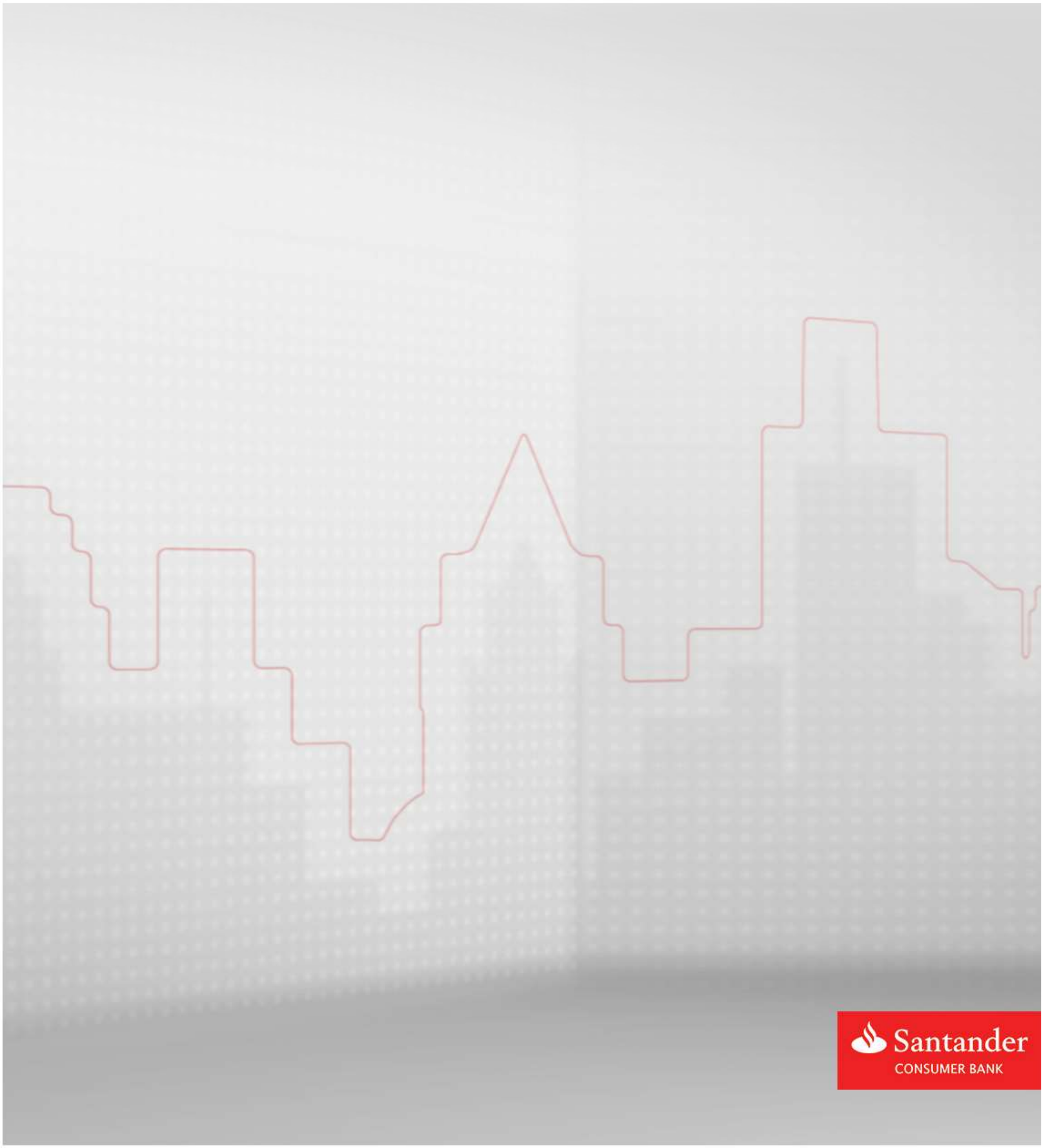
Annual report 2017

Santander Consumer Bank Nordic Group
and Santander Consumer Bank AS



Prosperity through responsibility

Santander Consumer Bank (SCB) provides everyday prosperity by making the good days better and the bad days easier – for our customers, our partners, our colleagues and our surroundings. We do this in a responsible manner, and our continued growth and strong economic results through 2017 prove that our core value of acting fair also is a profitable way of doing business.

Total new car sales reached a new all-time high in 2017. SCB is the market leader in the Nordics in this field, a position we have fortified during the last year. Auto business growth contributed significantly to increased lending compared to the same period in 2016.

The car market is rapidly evolving. Environmentally friendly cars are becoming more attractive. New mobility solutions challenge the traditional perspective on personal transport. Finance is becoming a more integrated part of dealers' and importers' strategy in selling cars. We are well positioned to grab the opportunities that arise. As an example, we were the first Nordic bank to offer IT solutions to help dealers sell cars online, which is now a rising global trend.

We are agile and partner up when it adds value for our stakeholders and ourselves. By understanding our partners and their businesses, we help them prosper by providing flexible and trustworthy financing options. Our focus on new and renewed partnerships across different product lines showed great results in 2017 – aiming at creating win-win situations and strengthening our relations. We have established strategically important partnerships providing sales financing through major retailers and merchants across the Nordics, already showing great results.

Increased self-funding through a diversified funding platform is a strategic priority for the group. We offer customer deposits in three of our markets, and this has become our largest source of funding. In addition to increased deposits, we are issuing both senior unsecured and secured (ABS) bond transactions.

I am also very happy that we have seen higher recoveries and lower levels of non-performing loans throughout 2017. The quality of our credit portfolios has improved, reducing our net impairment losses.

The debate on regulation of unsecured credit is running high in Norway. Last year the Norwegian FSA released new guidelines for responsible lending. We focus on being regulatory compliant, as acting responsibly is an obvious choice for us, being a major Nordic bank and part of a globally leading bank with a solid history going back more than 150 years. We also share our expert insight and advice to the authorities in discussions on regulatory issues. In addition, we see that regulatory requirements such as GDPR, PSD2 and cyber security can be turned into commercial opportunities.

I want to give a special thanks to all the outstanding members of our team here at Santander Consumer Bank. Our own engagement, competence and experience are our strongest assets in the fierce competition we are facing every day. We have shown that working together, we can create results that go beyond our ambitions.

Michael Hvidsten,
CEO

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Annual Report of the Board of Directors 2017

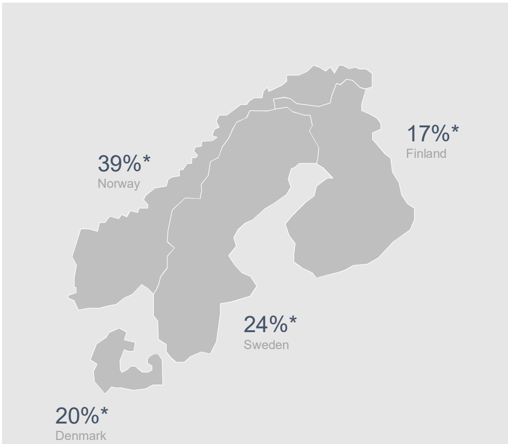
Highlights in 2017

- The Group's recorded profits before tax year was 3 995 MM NOK in 2017, reflecting an increase of 23% compared to 2016.
- Lending rose 15 % compared to 2016 strongly driven by growth in the auto business.
- The Group launched its Digital Transformation Programme as a key component of its overall innovation and digital strategy.
- New Sales Finance deals signed with Elkjøp Norway and MediaMarkt in Sweden.
- Deposit volumes increased by 24% compared to 2016.
- Sale of portfolios of written off loans in June 2017 resulting in significantly lower net impairment losses.

Nordic
2017 results

143,6 Bn
Gross Outstanding Loans

3 995 MM
Profit Before Tax



Norway

44,9 Bn	Auto Loans
11,4 Bn	Unsecured Loans
1 822 MM	Profit Before Tax

Finland

22,1 Bn	Auto Loans
2,6 Bn	Unsecured Loans
601 MM	Profit Before Tax

Denmark

23,4 Bn	Auto Loans
5,8 Bn	Unsecured Loans
871 MM	Profit Before Tax

Sweden

19,3 Bn	Auto Loans
14,1 Bn	Unsecured Loans
701 MM	Profit Before Tax

** Of total gross outstanding loans.*

Key figures Santander Consumer Bank Group

Amounts in NOK million	**2017**	**2016**	**2015****
Net interest income	**6 607**	**6 276**	**4 958**
*Growth**	*5 %*	*27 %*	*41 %*
Profit before tax	**3 995**	**3 250**	**1 942**
*Growth**	*23 %*	*67 %*	*47 %*
Profit after tax	**3 055**	**2 442**	**1 507**
*Growth**	*25 %*	*62 %*	*58 %*
Total assets	**159 100**	**142 729**	**135 874**
*Growth**	*11 %*	*5 %*	*41 %*
Net Loans to customers	**140 793**	**121 698**	**113 666**
*Growth**	*16 %*	*7 %*	*39 %*
Customer deposits	**50 617**	**40 971**	**37 380**
*Growth**	*24 %*	*10 %*	*107 %*

** Year on year.*
*** Legal merger with Santander Consumer Bank AB on July 1st 2015.*

Financial Performance

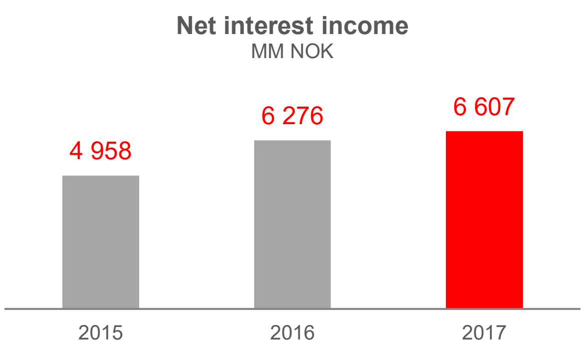
Review of the Annual Accounts

The Group's profit before tax was 3 995 MM NOK in 2017, an increase of 23% compared to 2016. The increase in results was mainly driven by increase in net interest income and lower impairment losses.

Profit after tax for SCB AS in 2017 was 2 814 MM NOK. SCB AS received a dividend from SCF OY of 241 MM NOK in 2017.

