expenses	98	99

Pension liabilities in balance sheet	**2018**	**2 017**
Pension funds at market value	264	248
Estimated pension liability	-390	-336
Net pension liability	**-126**	**-88**

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 2018	-336	248	-88
Current service cost	-13	-	-13
Curtailment gain / (loss)	-	-	-
Settlement gain / (loss)	-	-	-
Interest expense / Income	-9	7	-2
	-22	7	-15
Remeasurements:			
- Return on plan assets	-	-	-
- Gain/(Loss) from change in demographic assumptions	-	-	-
- Gain/(Loss) from change in financial assumptions	-47	-	-47
- Gain/(Loss) from plan experience	-3	-	-3
- Change in asset ceiling	-	-	-
	-50	-	-50
Exchange rate differences	9	-7	2
Contributions:			
- Employer	-	25	25
- Plan participants	-	-	-
Payments from plans:			-
- Benefit payments	9	-9	-
Acquired in a business combination	-	-	-
Settlement	-	-	-
Others	-	-	-
	18	9	27
At 31 December 2018	**-390**	**264**	**-126**

	Present value of obligation	Fair value of plan assets	Net pension liability
At 1 January 2017	-659	441	-218
Current service cost	-24	-	-24
Curtailment gain / (loss)	-	-	-
Settlement gain / (loss)	166	-	166
Interest expense / Income	-18	13	-5
	-37	13	-24
Remeasurements:			
- Return on plan assets	-	-6	-6
- Gain/(Loss) from change in demographic assumptions	-	-	-
- Gain/(Loss) from change in financial assumptions	-23	-	-23
- Gain/(Loss) from plan experience	-5	-	-5
- Change in asset ceiling	-	-	-
	-27	-6	-34
Exchange rate differences	-13	11	-2
Contributions:			
- Employer	-	34	34
- Plan participants	-	-	-
Payments from plans:			
- Benefit payments	23	-23	-
Acquired in a business combination	-	-	-
Settlement	-	-	-
Others	-5	-	-5
	227	-200	27
At 31 December 2017	**-336**	**248**	**-88**

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

	2018			2017		
	Norway	**Sweden**	**Total**	**Norway**	**Sweden**	**Total**
Present value of obligation	-13	-377	-390	-13	-324	-336
Fair value of plan assets	-	264	264	-	248	248
Total	**-13**	**-113**	**-126**	**-13**	**-76**	**-88**

The following assumptions have been used calculating future pensions:

	2018		2017	
	Norway	**Sweden**	**Norway**	**Sweden**
Discount rate	2,70%	2,50%	2,50%	2,75%
Inflation	N/A	2,00%	N/A	1,75%
Salary growth rate	2,75%	3,25%	2,50%	3,25%
Pension growth rate	1,45%	2,00%	1,32%	1,75%
Rate of social security increases	2,50%	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:

	2018		2017	
	Norway*	**Sweden**	**Norway***	**Sweden**
Retiring at the end of the reporting period:				
- Male	-	22	4	22
- Female	-	24	3	25
Retiring 20 years after the end of the reporting period:				
- Male	1	23	1	24
- Female	-	25	-	26

The Mortality table K2013 is used for Norway and DUS14 (White collar) for Sweden.

*The Norwegian defined benefit schemes were terminated in 2017 and the table show remaining members.

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 6.71%	Increase by 7.25%
Salary growth rate	1,00%	Increase by 0.99%	Decrease by 0.97%

	Impact on defined benefit obligation - Sweden		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 26.19%	Increase by 30.74%
Salary growth rate	1,00%	Increase by 1.16%	Decrease by 1.09%

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 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 defined benefit pension schemes in Norway are unfunded.

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 25,193 TNOK.

The weighted average duration of the defined benefit obligation is 7.2 years in Norway and 28.3 years in Sweden.

Expected maturity analysis of undiscounted pension benefit payments:

At 31 December 2018	**Less than 1 year**	**Between 1 - 2 years**	**Between 2 - 5 years**	**Between 5 - 10 years**	**Total**
Pension benefit payments	11	9	34	39	**92**

Note 29 - Remuneration

All values in thousands of NOK
Santander Consumer Bank AS has established a Remuneration Committee, and a Remuneration Policy, which was last updated in November 2018. The Policy applies to all employees in the Company's operations in Norway, Denmark and Sweden, as well as the subsidiary in Finland. There are special regulations for Senior Management with duties of material importance to risk exposure, and the heads of the control functions.

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 Bank and to support the Company's performance culture. The Policy is 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 remuneration. Additionally, the Policy intend to ensure that the overall remuneration structure reflects sound and effective risk management principles. As a result, a key element in the Policy is to counteract risk-taking that exceeds the level of tolerated risk for the Bank while, at the same time, offer a flexible remuneration structure.

The Policy shall further ensure that the total variable remuneration payed out will not conflict with the requirement of maintaining a sound capital base.

Senior Management Team and Material Risk Takers are 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 Bank 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 Contribution: 7% up to 7G and 18% from 7G to 12G
2. Pension scheme for wages above 12G: 18% paid over payroll

Sweden
Two different types of pension's 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 75 "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).

Salary expense as of 31.12.2018 includes a restructuring costs of approximately 175 MM NOK.

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 2018	Total 2017
Michael Hvidsten, Chief Executive Officer	3 275	1 025	143	836	5 279	5 730
Knut Øvernes, Managing Director Norway	2 091	512	145	497	3 245	3 356
Bo Jakobsen, Managing Director Denmark	2 683	356	444	326	3 809	4 473
Juan Calvera, Nordic IT & OPS Director	1 611	461	130	487	2 689	2 540
Olav Hasund, Nordic Auto Director	2 040	266	150	467	2 923	3 011
Martin Brage, Managing Director Sweden	1 808	287	896	69	3 060	-
Anders Bruun-Olsen, Nordic Financial Management Director	1 836	358	132	391	2 717	2 812
Mira Naumanen, Nordic Compliance Director	1 141	172	811	153	2 277	-
Trond Debes, Nordic Legal, HR & Internal Communication Director	1 611	266	138	372	2 387	2 440
Tatjana Toth, Chief Control Officer (Until 30.04.2018)	2 291	-	108	372	2 771	2 538
Espen Hovland, Chief Control Officer (As of 07.05.2018)	966	307	186	126	1 585	-
Andres Diez, Chief Risk Officer	1 444	266	125	237	2 072	1 933
Rocío Sánchez Aragonés, Nordic Internal Audit Director	1 129	256	-	1 176	2 561	2 283
Total	**23 926**	**4 532**	**3 316**	**5 533**	**37 307**	**31 116**

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 2018*	Total Number of shares earned, but not issued per 31.12.2018*	Value of the shares earned, but not issued per 31.12.2018* (thousand NOK)
Michael Hvidsten, Chief Executive Officer	12 967	24 210	1 101
Knut Øvernes, Managing Director Norway	6 483	12 087	554
Bo Jakobsen, Managing Director Denmark	3 540	7 945	284
Juan Calvera, Nordic IT & OPS Director	5 834	9 433	413
Olav Hasund, Nordic Auto Director	3 371	6 411	291
Martin Brage, Managing Director Sweden	3 933	3 933	165
Anders Bruun-Olsen, Nordic Financial Management Director	4 538	9 058	413
Mira Naumanen, Nordic Compliance Director	2 360	3 279	144
Trond Debes, Nordic Legal, HR & Internal Communication Director	3 371	6 607	300
Andres Diez, Chief Risk Officer	3 371	4 430	202
Rocío Sánchez Aragonés, Nordic Internal Audit Director	3 241	4 372	201
Total	**53 009**	**91 765**	**4 068**

Defined share value	**2018**	**2017**	**2016**
Share value - Banco Santander (EUR) *	4	6	5
Share value - Banco Santander (NOK) *	42	57	45

*Value of shares is delivered by Corporate per 02.02.2018, and the exchange rate per 31.12.2018.