Net interest income increased by 331 MM NOK compared with 2016, representing an increase of 5%. Higher lending volumes in all segments 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.

The Group reclassified issued Additional Tier 1 capital of 2 250 MM NOK from liabilities to equity in 2017 with related interest expenses presented in equity instead of profit and loss. The reclassification is consequently reflected in lower interest expenses. Comparison figures are changed similarly.



Net fee and commission income decreased by 84 MM NOK from 2016. The decrease was driven by lower levels of insurance income, due mainly to the cancellation of the Single Premium insurance product in Norway in 2017.

Other net operating income decreased by 80 MM NOK from 2016. Adjusted for the nonrecurring effect, relating to the sale of Visa Norge's holdings in Visa Europe in June 2016, net other operating income decreased by 38 MM NOK compared to 2016.

Administrative expenses increased by 284 MM NOK compared with 2016, mainly due to several new internal projects in all Nordic countries during the year.

The settlement of the defined benefit plan in Norway reduced personnel expenses with 166 MM NOK. Further, personnel expenses were also impacted by the finance tax on salaries, implemented in Norway in 2017, amounting to 22 MM NOK in 2017.

Net impairment losses on loans fell by 864 MM NOK compared to 2016. This decrease is mainly driven by the sale of portfolios of non-performing loans, which resulted in recoveries of approximately 600 MM NOK in June 2017. Further, the quality of credit portfolios has improved throughout 2017, reflected in higher recoveries and lower levels of non-performing loans.

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

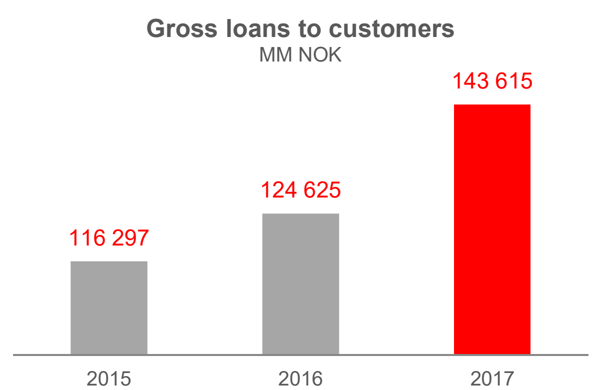
It is proposed to allocate 350 MM NOK of the year's profit in dividend to the shareholder. The rest of the comprehensive income for the year is proposed allocated to other equity. Capital ratios at year-end 2017 could support a higher dividend amount, but the bank wants to ensure sufficient capital buffer to meet potential further growth in 2018.

Loans and Deposits Performance

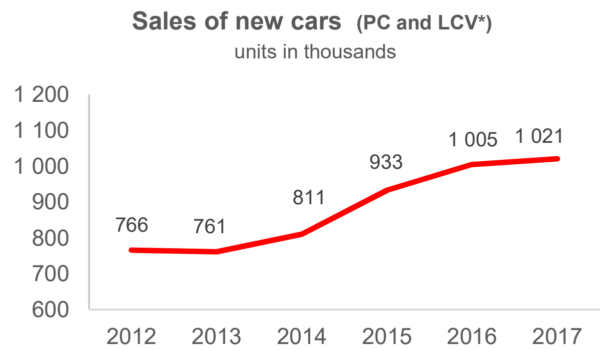
Loans to Customers

The Groups gross outstanding loans to customers came to 143,6 Bn NOK at Q4 2017. This is an increase of 15% (19 Bn NOK) compared to Q4 2016. The growth is driven by good market conditions with increased focus on financing as a tool to increase sales of cars and improve customer loyalty.

15%
increase



Auto and Leisure Financing
2017 saw a strong, solid car market in the Nordics. The total for new and used cars (PC + LCV) ended at 3 954 650 units, up 1,1% on 2016. New car sales have over recent years seen a strong growth, although last year it was more moderate at 1,6%. Total new car sales ended at 1 021 498 units and represent a new "all time high". Sweden, which is the largest market, experienced a good growth during the year.



**Personal cars and Light commercial vehicles*

Car sales in Denmark was negatively affected by uncertainty concerning new car taxation. The new car tax is now implemented and going forward it is expected to have only minor impact on total car sales.

One clear trend in the market is the shift towards more environmentally friendly cars. Supported by incentives, Norway is the European leader with regards to electrification of the car park. In 2017 more than 20% of new cars sold were electrical (EV). If we include plug-in hybrids and hybrid total this number climbs to more than 50%.

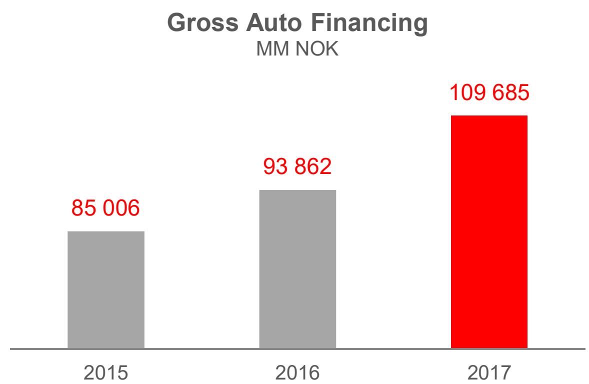
The market is facing increased dealer consolidation. In 2017, the Swedish auto company Anders Hedin Invest AB, acquired the Norwegian car dealer group Miklagard, and is set to become one of the largest of its kind in the Nordics.

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

The increase in number of finance concepts featuring fixed monthly costs and agreed residual value has lead to a challenge for the dealers, who need the capacity to take on this position. In order to strengthen our capability to support our dealers, the Group has entered into a partnership with LeasePlan who guarantees for the residual value at the end of the financing period.

The Group operates with a multi-channel distribution strategy directly to the end customers and indirectly via dealers and importers. Customers are both individuals and small medium enterprises (SMEs).

The Group has in 2017 maintained its market position. We continue to grow the 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.



In the year to come we expect a strong car market, with stable used car sales and a slight reduction in new car sales.

New players enter as fleet companies increase focus on direct distribution driven by bundled products to private customers, in direct competition with the 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. This leads to new strategies for manufacturers and other players in the industry.

Online sales of cars is another global trend. In the Nordics, the Group has been first to offer IT solutions for dealers to help them sell online. The concept Santander Online Sales Tool has been tested out with the help of several dealers and we now see a clear trend towards customers being increasingly willing to buy a car via the internet. Consequently, we envisage increased initiatives from both dealers and importers with regards to solutions for online sales.

"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 challenge for the dealers.

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

Unsecured Financing
There are clear trends in the financial services industry towards digital channels and products, as well as the banking sector opening up to new types of partnerships. It's an environment that is rapidly changing. New kinds of entrants are emerging (notably FinTechs companies – non-banks offering consumer finance and tech companies expanding horizontally into payments and credits) increasingly fading the borders between the physical and the online world.

FinTech companies focusing on specific niches, new regulations promoting collaboration across industries (e.g. PSD2) and new customer preferences all play in Banco Santander's favor. Banco Santander has a long tradition of utilizing different types of partnerships, via our in-house venture capital department, to offer greater customer value thanks to enhanced services and tailored products. During 2017, strategic partnerships were a key factor enabling us to go beyond banking and deliver increased customer value, whilst at the same time improving our financials. A true win-win.

The consumer loans markets continue to increase. Agents play an important role and continue to grow in numbers in Sweden and Norway. We also see some initial broker activity in both Denmark and Finland, where traditionally affiliates rather than brokers have played a part.

The sales finance market has seen considerable growth in e-commerce over the past couple of years, and is developing into a hybrid between physical and e-commerce, with 'Omni-channel' as a frequently used "buzzword". The Group, which traditionally has a stronghold in physical stores, is increasingly investing in e-commerce by developing and implementing a full omni-channel solution to our partners across the Nordic countries.

The credit card market is subject to fierce competition with many new entrants looking to attract consumers by offering very low fees. The Group's response to this is a strong focus on customer service, improving our online channels for direct applicants and working on smarter CRM activities.

Digital Wallets have entered the Nordics with Apple Pay in Sweden, Finland and Denmark and Samsung Pay in Sweden. Very few banks have launched cards or services eligible for transactions through Digital Wallets during 2017, but adoption is expected to pick up. The Group is in preliminary dialogue with many of the major digital wallet providers.

New regulations in the Nordic markets, e.g. mortgage amortization in Sweden and responsible lending guidance in Norway, will most probably have an impact on the demand for unsecured products. The Group is focusing on being compliant, whilst minimizing negative impact on our business and customers.

We see a trend towards renting or leasing rather than owning also in new product specters, including brown goods and other consumer electronics. Predominantly the younger generation drives a demand for new financing products in the unsecured sector.

The Unsecured Financing portfolio across the Nordics grew by 17% in Denmark, 14% in Finland, 11% in Sweden and 6% in Norway.

Towards the second part of 2017, the Group entered into major partnerships with some of the leading retailers and merchants in the Nordics, in order to offer financing in their physical stores and online. These crucial collaborations, in addition to prosperous relations with existing partners, already bear fruit as shown in the overall results for last year. We note that the Danish sales finance volumes, although a young enterprise, increased volumes by 144 MM NOK. Meanwhile the more established businesses in Sweden, Norway and Finland grew by 189 MM NOK, 476 MM NOK and 128 MM NOK respectively.

Although fierce competition in the Consumer Loans market, all Nordic countries managed to maintain their market shares.

The Credit Cards market is a key focus area for Santander going forwards – with major initiatives on improving our value proposition to remain competitive in an increasingly crowded market.

Some of the key projects across the Nordics focus on consolidating and enhancing our core IT-systems to ensure efficiency between countries, ensuring we remain competitive in the future.

In addition, the Group is making great progress on our journey towards being fully digital. The Group is proud to be the first Norwegian bank to launch an integrated BankID mobile authorization solution for consumer loans and sales finance products.

In Denmark, enabling top-ups on existing loans have generated a substantial increase in volume and very positive feedback from users, offering existing customers a quicker process to increase their current loans.

Operating in the Consumer Finance industry we cooperate closely with businesses that are both customers and partners at the same time. Our ambition is to create win-win situations, and we are happy to have established great new partnerships with major retailers and merchants across the Nordics in the past year.

In Sweden, we launched a partnership with MediaMarkt for the next three years – offering Santander financing in all physical stores and online.

In Norway, we entered into a three year partnership with Elkjøp – offering Santander financing in all physical stores and online. In addition, we have signed a renewed contract with Power for another five years.

In Denmark, focus has been on growing our business in pertnership with Power and Humac, our largest local partners. We have also entered the e-commerce markets via partnerships with several mid-sized retailers, generating substantial volumes during the first year after launch.

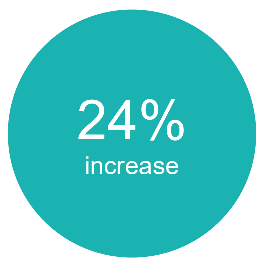
In Finland, we have instigated partnership with a key broker and initiated integration with several selected others.

We are entering a year with forecasted favorable macro trends, new regulations coming into effect and commencement of significant new partnerships. The Group will continue to embrace changes in the markets and seek to expand with them. Focus is on continually improving our business through new key partnerships, seizing opportunities in the markets, such as PSD2 and open banking, whilst steadily improving our core systems to be prepared for the future.

The group will capitalize on new regulations while ensuring that we are fully compliant always.

We are further developing the capability to approach the market as one Nordic bank, via our cross-Nordic platforms for the unsecured markets and through our clear Nordic Customer Relationship Management strategy.

Deposits
Customer deposits are the largest funding source in the group and a strategic priority with regards to increasing our self-funding going forward. Deposit-taking capabilities have been developed in Norway, Sweden and Denmark over recent years. The focus in 2017 has been on optimizing the existing portfolio and developing new products, while searching for opportunities and also fulfilling upcoming legal requirements.

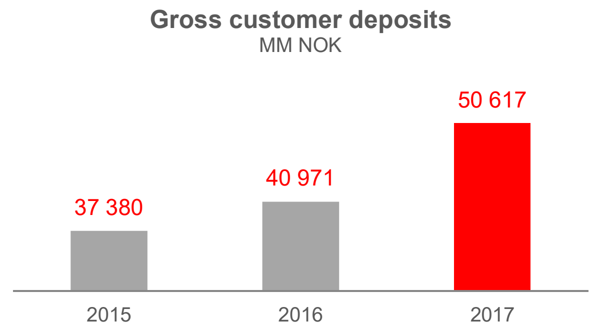


Total outstanding volumes for the group are 50,6 Bn NOK per December 2017, representing an increase of 9,6 Bn NOK (24%) compared to December 2016.

2017 was the first full year with a product portfolio with 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. The notification product was launched December 2016. It represented a product portfolio risk diversification and was a great success, increasing the number of customers as well as outstanding volumes in Sweden. Per December 2017 Sweden managed outstanding volumes of 15,4 Bn NOK, and achieved an increase of 3,5 Bn NOK (29 %) in outstanding volumes compared to December 2016. From a deposit perspective, Sweden is the only unit with ongoing cooperation with a broker, Avanza, and achieved knowledge is important going forward as we prepare for PSD2 and Open banking opportunities.

Denmark has the most diverse product portfolio with demand products, notification products and term deposits. The Danish consumer Agency Tænk Penge (Think Money) awarded the notification product in Denmark “Best in test” in December 2017.
Outstanding volumes in Denmark stand at 14,3 Bn NOK per December 2017, both the highest increase of 3,9 Bn NOK compared to December 2016 – and the highest percentage growth in the group with 37 %.

Norway holds the largest outstanding volumes in the Group with 20,9 Bn NOK per December 2017. The increase compared to December 2016 is 2,3 Bn NOK, representing 12 % growth. During 2017 Norway has changed their marketing strategy to content marketing, in order to provide customers more relevant and trustworthy information. The shift seems successful, hence Norway reached an increasing number of new customers and positive outstanding volume development, all the while keeping interest rate levels stable, when competitors increased theirs.



Risk Management

Through its forward-looking risk management, 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 for the underwriting of 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) decreased from 2,9 Bn NOK in 2016 to 2,8 Bn NOK in 2017.

Two items explain the LLR movements in 2017. First, portfolio performance improved in spite of increased volumes. Second, reserves built in previously, taking into account a worsening of macroeconomic conditions linked to the Oil & Gas industry, were reduced throughout the year as the outlook improved.

As of January 1st 2018 the Group has implemented IFRS 9 Financial instruments. The Group’s assessment is that the expected loss model will increase loan loss reserves and that volatility in the credit loss line in the income statement will increase with the new impairment requirements under IFRS 9. The impact on loan loss reserves with implementation of IFRS 9 was calculated on 1 January 2018. With transition to IFRS 9, the increase in loan loss reserves is estimated in the range of 550 – 650 MNOK as a one off allocated towards equity.

Liquidity and Interest Rate Risk

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

The bank's liquidity risk management has been strengthened throughout 2017 with the implementation of daily LCR monitoring and a minimum LCR ratio in all relevant currencies, as well as improved management of the NSFR.

As of December 2017, the Group's LCR and NSFR stood at 147,66% and 95,87% 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. Interest rate is measured using the net interest margin (NIM) and market value of equity (MVE) sensitivity. The exposure to interest changes are within defined limits as approved by the Board.

Foreign Currency Risk

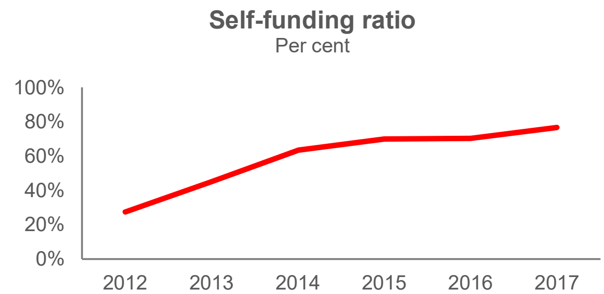
The bank is exposed to currency risks through its activities in Sweden, Denmark and Finland. The bank minimizes currency risk by ensuring that assets are funded by liabilities in the same currency. When raising funds through international debt markets, any open currency exposure is managed with derivatives.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

(See note 3 for foreign currency exposures as of 31.12.2017).

Funding

77%
self funding total

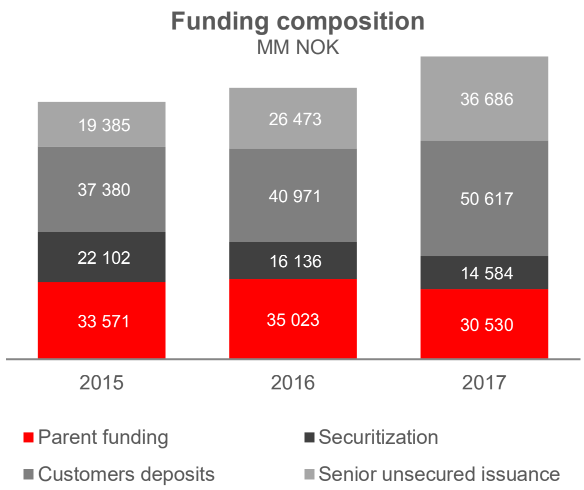
Maintaining a diversified funding platform is a strategic priority for the Group, as it enables flexibility, optimization of cost of funds, and reduces reliance on support from the parent bank. Over the past 5 years, the Group has developed deposit products across 3 of its 4 markets, been active in the Norwegian and Swedish domestic bond markets, as well as in the Euro-market, and has issued securitization transactions with assets from all four Nordic countries. Intragroup funding provides a buffer where strategically helpful, particularly in the short-term space. Self-funding sources totaled 77% year-to-date, with parent funding providing the remaining 23%.



Customer deposits is the largest source of funding, comprising 37% of total liabilities as of end year. The total outstanding volume reached 50,6 Bn NOK across the three Nordic markets where the Group is present. Deposit volumes have increased 24% year-to-date, with expectations of continued significant importance.

Senior unsecured issuance has also increased in importance and comprises 28% of our funding, compared to 22% end of year 2016. In addition to robust markets, issuance has been supported by the attainment of our stand-alone rating of A-/A3 from Fitch and Moody's, respectively, in 2016. Moreover, the change in the securitization law in Norway in 2016 has resulted in the substitution of asset-backed funding with senior unsecured issuance.

Senior unsecured issuance in 2017 included 500 MM EUR in the Euro market in Q1, 2 Bn SEK in the Swedish market, and 3,95 Bn NOK in the Norwegian market. The Norwegian volume includes the inaugural issuance of 900 MM NOK in the certificates of deposits market through the course of Q4 2017. Total outstanding bond and certificate issuance equals 36,7 Bn NOK, up 39% from end year 2016. The average remaining term to maturity for bonds (excluding certificates of deposits) is approximately 1,5 years. This is somewhat reduced from the previous quarter, due to the Group's issuance calendar typically tilted towards the first half of the year. The Group's credit margins across all three markets have been reduced in 2017.



The Group accessed the asset-backed securities market in Q4 2017 with a 643 MM EUR issuance backed by our Finnish assets. Securitizing the Finnish portfolio remains a stable source of securitization funding, since SCF OY is not impacted by the change in Norwegian law. The hiatus in the Norwegian securitization program has caused total outstanding volumes across the Group to trend downwards, currently equaling 14,6 Bn NOK, or 11% of outstanding liabilities. The Group looks to utilize its securitization capabilities more frequently going forward, especially as Norwegian legislation is expected to eventually harmonize with the European capital markets framework.

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 and denominated in local currencies, and are currently concentrated in the shorter-end maturities. The group expects parent funding to decrease in significance over time, even as it continues as an important buffer in the overall funding strategy.

Solvency and Capital Adequacy

The bank is supervised by the Norwegian FSA and has to comply with the capital requirements for banks in Norway. The bank has to comply with the capital requirements both at group level (SCB Group) and at stand-alone level (SCB AS). The bank had per Year-end 2017 a strong capital adequacy position.