Board of Directors		2018	2017
Erik Kongelf	Chairman	550	550
Bruno Montalvo Wilmot	Deputy Chairman	-	-
Federico Alvarez De Toledo Ysart	Member	-	-
Jyri Oskar Vilamo	Deputy	-	-
Javier Anton San Pablo	Member	-	-
Henning Strøm	Member	450	450
Niels Aall	Member	450	450
Mette Kjærsund	Deputy board member, employee representative	25	-
Berndt Ola Tillberg	Observer	25	213
Jim Grøtner	Deputy Employee representative	200	57
Sigrid Dale (From 01.11.2017)	Employee representative	200	30
Arja Pynnonen	Employee representative	10	-
Total		**1 910**	**1 750**

	2018		2017	
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	645	545	595	541
Sweden	364	351	374	358
Denmark	268	244	271	245
Total	**1 277**	**1 140**	**1 240**	**1 144**

Audit services and advisory services (without VAT)	2018	2017
Audit services	16 316	12 770
Statutory audit and reporting SCF	8 555	7 303
IFRS 9	950	2 000
SOX	6 811	3 467
Other certification services	-	-
Tax advice	-	-
Other non-audit services	214	813
Total	**16 530**	**13 583**

Note 30 - 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 Consumer Finance OY. Book value of investment in Finland is revaluated due to a hedging of the investment. See note 20 for further details.

	2018	**2017**
Number of Shares owned	600 000	600 000
Book value	1 292	1 277

Company name	Equity	Total assets	Result 2018	Result 2017
Santander Consumer Finance OY	2 592	40 113	531	481

Note 31 - Receivables and liabilities to related parties

Debt to related parties:

Amounts in millions of NOK	**2018**	**Accrued interest 2018**	**2017**	**Accrued interest 2017**
Balance sheet line: "Loans and deposits from credit institutions with an agreed term"				
Santander Benelux	-	-	582	2
Santander Consumer Finance S.A.	23 149	8	20 433	6
Debt to SPV on future cash flow of securitized loans	5 822	-	8 705	-
Total	**28 971**	**8**	**29 720**	**8**

	2018	**Accrued interest 2018**	**2017**	**Accrued interest 2017**
Balance sheet line: "Subordinated loan capital" - Bonds				
MNOK 250, maturity March 2025, 3 months NIBOR +2.2575% (Santander Consumer Finance S.A)	250	-	250-	
MNOK 250, maturity July 2025, 3 months NIBOR +3.135% (Santander Consumer Finance S.A)	250	2	250	2
MSEK 750, maturity December 2024, 3 months STIBOR +2.2825% (Santander Consumer Finance S.A)	728	-	750-	
MNOK 500, maturity September 2027, 3 months NIBOR + 1,66% (Santander Consumer Finance S.A)	500	-	500	1
Total	**1 728**	**3**	**1 750**	**3**

Receivables on related parties:

Amounts in millions of NOK	**2018**	**Accrued interest 2018**	**2017**	**Accrued interest 2017**
Balance sheet line: "Commercial papers and bonds"				
B and C notes issued by SPVs	1 168	-	2 712	1
Balance sheet line :"Loans to subsidiaries and SPV's"				
Loan to subsidiary (Santander Consumer Bank OY)	8 680	53	8 608	45
Subordinated loan to SPVs	138	-	404	-

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

Financial information in accordance with the capital requirement regulation is published at www.santander.no

Note 32 - 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:

	2018	2017
Interest income	425	588
Interest expenses	-461	-700
Interest payments additional Tier 1 capital	-169	-174
Fees	10	57
Other	63	37
Net transactions	**-131**	**-193**

Santander Consumer Bank AS had transactions with the following related parties per 31.12.2018

Banco Santander
Santander Consumer Finance SA
Santander Benelux
Produban
Santander Securities Services, S.A
Santander Consumer OY
Santander Insurance Europe Limited
Santander Insurance Services Ireland Limited
Abbey National Treasury Services plc
Geoban S.A.
Santander Global Technologies

SPV:
Bilkreditt 5 Ltd.
Bilkreditt 6 Ltd.
Bilkreditt 7 Ltd.
Svensk Autofinans WH1 Ltd