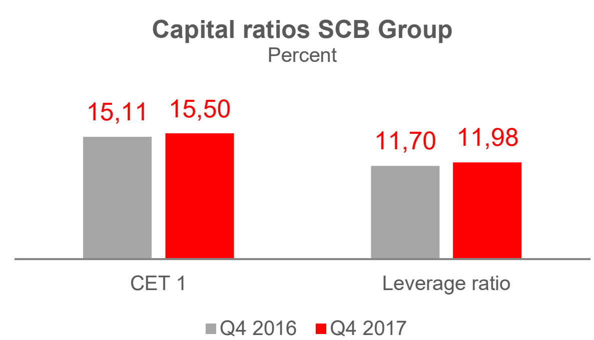
Since December 2015, the bank has used advanced internal rating based models (A-IRB approach) for parts of its exposure for capital calculations. The bank is in the process of developing models for using the A-IRB approach for the majority of its exposure and expects to receive approval for using the A-IRB approach for additional credit portfolios in coming years.

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

Pillar 1 - Calculation of minimum regulatory capital: Norwegian banks shall at all times satisfy capital adequacy requirements reflecting credit risk, operational risk and market risk. The minimum capital adequacy requirement of 8% shall consist of at least 4,5% common equity tier 1 capital (“CET1 capital”) and the remaining 3,5% may consist of other eligible capital instruments. In addition, Norwegian banks need to hold a capital conservation buffer of 2,5% CET1 capital, a systemic risk buffer of 3% CET1 capital and a bank specific countercyclical buffer (“CCB”) ranging between 0 and 2,5%. The CCB requirement for the bank is based on the CCB requirements in the four countries where the bank operates and is calculated as a weighted share of the country’s risk weighted assets. The CCB requirement is 2% in Norway and Sweden and 0% in Denmark and Finland. Per December 2017, the CCB requirement was 1,14% for SCB Group and 1,47% for SCB AS.

Pillar 2 - Assessment of overall capital needs and individual supervisory review: The bank conducts at least annually an internal capital adequacy assessment process (ICAAP) assessing capital adequacy and thus its Pillar 2 capital requirement. The Pillar 2 requirement for the bank is set by the Norwegian FSA and must be met by CET1 capital. In 2017, the Pillar 2 requirement for the bank was 2,2%, while for 2018 it is 2,3%. The combined Pillar 1 and Pillar 2 requirements will be the basis for the bank’s target capital ratios set by the Board of Directors.

Per December 2017, the sum of the Pillar 1 and Pillar 2 requirements outlined above for the CET1-ratio was 13,34% for SCB Group and 13,67 for SCB AS, while the actual CET1-ratio was 15,50% for SCB Group and 15,98% for SCB AS. For Tier1-capital ratio, Tier2-capital ratios and leverage ratio, please see Note 6 “Capital adequacy”.



In addition to the above capital ratios, the bank is from 30.06.2017 required to publish leverage ratios. The leverage ratio (LR) is the relationship between the bank’s core capital and its total assets. LR is calculated by dividing Tier 1 capital by total assets (on- and off-balance). The requirement leverage ratio for the bank is 5%. Per December 2017 SCB Group had a leverage ratio of 11,97%.

Pillar 3 - Disclosure of information: The bank is required to disclose relevant information on their activities, risk profile and capital situation. The bank's Pillar 3 Disclosure Report is published at least on an annual basis, latest on March 22nd 2017. The Board approves the policy for the disclosure requirements under Pillar 3, whilst the Capital Committee, consisting of Senior Management, approves the disclosure information.

From January 1, 2018, the Group will apply IFRS 9 Financial instruments. The principle impact on the Groups regulatory capital from the implementation of IFRS 9 will arise from the new impairment requirements. The estimated impact of IFRS 9 is a reduction in the CET1 capital ratio of approximately 30 bps for SCB AS and 37 bps for SCB Group.

In December 2017, the Norwegian Ministry of Finance issued guidelines on transition requirements for the implementation of IFRS 9. The guidelines allow a choice of two approaches to the recognition of the impact on adoption of the standard on regulatory capital:

1. Phase-in the impact over a five- year period or;
2. Recognizing the full impact on the first day of adoption.

The bank has decided to adopt the first alternative using the transitional rule. The phase-in allows a 95% reversal of the impact the first year, so the net impact of the IFRS 9 in 2018 capital adequacy is estimated to be less than 2 bps on the CET1 ratio. The bank will publish capital ratios both with and without transitional rules.

Please see Note 6 “Capital adequacy” for details on capital composition, risk weighted exposure and capital ratios per December 2017.

Regulatory Changes

There are several regulatory initiatives in the financial sector, and the bank works continuously to ensure compliance. The constitutional challenge in Norway regarding implementation of the EU supervisory regime has been solved, and although there are no longer any formal obstacles preventing EU financial legal acts to be included in the EEA agreement and Norwegian law, there is still a significant “back log” of EU legal acts pending national implementation. Further, the digital revolution is expected to potentially change the traditional banking business and customer behavior, for example the 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 banks' payment infrastructure and the opportunity to aggregate account information and debit accounts on behalf of customers.

In the personal data area, the general data protection regulation (GDPR) will apply as of 25 May 2018 in the EU countries and Norway. The regulation will affect the Group both in terms of customer data and employee data and the Group is taking extensive measures to ensure compliance with the regulation. Moreover, the bank carefully follows the process regarding implementation in Norway of the deposit guarantee scheme directive (DGSD) and the bank resolution and recovery directive (BBRD), the latter of which, among other things, will introduce a new crisis management arrangement for financial institutions. There are also various ongoing national initiatives, in particular in the consumer credit area, including release of a proposal for a new financial agreement act. The bank has adequate procedures to keep track of incoming legislation, both from the EU and nationally.

Digital Transformation

In Q3 2017, the Group launched its Digital Transformation Programme as a key component of its overall innovation and digitalization strategy. The purpose of the programme is to lay out the Group's strategy for becoming a truly digital organization and to establish the associated frameworks, governance structures and work practices that will drive and support this effort. To achieve its digital ambitions, the bank will focus upon progressing along two separate, yet complementary axes, (i) achieving greater digital customer engagement, through developing outstanding digital products and services and (ii) achieving increased operating efficiencies through establishing more efficient and flexible operating platforms and processes. The bank will also focus upon further developing its innovation culture and practices.

As a key component of its Digital Transformation Programme, the bank has set out its seven key strategic focus areas for innovation:

1. **Disruption regulations** – determining our strategic response to new legislation such as PSD2
2. **Core digitization** – ensuring key customer processes operate optimally
3. **Next generation customer experience** – how we deliver outstanding customer experience to new and existing customers
4. **Digital market places** – how we respond to consumers increasing desire to transact online
5. **Data analytics and business intelligence** – how we make best use of existing and additional data sources and advanced data analysis techniques to make better business decisions
6. **Next generation mobility** – how we respond to consumers' changing mobility needs
7. **Innovation capabilities and culture** – investing in required digital capabilities and work practices to stimulate and realize new innovations

The bank is progressing a number of innovation related and digital initiatives across the above seven strategic focus areas, embracing emerging technologies such as artificial intelligence, machine learning and robotic process automation.

Corporate Governance

The Group has a solid corporate governance, based on its strong culture and values, a robust control of risks, which ensures 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 executive and non-executive directors. The Board of Directors have eight members where two of the board members are elected by and among the employees of the bank and its subsidiary. Other members are elected by the general meeting. The chair and deputy chair of the Board are elected among the board 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 board members, deputies and observer is prepared by an election committee. The election committee is appointed by the Board and shall consist of minimum 3 board members.

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, and supervise in relation to the Internal Audit function. The audit committee consists of three members chosen by and among the board members. The audit committee will carry out the tasks set forth in Section 8-19 of the Norwegian Financial Institutions Act.

The Group has established an organizational structure that includes a proper and clear separation of functions, with well-defined responsibilities that are both transparent and consistent to ensure a healthy and prudent management.

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.

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.

People and Culture

At year-end 2017, the Group had 1 229 employees (excluding temporary hired employees), of which 335 worked in Sweden, 211 in Denmark, 138 in Finland and 545 in Norway.

In 2017 the sick leave rate was around 3,2%. There have been no personal injuries in the workplace in 2017.

The working environment in the Company is considered good, and is being assessed on an annual basis through the employee opinion survey. The 2017 response rate was 85 per cent. The overall evaluation assessment in the Nordic countries proved a positive development within all 16 survey dimensions, especially within those rating our culture and the employee perception of the company as an employer.

Prime focus areas within People and Culture in 2017 have been conducting value work 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, implemented agile working environments for units being close to markets and customers. We have implemented the corporate leadership principles and our 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, having improved in the range of 5-11%-points within the cultural elements in the annual survey.

BeHealthy is a global health and well-being scheme that aims to make the Group among the best in class in this area and which aspires to improve people's lives. The overall well-being of our people is essential to having healthy, happy and committed teams in order to 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.

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 meet the banking industry, we need to make sure that all employees across the Nordics understand their responsibilities. Training all employees within Compliance has therefore also been a priority in 2017.

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 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.

There have been no reported incidents of discrimination or sexual harassment in 2017. The Company has participated in Grupo Santander's worldwide Gender Diversity Policy. At year-end the gender ratio was 52% women and 48% men. The Nordic senior management team consisted of 2 women and 10 men in 2017. SCB AS Board of Directors consists of 1 woman and 7 men.

The People and Culture working environment has made significant HRIS investments to enable the digital transformation of the functional area. We have launched Workday as a common Nordic core HR solution, and Cornerstone as the learning/training platform. As part of the HRIS projects, the core HR processes have been aligned across the countries. Enabling enforced leadership and improving communication with our employees have been the most important goals to achieve, beside the efficiency targets.

In the end of 2017, the Group decided to align the pension's schemes for its employees in Norway. The Norwegian business unit had 4 pension schemes; 1 defined benefit scheme, 1 top hat scheme and 2 defined contribution scheme, which is now aligned to one contribution scheme. The background for this change is to ensure that all employees have a competitive pension's scheme and to avoid the inherent unpredictability in defined benefit scheme. All employees have been ensured a better or equal pension scheme.

Communities

As a responsible company Santander aims to act in a manner that is in line with the Santander values; Simple, Personal and Fair. In relation to how we approach society, employees, customers and stakeholders, we see many great initiatives throughout the Group.

The Group takes an active role in CSR mainly by supporting the "Right to Play" foundation through our cooperation with Team Santander. "Right to Play" utilizes the transformative power of play to educate and empower children and youth worldwide.

Acting in a responsible way is tightly linked to our purpose: "Helping people and businesses prosper". Santander Sweden has been the main sponsor for "En Svensk Klassiker" (A Swedish Classic) as well as creating comprehensive CSR and sponsorship programs, designed to bring people together and capture our employees' interests and engagements.

The company's belief in having a responsibility beyond generating profits for our owners and investors, has resulted in cooperation with the Danish Cancer Society for the prevention of cancer. Another activity is the engagement with SOS Children's Villages Finland aiming to increase the wellbeing of children and families around the world.

The activation of these different CSR initiatives throughout the Nordics also engages our employees. Employees expect more from their employers and want to be associated with more than the company's products. "Norge på Sykkel" (Bike across Norway) engaged 130 employees tracking a total of 12 600 km on their bikes, generating donations for Right to Play. This event is also nominated in the category "Best Internal Event" in the 2017 Sponsor & Event awards.

Environment

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.

Compliance

The Group has implemented the Groupo Santander Anti-Money Laundering and Countering Terrorism Financing framework, setting out the basic principles and guidelines for action, establishing mandatory minimum standards for Santander units. These are formulated based on the principles set out in Financial Action Task Force (FATF), recommendations and obligations in EU directives to prevent the use of the financial system for money laundering and terrorist 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 and 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. Second line of defence, oversight of the AML/CTF Program and risk management is performed by the Compliance & Conduct function, and senior management, risk committee and Board receives 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.

Future Prospects

The macroeconomic forecast for 2018 looks positive for the Nordic countries with estimated real GDP growth of around 2%, stable to falling unemployment rates, inflation rates between 1,5% and 2,0%, and positive consumer confidence rates.

The competitive environment for the Group continues to be dynamic and challenging, with the entry of new market players, connectivity and digitalization advancements, and changes in the legal and regulatory framework.

The Group has approximately 75% of its lending with auto as the underlying asset class, and is following closely the evolutionary and disruptive trends in the auto industry, ranging from BEVs (battery electric cars), mobility on demand, new retail concepts and digitalization. In response to these changes, the bank has embarked on a strategy process to meet the future needs of our partners and customers, where the term “auto sector” may soon become a historic relic, superseded by the “mobility sector”.

In terms of the unsecured loan portfolio, the bank has been working closely with the industry and with relevant finance organizations to put in place common rules regarding unsecured lending in Norway, which support the regulators’ aim of making the market a level playing field. The Group follows up closely on the PSD2 and GDPR regulations, with work underway to introduce new and refined IT solutions and processes.

The Group is expecting further asset growth in 2018, although the net interest margin is expected to remain under pressure due to market competition. 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 in 2018. Hence, the parent group funding is planned to decrease even further. The bank is working constantly to streamline its internal processes, and has a cost-to-income target of less than 40%.

The Group was in late 2017 moved by the Norwegian FSA to group 1 for ICAAP/SREP purposes, which means that the Group will receive comprehensive feedback on its ICAAP on a yearly basis. Throughout 2017, the Group had a CET1 requirement of 13,34% (due to different counter cyclical buffer requirements within the Nordic countries) which includes a Pillar 2 requirement of 2,2%. For 2018, the Pillar 2 requirement has been increased to 2,3%.

Lysaker, 14th February 2018

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)

Profit and Loss - Santander Consumer Bank Nordic Group

All amounts in millions of NOK	**Note**	**2017**	**2016**
Total interest income		7 850	7 507
Total interest expenses		-1 243	-1 231
Net interest income	8	**6 607**	**6 276**
Fee and commission income		553	676
Fee and commission expenses		-111	-150
Value change and gain/loss on foreign exchange and securities		-32	17
Other operating income	9	194	222
Other operating expenses	9	-222	-170
Gross margin		**6 989**	**6 871**
Salaries and personnel expenses	24, 25	-1 125	-1 161
Administrative expenses		-1 587	-1 303
Depreciation and amortisation	19, 20	-106	-109
Net operating income		**4 171**	**4 298**
Other income and costs		-63	-70
Impairment losses on other assets		-	-1
Impairment losses on loan, guarantees etc.	12	-113	-977
Profit before tax		**3 995**	**3 250**
Income tax expense	10	-941	-808
Profit after tax		**3 055**	**2 442**

Allocation of profit after tax			
Transferred to other earned equity		2 885	2 268
Transferred to additional Tier 1 capital holders		170	174
Total allocations		**3 055**	**2 442**

	Note		
Profit after tax		3 055	2 442
Items not to be recycled to profit and loss			
Actuarial gain/loss on post employment benefit obligations		-25	24
Items to be recycled to profit and loss			
Net exchange differences on translating foreign operations		213	-135
Value change of assets available for sale		3	-20
Cash flow hedge	10, 17	69	-27
Net investment hedge	10, 17	-74	24
Other comprehensive income net of tax		**186**	**-134**
Total comprehensive income		**3 241**	**2 308**

Balance Sheet - Santander Consumer Bank Group

All amounts in millions of NOK	Note	2017	2016
Assets			
Cash and receivables on central banks	14	65	60
Deposits with and receivables on financial institutions	14	3 226	3 897
Loans to customers	2, 11, 12, 13, 14, 21	140 793	121 698
Commercial papers and bonds	14, 16	6 859	10 944
Financial derivatives	14, 16	237	362
Consignment		4 355	3 228
Repossessed assets		12	6
Other ownership interests	14, 16	23	18
Intangible assets	20	1 100	984
Deferred tax assets	10	228	258
Fixed assets	19	555	524
Other assets	14	1 645	749
Total assets		**159 100**	**142 729**
Liabilities			
Debt to credit institutions	14, 27	31 020	35 019
Deposits from customers	7, 14	50 617	40 971
Debt established by issuing securities	14, 15	51 270	42 609
Financial derivatives	14, 16	175	291
Tax payable	10	88	102
Other financial liabilities	14	344	153
Deferred tax	10	915	723
Pension liabilities	24	88	218
Other liabilities		1 651	2 080
Subordinated loan capital	14, 27	1 753	1 297
Total liabilities		**137 921**	**123 463**
Equity			
Share capital		9 652	9 652
Share capital premium		891	891
Additional Tier 1 capital		2 250	2 250
Other equity		8 274	6 625
OCI items		111	-153
Total equity		**21 179**	**19 266**
Total liabilities and equity		**159 100**	**142 729**

Cash Flow - Santander Consumer Bank Group

All amounts in millions of NOK	Note	2017	2016
Cash flow from operations			
Profit before tax		3 995	3 250
Adjustments for:			
- Depreciation, amortisation and impairment on fixed and intangible assets	9, 19, 20	206	212
- Net interest income	8	-6 607	-6 276
- Value change and gain/loss on foreign exchange and securities		32	-17
- Dividends on available for sale financial assets		-	-42
Changes in:			
- Loans to customers	11	-19 095	-8 032
- Consignment and operational lease	19	-1 159	-578
- Repossessed assets	22	-7	7
- Other assets		-896	950
- Deposits from customers		9 647	3 590
- Other liabilities and provisions		-324	84
Interests received		7 850	7 507
Dividends received		-	42
Interests paid		-1 243	-1 231
Net income taxes paid		-953	-698
Net cash flow from operations		**-8 554**	**-1 232**
Cash flow from investments			
Purchase of bonds		-5 896	-14 224
Proceeds from matured bonds		10 334	12 482
Purchase of fixed and intangible assets		-177	-160
Proceeds from sale of fixed and intangible assets		25	24
Net cash flow from investments		**4 286**	**-1 878**
Cash flow from financing			
Proceeds from issued securities	15	18 457	18 342
Repayments of issued securities	15	-9 795	-17 219
Change in loans and deposits from credit institutions		-3 999	1 447
Proceeds from issue of subordinated loans	27	500	-
Repayment of subordinated loans	27	-80	-252
Dividend payments		-1 200	-500
Interest payments on additional Tier 1 capital		-170	-174
Net cash flow from financing		**3 712**	**1 644**
Exchange gains / (losses) on cash and cash equivalents		**-110**	**-426**
Net change in cash and cash equivalents		-666	-1 892
Cash and cash equivalents at the beginning of the period		3 957	5 850
Cash and cash equivalents at the end of the period		**3 291**	**3 957**

Statement of changes in equity - Santander Consumer Bank Nordic Group

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	-	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-1 200	-	-	-	-	-	-1 200
Correction previous years	-	-	-	0	-	-	-	-	-	0
Balance at 31 December 2017	**9 652**	**891**	**2 250**	**8 274**	**178**	**32**	**21**	**-50**	**-70**	**21 179**

2016

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 2016	9 652	891	0	4 727	99	49	-20	-	-147	15 251
Adjustment of tier 1 capital*	-	-	2 250	23	-	-	-	-	-	2 273
Adjusted balance at 1 January 2016	9 652	891	2 250	4 750	99	49	-20	-	-147	17 524
Profit for the period	-	-	174	2 268	-	-	-	-	-	2 442
OCI movements (net of tax)	-	-	-	-	-70	-20	-27	24	24	-69
Interest payments additional Tier 1 capital	-	-	-174	-	-	-	-	-	-	-174
Tax on interest payment additional Tier 1 capital	-	-	-	43	-	-	-	-	-	43
Capital increase	-	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-500	-	-	-	-	-	-500
Correction previous years	-	-	-	65	-65	-	-	-	-	-
Balance at 31 December 2016	**9 652**	**891**	**2 250**	**6 626**	**-36**	**29**	**-48**	**24**	**-123**	**19 266**

* Additional Tier 1 Capital of 2 250 MM NOK has been reclassified from Subordinated loan capital to equity in 2017. Please see Accounting principles for further details.

Total shares registered as at December 31, 2017 was 965 241 842, each with a par value of 10 NOK.