Note 33 - Contingent liabilities & commitments and provisions

All amounts in millions of NOK	2018	2017
Contingent liabilities*	74	82
Commitments (Granted undrawn credits)	26 789	20 558

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

Note 34 - Result over total assets

All amounts in millions of NOK

	2018	2017
Profit after tax (PAT)	2 607	2 814
Total assets (Assets)	147 400	141 126
PAT over Assets	1,77%	1,99%

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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 which comprise:

- The financial statements of the parent company Santander Consumer Bank AS (the Company), which comprise the balance sheet as at 31 December 2018, and the profit and loss statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Santander Consumer Bank AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018 and the profit and loss statement, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 Company as at 31 December 2018, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, 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.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 and the Group 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.

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.

The Groups business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new Key audit matters for our audit of the 2018 financial statements. The implementation of IFRS 9 has altered the way we audited impairment of loans to customers, but overall, our areas of focus have been the same in 2018 as in the previous year.

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 and includes a considerable volume of data and judgemental parameters. We focused on this area due to the significance of the impairment considerations for the value of loans in the financial statements, and the fact that the use of judgement has a potential to affect the profit for the period. Furthermore there is an inherent risk of errors because of the complexity and quantity of data involved in the modelling. IFRS 9 took effect on 1 January 2018. The most significant change compared to the previous regime is the fact that the impairment model now is based on expected credit losses rather than incurred losses. The implementation of a new accounting standard adds to the complexity, and consequently the inherent risk of errors, in the modelling. The use of models to determine expected credit losses entails judgement, specifically with respect to: • classification of the various credit portfolios by risk and asset type; • identification of impaired loans or loans presenting a significant increase in credit risk and sorting them into stages; • the use of concepts such as macroeconomic scenarios, expected lifetime, etc; and • the construction of parameters such as the probability of default (PD) and loss given default (LGD). The Group's business is concentrated on consumer finance. In this context, the Group has developed a general risk management framework which takes into	Our work in the area of the impairment of loans and advances to customers on account of credit risk focused on analysing, assessing and verifying the control environment and performing tests of details with respect to the provisions estimated collectively and individually. We also looked at the effects of first-time application of the new standard. As for the internal control environment, we obtained a detailed understanding of the processes and tested the controls associated with: • the calculation, recalibration and back-testing of methodologies used by Management; • whether the Management-approved internal models worked as intended; • the reliability of the sources of the data used for calculation purposes and the appropriateness of the models in light of the circumstances; • the periodic assessment of risks and monitoring policies used by the Group; • the process for periodically reviewing borrowers for stage classification and measurement. Our testing of internal controls did not indicate material errors in the modelling. For the main models, we carried out tests of details related to calculation and segmentation methods, methodology for estimating expected loss parameters, historical data and estimates used, criteria used to classify loans by stages and scenario information and related assumptions. We also tested whether loans were properly classified and that any corresponding impairment losses had been duly recognised, checking any discounted cash flow models used to this end. Any differences encountered as part of our detailed testing fell within a reasonable range. Accounting principles 2.2 and 2.6.1 and notes 2, 4, 5 and 6 is relevant for the description of the Group's models and processes to estimate loan-loss impairment provisions and the implementation of IFRS 9. We read the notes and found them to be adequate and to give a balanced overview of the models, parameters and judgemental assumptions used.

account the specific characteristics of each of its markets. Its internal models is designed to enable the Group to estimate loan-loss impairment provisions collectively and for significant individual exposures.

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 supporting financial reporting, the audit team performed detailed testing of relevant reports and automated controls. We 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 deemed relevant for our audit.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except 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 Chief Executive Officer for the Financial Statements

The Board of Directors and the Chief Executive Officer (Management) are responsible for the preparation in accordance with law and regulations, including 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, including 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 or the Group'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 and the Group'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 and the Group 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 the Board of Directors 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.

We also provide the Board of Directors 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 the Board of Directors, 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 proposed allocation of the result 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 2019

PricewaterhouseCoopers AS

Geir Julsvoll

State Authorised Public Accountant