Restricted capital as at December 31, 2017, was 9 652 MM NOK, unrestricted capital was 11 526 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	2017	2016
Total interest income		6 781	6 418
Total interest expenses		-1 150	-1 062
Net interest income	8	**5 630**	**5 357**
Fee and commission income		545	701
Fee and commission expenses		-86	-120
Value change and gain/loss on foreign exchange and securities		-33	14
Other operating income	9	312	592
Other operating expenses	9	-120	-64
Gross margin		**6 248**	**6 481**
Salaries and personnel expenses	24, 25	-1 002	-1 031
Administrative expenses		-1 418	-1 174
Depreciation and amortisation	19, 20	-95	-101
Net operating income		**3 733**	**4 175**
Other income and costs		-59	-71
Impairment losses on other assets		-	-
Impairment losses on loan, guarantees etc.	12	-40	-850
Profit before tax		**3 634**	**3 254**
Income tax expense	10	-820	-693
Profit after tax		**2 814**	**2 562**

Allocation of profit after tax			
Transferred to other earned equity		2 644	2 388
Transferred to additional Tier 1 capital holders		170	174
Total allocations		**2 814**	**2 562**

	Note		
Profit after tax		2 814	2 562
Items not to be recycled to profit and loss			
Actuarial gain/loss on post employment benefit obligations		-25	24
Items to be recycled to profit and loss			
Net exchange differences on translating foreign operations		11	-31
Value change of assets available for sale	10, 17	5	-23
Cash flow hedge	10, 17	52	-18
Other comprehensive income net of tax		**43**	**-48**
Total comprehensive income		**2 857**	**2 513**

Balance Sheet - Santander Consumer Bank AS

All amounts in millions of NOK	Note	2017	2016
Assets			
Cash and receivables on central banks	14	65	60
Deposits with and receivables on financial institutions	14	1 351	1 500
Loans to customers	2, 11, 12, 13, 14, 21	116 484	103 733
Commercial papers and bonds	14, 16	8 475	12 552
Financial derivatives	14, 16	232	355
Consignment		1 788	1 348
Repossessed assets		6	5
Loans to subsidiaries and SPVs	14, 27	9 050	6 494
Investments in subsidiaries	14, 16, 26	1 277	1 180
Other ownership interests	14, 16	23	18
Intangible assets	20	677	600
Deferred tax assets	10	27	80
Fixed assets	19	222	203
Other assets	14	1 449	389
Total assets		**141 126**	**128 517**
Liabilities			
Debt to credit institutions	14, 27	30 045	38 420
Deposits from customers	7, 14	50 617	40 971
Debt established by issuing securities	14, 15	35 785	26 473
Financial derivatives	14, 16	172	287
Tax payable	10	84	80
Other financial liabilities	14	342	161
Deferred tax	10	931	711
Pension liabilities	24	88	218
Other liabilities		1 380	1 499
Subordinated loan capital	14, 27	1 753	1 297
Total liabilities		**121 198**	**110 118**
Equity			
Share capital		9 652	9 652
Share capital premium		891	891
Additional Tier 1 capital		2 250	2 250
Other equity		7 164	5 757
OCI items		-30	-151
Total equity		**19 928**	**18 399**
Total liabilities and equity		**141 126**	**128 517**

Cash Flow - Santander Consumer Bank AS

All amounts in millions of NOK	Note	2017	2016
Cash flow from operations			
Profit before tax		3 634	3 254
Adjustments for:			
- Depreciation, amortisation and impairment on fixed and intangible assets	9, 19, 20	105	106
- Net interest income	8	-5 630	-5 357
- Value change and gain/loss on foreign exchange and securities		33	-14
- Dividends on available for sale financial assets		-241	-554
Changes in:			
- Loans to customers	11	-12 751	-5 937
- Consignment and operational lease	19	-459	-422
- Repossessed assets	22	-1	4
- Other assets		-1 060	-46
- Deposits from customers		9 647	3 590
- Other liabilities and provisions		205	-202
Interests received		6 781	6 418
Dividends received		241	554
Interests paid		-1 150	-1 062
Net income taxes paid		-832	-536
Net cash flow from operations		**-1 479**	**-202**
Cash flow from investments			
Purchase of bonds		-2 809	-12 327
Proceeds from matured bonds		6 164	15 549
Purchase of fixed and intangible assets		-159	-142
Proceeds from sale of fixed and intangible assets		17	12
Net cash flow from investments		**3 213**	**3 092**
Cash flow from financing			
Proceeds from issued securities	15	11 795	13 405
Repayments of issued securities	15	-2 483	-6 315
Change in loans to and deposits from credit institutions		-10 218	-8 173
Proceeds from issue of subordinated loans	27	500	-
Repayment of subordinated loans	27	-80	-252
Dividend payments		-1 200	-500
Interest payments on additional Tier 1 capital		-170	-174
Net cash flow from financing		**-1 856**	**-2 009**
Exchange gains / (losses) on cash and cash equivalents		**-21**	**-302**
Net change in cash and cash equivalents		-144	579
Cash and cash equivalents at the beginning of the period		1 560	981
Cash and cash equivalents at the end of the period		**1 416**	**1 560**

Statement of changes in equity - Santander Consumer Bank AS

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	5 756	-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	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-1 200	-	-	-	-	-1 200
Balance at 31 December 2017	**9 652**	**891**	**2 250**	**7 164**	**-12**	**31**	**20**	**-70**	**19 928**

2016

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 2016	9 652	891	-	3 803	8	50	-14	-147	14 244
Adjustment of tier 1 capital*	-	-	2 250	23	-	-	-	-	2 273
Adjusted balance at 1 January 2016	9 652	891	2 250	3 826	8	50	-14	-147	16 517
Profit for the period	-	-	174	2 388	-	-	-	-	2 562
OCI movements (net of tax)	-	-	-	-	-31	-23	-18	24	-48
Interest payments additional Tier 1 capital	-	-	-174	-	-	-	-	-	-174
Tax on interest payment additional Tier 1 capital	-	-	-	43	-	-	-	-	43
Capital increase	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-500	-	-	-	-	-500
Balance at 31 December 2016	**9 652**	**891**	**2 250**	**5 756**	**-22**	**26**	**-32**	**-123**	**18 399**

* Additional Tier 1 Capital of 2 250 MM NOK has been reclassified from Subordinated loan capital to equity in 2017. Please see Accounting principles for further details.

Total shares registered as at December 31, 2017 was 965 241 842, each with a par value of 10 NOK.

Restricted capital as at December 31, 2017, was 9 652 MM NOK, unrestricted capital was 11 526 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, 14th February 2018

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 as wholly-owned subsidiary of Santander Consumer Finance S.A. which is part of Grupo Santander. Key figures from Grupo Santander are available at www.santander.com

The financial statements show the activities of the Company in Norway, Sweden and Denmark. The Group accounts include, the Finnish subsidiary Santander Consumer Finance OY (SCF OY) and the Special Purpose Vehicles ("SPV") as listed in note 28 for AS.

The 2017 consolidated financial statements of the Group and financial statements of the Company cover the period 01.01.2017 to 31.12.2017 and was approved by the Board of Directors on 14 February 2018.

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

2. Summary of significant accounting policies

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

2.1. Basis of accounting

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

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

2.2. Changes in accounting policy and disclosures

2.2.1. New and amended standards adopted by the group

The Group has applied the new amendments to IAS 7 Statement of Cash Flows with respect to changes in liabilities arising from financing activities. See note 23.
Except from this, no amended IFRS and interpretations have been applied or have had a significant effect on the Group's financial position, results or disclosures for the financial year beginning on 1 January 2017.

2.2.2. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2018 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, except the following set out below:

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

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

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

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. The Group will reclassify its liquidity portfolio of Commercial papers and bonds (Government and covered bonds) from Available for sale to amortized cost upon implementation of IFRS 9, resulting in an adjustment of the opening balance of equity and carrying value of 10-15 million NOK at 1 January 2018. The reason for the reclassification is that the liquidity portfolio of the Group are managed within a held to collect business model with contractual cash flows that consist solely of principal and interests.

Loans to customers as well as deposits, receivables and debt securities are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

The Group's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

(ii) Impairment
IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model.
Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The expected credit loss model applies to debt instruments recorded at amortized cost or at fair value through other comprehensive income, and lease receivables, loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss. The scope of the impairment requirements under IFRS 9 is much broader than under IAS 39. Previously, under IAS 39, loss allowances were only recorded for impaired exposures. Now, loss allowances are calculated for all credit exposures not measured at fair value through profit or loss. Within the Nordic Group an IFRS 9 program has been set-up with a strict development and implementation plan for the construction of impairment models for all markets the Bank operates to meet IFRS 9 requirements.

At origination, as well as if the credit risk has not increased significantly since initial recognition, the loans are classified as "stage 1" and for these loans loan loss reserves (LLR) are made for 12-month expected credit losses. For loans where credit risk has increased significantly but that do not have objective evidence of impairment, and other criteria applied by business for classifying loans into "stage 2", LLR is based on lifetime expected credit losses. LLR for non-performing financial assets classified as "stage 3 is based on lifetime expected credit losses. There have been no changes in non-performing asset classification for the implementation of IFRS 9.

IFRS 9 guidelines does not specify exact identification of "significant increase in credit risk" but provides guidance that the business can use for assessment of significant increase in credit risk (paragraph B5.5.1 to B5.5.5 and B5.5.17 to B5.5.21). Meaning, entities considering its portfolio and based on proper analytics, can assess on what is considered a significant increase in the credit risk. 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. Current method in the Group compares credit admission score at origination with the monthly updated behavior score (PIT) and based on empirical data test results, 10% score drop is considered as significant change in credit risk. There is no absolute threshold applied to assess significant increase in credit risk. To strengthen the IRFS9 compliance on identification of significant increase in credit risk, assessment is ongoing to compare residual lifetime PD at reporting date to the residual PD at initial recognition date and using a combination of relative and an absolute threshold assessment to be made if the credit risk has increased significantly since initial recognition.

Further, along with financial assets assessed to have increased credit risk, if loans fall 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.

For financial assets in “stage 1” and “stage 2” the loan loss reserves will be calculated under the new rules as the present value of expected credit loss (ECL) calculated as exposure at default (EAD) multiplied by the probability of default (PD) multiplied by loss given default (LGD). The parameter estimation methodology and ECL tool to calculate loan loss reserves has been completed. SC Nordics being an IRB bank, to achieve synergy and enhance management integration, IFRS9 modeling is built on IRB framework. Modeling under IFRS9 includes point in time estimation of PD, LGD and EAD and includes integration of forward looking to calculate unbiased ECL. Admission and behavior scores along with risk classes based on actual performance of financial asset are main drivers used in PD estimation. For LGD, recovery through payments or repossession proceedings in combination with empirically observed cure rate are the main drivers. EAD for revolving credits is calculated using credit conversion factor (CCF) which is the applied on unused limit in addition to used limit.

The calculation of loan loss reserves incorporate forward-looking view (macro scenarios) which is provided by Santander Group research area. Parameter estimations are done at portfolio level, which are at country level consisting of financial assets with similar credit characteristics. Based on observed performance, using all available historical data, key risk drivers (macro factors) impacting the PD are identified for the different portfolios. Similar exercise is carried out for LGD forward looking approach. The number of macro factors identified per portfolio varies from one to two for PD and for LGD a qualitative overlay is done on top of statistical model. The forecast for the different macro factors will be updated quarterly and will be provided internally by Group research area. The macro drivers forecast period varies between four and five years. After this period, the macro drivers are assumed mean reverting.

For estimation purposes (PD, LGD or EAD) the following definition of default is used: “A contract is considered to be NPL 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.

Parameters (PD, LGD and EAD) estimation, calibration and analysis for IFRS9 are completed and went live in January 2018. All the parameters were independently validated by Group Internal Validation Team and appropriate controls and governance are in place to minimize model risk. Robust control models are in place on input data and calculation engine to ensure completeness and correctness of loan loss reserves calculation.

Parameters to calculate loan loss reserves will be updated on a quarterly basis. Each of the parameter update will go through Nordics Model Committee for an approval before using them for reserves calculation. Parameter monitoring and back testing will be carried out periodically following Group methodology guidelines to ensure applicability of the parameters.

The Group's assessment is that the expected loss model will increase loan loss reserves and that volatility in the credit loss line in the income statement will increase with the new impairment requirements under IFRS9.
The impact on loan loss reserves with implementation of IFRS9 was calculated on 1 January 2018. With transition to IFRS9, the increase in loan loss reserves is estimated in the range of 550 – 650 MNOK.

All amounts in millions of NOK	**Estimated additional impairment recognised at 1 January 2018 ***
Loans to customers	550-650 MM NOK
Commercial papers and bonds and Deposits with and receivables on financial institutions	1- 2 MM NOK

**Excluding tax impact.*

The increased reserves will be booked as an adjustment to the opening balance of equity as of 01.01.2018. The tax impact of increased reserves booked at implementation 01.01.2018 are expected to be in the range of 130-150 MM NOK.

(iii) Hedge accounting
With respect to hedge accounting, the general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic' relationship. Retrospective assessment of hedge effectiveness is no longer required. When initially applying IFRS 9, the group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group has chosen to continue to apply the existing hedge accounting requirements of IAS 39.

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

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

Leases (IFRS 16)
IFRS 16 was issued in January 2016 and is the new standard for lease accounting. The standard is applicable from 1 January 2019.

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

The current assessment is that IFRS 16 will not have any material impact on the Groups consolidated financial statements.

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

2.3. Consolidation

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

According to the acquisition method, the acquired unit's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria are recognized and measured at fair value upon acquisition. The surplus between the cost of the business combination, transferred consideration measured at fair value on the acquisition date and the fair value of the acquired share of identifiable assets, liabilities and reported contingent liabilities is recognized as goodwill. If the amount is less than the fair value of the acquired company's net assets, the difference is recognized directly in the income statement as bargain purchase.
The consolidated financial statement comprise the Finnish subsidiary and the SPVs of which, based on the aforementioned analysis, it is considered that the group continues to exercise control

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

2.4. 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.

2.6. Financial assets and liabilities

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

2.6.1. Financial assets

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

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

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

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

(b) Held-to-maturity investments

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

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

(c) Loans and receivables

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

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

(d) Available-for-sale financial assets

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

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

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

2.6.2. 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

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

2.6.4. Financial guarantee contracts

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

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

2.6.5. 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.

2.6.6. Derecognition

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

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

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

2.6.7. 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

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 'Other 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 tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy based on value-in-use calculations. These calculations require the use of estimates.
- The group is subject to income taxes in different jurisdictions. Judgment is required in determining the provision for income taxes. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. See note 10.

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 reclassified issued additional Tier 1 capital of 2,25 Bn NOK from liabilities to equity in 2017. Interest expenses for 2017 of 169 MM NOK are consequently presented in equity instead of profit and loss, with related tax impact presented as part of other equity. Comparison figures are changed similarly.

The Group reclassified one dealer commission from the financial statement line “Fee and Commission income” to “Total Interest income in 2017. Comparison figures are changed similarly.

Santander Consumer Bank Group

Notes

Note 1 - Risk Management

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

Credit risk/counterparty risk

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

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

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

Market risk

Market risk is the risk 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 5

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 CVA risk is considered minimal as the Group'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.

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. Note 4

Operational risk

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

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

Note 2 - Risk classification

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

	Balance		Loss reserves	
All amounts in millions of NOK	**2017**	**2016**	**2017**	**2016**
Current - not past due date	132 664	115 699	-908	-1 083
Current - past due date	8 039	6 349	-306	-251
Total impaired loans	2 912	2 577	-1 608	-1 592
Total gross loans to customers	**143 615**	**124 625**	**-2 822**	**-2 926**

	Balance		Loss reserves	
Ageing of past due but not impaired loans	**2017**	**2016**	**2017**	**2016**
1 - 29 days	6 485	5 172	-131	-110
30 - 59 days	1 162	893	-95	-77
60 - 89 days	392	284	-80	-64
Total loans due but not impaired	**8 039**	**6 349**	**-306**	**-251**

	Balance		Loss reserves	
Ageing of impaired loans	**2017**	**2016**	**2017**	**2016**
90 - 119 days	242	213	-82	-72
120 - 149 days	185	148	-77	-65
150 - 179 days	154	121	-75	-63
180 + days	798	929	-551	-711
Economic doubtful*	1 533	1 166	-823	-678
Total impaired loans	**2 912**	**2 577**	**-1 608**	**-1 592**

* 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	
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	785	80
Total	**130 779**	**129 927**	**852**	

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

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

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

Note 4 - Liquidity risk

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

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	3 073	5 811	29 653	89 087	21 328	-	148 952
Commercial papers and bonds	82	1 522	3 396	1 866	-	-	6 866
Financial derivatives	45	87	104	1	-	-	237
Consignment	2 548	1 110	757	43	-	-	4 458
Other assets	1	-	567	1 016	-	2	1 586
Total cash from assets	**9 040**	**8 530**	**34 477**	**92 013**	**21 328**	**2**	**165 390**
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	-	-	-	175
Other liabilities	958	18	449	-	-	97	1 522
Subordinated loan capital	-	3	-	-	1 750	-	1 753
Total cash from debt	**53 291**	**11 631**	**31 765**	**37 722**	**1 750**	**478**	**136 637**
Net cash flow	**-44 251**	**-3 101**	**2 712**	**54 291**	**19 578**		

All amounts in millions of NOK

2016	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	With no specific maturity	Total
Cash and receivables on central banks	60	-	-	-	-	-	60
Deposits with and receivables on financial institutions	3 897	-	-	-	-	-	3 897
Loans to customers	2 567	5 179	26 419	76 442	18 758	-	129 365
Commercial papers and bonds	621	1 359	4 880	4 363	-	-	11 223
Financial derivatives	32	62	187	81	-	-	362
Consignment	1 878	826	548	31	-	-	3 283
Other assets	67	-	224	237	-	2	530
Total cash from assets	**9 122**	**7 426**	**32 258**	**81 154**	**18 758**	**2**	**148 720**
Debt to credit institutions	8 504	10 450	15 158	947	-	-	35 059
Deposits from customers	38 675	468	264	1 631	-	-	41 039
Debt established by issuing securities	704	1 402	8 600	32 166	-	-	42 871
Financial derivatives	25	49	153	63	-	-	291
Other liabilities	895	60	341	-	-	278	1 574
Subordinated loan capital	-	3	80	-	1 214	-	1 297
Total cash from debt	**48 803**	**12 432**	**24 596**	**34 807**	**1 214**	**278**	**122 131**
Net cash flow	**-39 681**	**-5 006**	**7 662**	**46 347**	**17 544**		

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

Liquidity coverage ratio

Liquidity Coverage Ratio (LCR) measures the capability to meet obligations in the next 30 days by means of liquidity assets. It is defined as LCR = liquidity assets / (cash outflows - cash inflows). The minimum LCR level (CRD IV) is 100% from 31 December 2017. With a stable basis of High Quality Liquid Assets, the Group fulfills the minimum LCR requirements.

Liquidity Coverage Ratio (LCR) %	2017	2016
Liquidity Coverage Ratio (LCR) Total	148	119
Liquidity Coverage Ratio (LCR) NOK	125	124
Liquidity Coverage Ratio (LCR) SEK	128	129
Liquidity Coverage Ratio (LCR) DKK	283	66
Liquidity Coverage Ratio (LCR) EUR	198	98

Note 5 - Interest rate risk

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

Santander Consumer Bank Group

All amounts in millions of NOK

2017	< 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	61 115	42 588	13 791	20 233	243	2 822	140 793
Commercial papers and bonds	2 795	2 872	1 193	-	-	-	6 859
Financial derivatives	94	139	2	2	-	-	237
Consignment	3 410	945	-	-	-	-	4 355
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	1	1	-	-	175
Subordinated loan capital	250	1 503	-	-	-	-	1 753
Other non interest bearing liabilities	-	-	-	-	-	3 086	3 086
Equity	2 250	-	-	-	-	18 929	21 179
Total liabilities and equity	**28 522**	**62 750**	**42 782**	**3 032**	**-**	**22 014**	**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.

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

All amounts in millions of NOK

2017	< 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	26 353	81 710
Liabilities and equity	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	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	18	-	-	-	-	195	213
Liabilities and equity	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	< 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 and equity	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	< 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 and equity	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	< 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 and equity	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	-227	-352	-400	213	221	-	-

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

Santander Consumer Bank Group

All amounts in millions of NOK

2016	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Cash and receivables on central banks	60	-	-	-	-	-	60
Deposits with and receivables on financial institutions	3 897	-	-	-	-	-	3 897
Loans to customers	52 181	42 922	10 607	12 817	245	2 926	121 698
Commercial papers and bonds	4 532	3 712	2 700	-	-	-	10 944
Financial derivatives	193	168	-	-	-	-	362
Consignment	2 473	754	-	-	-	-	3 228
Other non interest bearing assets	-	-	-	-	-	2 540	2 540
Total assets	**63 337**	**47 556**	**13 308**	**12 817**	**245**	**5 466**	**142 729**
Debt to credit institutions	13 018	15 812	5 202	987	-	-	35 019
Deposits from customers	4 011	15 687	19 644	1 628	-	-	40 971
Debt established by issuing securities	6 569	18 590	1 955	15 496	-	-	42 609
Financial derivatives	136	155	-	-	-	-	291
Subordinated loan capital	389	908	-	-	-	-	1 297
Other non interest bearing liabilities	-	-	-	-	-	3 277	3 277
Equity	2 250	-	-	-	-	17 016	19 266
Total liabilities and equity	**26 374**	**51 150**	**26 800**	**18 112**	**-**	**20 292**	**142 729**
Net interest risk exposure	**36 931**	**-3 592**	**-13 492**	**-5 295**	**245**	**-14 797**	**-**

The tables below show the same as the table above, but split per country.

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

All amounts in millions of NOK

2016	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	8 177	43 264	4 278	925	91	17 531	74 266
Liabilities and equity	10 294	19 772	9 286	-	-	34 914	74 266
Net balance	**-2 117**	**23 492**	**-5 008**	**925**	**91**	**-17 383**	**-**
Repricing gap	-2 117	23 492	-5 008	925	91	-17 383	-
Cumulative gap	-2 117	21 375	16 367	17 292	17 383	-	-

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

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

All amounts in millions of EUR

2016	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	37	-	32	-	-	215	284
Liabilities and equity	50	54	52	90	-	38	284
Net balance	**-13**	**-54**	**-20**	**-90**	**-**	**177**	**-**
Repricing gap	-13	-54	-20	-90	-	177	-
Cumulative gap	-13	-67	-87	-177	-177	-	-

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

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

2016	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	30 485	2 747	1 199	337	28	207	35 003
Liabilities and equity	10 313	14 902	7 361	1 460	-	968	35 003
Net balance	**20 172**	**-12 155**	**-6 162**	**-1 123**	**28**	**-761**	**-**
Repricing gap	20 172	-12 155	-6 162	-1 123	28	-761	-
Cumulative gap	20 172	8 017	1 855	732	761	-	-

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

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

2016	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	16 107	1 149	1 701	2 911	70	826	22 764
Liabilities and equity	6 644	5 722	3 551	6 140	-	707	22 764
Net balance	**9 463**	**-4 573**	**-1 850**	**-3 229**	**70**	**119**	**-**
Repricing gap	9 463	-4 573	-1 850	-3 229	70	119	-
Cumulative gap	9 463	4 890	3 040	-189	-119	-	-

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

Santander Consumer Finance OY

All amounts in millions of EUR

2016	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	656	161	733	953	6	-39	2 470
Liabilities and equity	861	219	544	694	-	153	2 470
Net balance	**-205**	**-58**	**190**	**259**	**6**	**-192**	**-**
Repricing gap	-205	-58	190	259	6	-192	-
Cumulative gap	-205	-263	-73	186	192	-	-

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

Note 6 - Capital adequacy

All amounts in millions of NOK	2017	2016
Balance sheet equity		
Paid in equity	9 652	9 652
Share premium	891	891
Other eqity	8 274	6 625
Additional Tier 1 capital	2 250	2 250
Other reserves	111	-153
Total Equity	**21 179**	**19 266**
Common Equity Tier 1 Capital		
(-) Profit not eligible as capital	-350	-1 200
Cash-flow hedge adjustment	-21	-
IRB Expected Loss - Reserves	-361	-236
Goodwill	-700	-647
Other intangible assets	-317	-260
Deferred tax assets	-	-
Adjustment Prudent Valuation (AVA)	-7	-12
Additional Tier 1 capital	-2 250	-2 250
Total common Equity Tier 1 Capital	**17 172**	**14 661**
Additional Tier 1 capital		
Paid in Additional Tier 1 capital instruments	2 250	2 250
Total Additional Tier 1 capital	**19 422**	**16 911**
Total Capital		
Paid up subordinated loans	1 711	1 291
Subordinated loans not eligible	-	-80
Total Capital	**21 133**	**18 122**
Risk exposure		
Regional governments or local authorities	78	63
Institutions	978	1 522
Corporates	5 528	6 178
Retail Standard Approach	51 402	45 017
Retail Internal Rating Based	31 032	25 699
Exposures in default SA	1 051	901
Covered bonds	420	864
Other Exposures	7 414	5 820
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**97 903**	**86 065**
Foreign exchange (zero if under threshold)	852	854
Risk exposure amount for position, foreign exchange and commodities risks	**852**	**854**
Basic indicator approach	11 896	9 835
Risk exposure amount for operational risk	**11 896**	**9 835**
Standardized method	165	269
Risk exposure amount for credit valuation adjustment	**165**	**269**
Allowance which apply on the standardized approach for credit risk	-	-
Deductions of risk exposure amount	**-**	**-**
Total risk exposure amount	**110 815**	**97 023**

All amounts in millions of NOK	**2017**	**2016**
Total exposure for Leverage Ratio		
Derivatives: Add-on under market-to-market method	734	1 517
Off-balance sheet items with 10% CCF	2 041	1 265
Off-balance sheet items with 20% CCF	269	765
Off-balance sheet items with 50% CCF	41	0
On balance sheet assets	159 100	140 978
Total exposure for Leverage Ratio	**162 185**	**144 525**
Minimum Regulatory Capital		
Minimum Core Equity (4,50%)	4 987	5 931
Countercyclical Buffer (*)	1 263	1 331
Conservation Buffer (2,50%)	2 770	3 295
Systemic Risk Buffer (3,00%)	3 324	3 954
Pillar 2 Requirement (2,20%)	2 438	2 900
Surplus of Total capital	**6 351**	**711**
*Countercyclical buffer %	**1,14 %**	**1,01 %**
Common equity tier 1 capital ratio	**15,50 %**	**15,11 %**
CET1 regulatory requirements	13,34 %	13,21 %
Tier 1 capital ratio	**17,53 %**	**17,43 %**
Tier 1 regulatory requirements	14,70 %	14,94 %
Total capital ratio	**19,07 %**	**18,68 %**
Total capital regulatory requirements	16,70 %	16,94 %
Leverage ratio	**11,98 %**	**11,70 %**
LR regulatory requirements	5,00 %	5,00 %

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

Financial information in accordance with the capital requirement regulation is published at www.santander.no. Information according to Pillar 3 will be published at www.santander.no.

Note 7 - Segment information

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

Product segmentation per country (gross lending before expected losses)

31 December 2017

All amounts in millions of NOK	Unsecure loans	Secured loans	Financial lease	Operational lease	Consignment	Total
Norway	11 410	35 088	9 837	-	-	**56 335**
Sweden	14 093	14 479	4 823	-	1 261	**34 658**
Denmark	5 777	20 914	2 487	161	526	**29 865**
Finland	2 648	20 321	1 736	318	2 568	**27 591**
Total	**33 929**	**90 802**	**18 884**	**479**	**4 355**	**148 449**

31 December 2016

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

Balance sheet and P&L per country

All amounts in millions of NOK	Norway	Sweden	Denmark	Finland	Eliminations*	Total Group
	31 December 2017					
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	0	-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	0	-1	-4	-	-63
Impairment losses on other assets	0	0	0	0	-	0
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	0	-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	33 397	29 178	24 706	-	143 615
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	0
Other assets	21 902	1 613	1 926	3 234	-20 756	7 919
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	0	-	50 617
Debt established by issuing securities	33 337	8 905	-1	9 030	-	51 270
Financial derivatives	172	0	0	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**

Balance sheet and P&L per country

All amounts in millions of NOK	Norway	Sweden	Denmark	Finland	Eliminations*	Total Group
	31 December 2016					
Total interest income	3 731	1 518	1 464	893	-99	7 507
Total interest expenses	-858	-170	-200	-102	98	-1 231
Net interest income	**2 873**	**1 348**	**1 264**	**792**	**-1**	**6 276**
Fee and commission income	324	153	143	56	-	676
Fee and commission expenses	-94	-12	-22	-21	-	-150
Value change and gain/loss on foreign exchange and securities	32	-5	-18	0	8	17
Other operating income	578	9	9	140	-513	222
Other operating expenses	-29	-14	-21	-105	-	-170
Gross margin	**3 683**	**1 478**	**1 356**	**860**	**-506**	**6 871**
Salaries and personnel expenses	-472	-299	-260	-112	-19	-1 161
Administration expenses	-522	-433	-224	-129	5	-1 303
Depreciation and amortisation	-70	-13	-19	-8	-	-109
Net operating income	**2 620**	**734**	**853**	**611**	**-520**	**4 298**
Other income and costs	-58	0	-12	1	-	-70
Impairment losses on other assets	0	0	0	-1	-	-1
Impairment losses on loan, guarantees etc.	-650	-111	-121	-95	-	-977
Profit before tax	**1 912**	**622**	**720**	**516**	**-520**	**3 250**
Income tax expense	-115	-139	-438	-103	-12	-808
Profit after tax	**1 797**	**483**	**282**	**412**	**-532**	**2 442**
Cash and receivables on central banks	60	-	-	-	-	60
Deposits with and receivables on financial institutions	2 278	654	1	929	35	3 897
Total gross loans to customers	52 398	28 738	25 137	18 352	-	124 625
Write-downs	-1 724	-463	-352	-388	-	-2 926
Commercial papers and bonds	4 253	2 897	2 140	1 655	-	10 944
Financial derivatives	355	-	-	7	-	362
Investments in subsidiaries	1 180	-	-	-	-1 180	0
Other assets	16 005	1 150	898	2 405	-14 689	5 768
Total assets	**74 805**	**32 975**	**27 823**	**22 961**	**-15 834**	**142 729**
Debt to credit institutions	8 624	10 692	16 585	14 239	-15 122	35 019
Deposits from customers	18 573	11 936	10 462	-		40 971
Debt established by issuing securities	26 914	8 867	-6	6 835		42 609
Financial derivatives	287	-	-	3		291
Other liabilities	2 405	1 242	642	183	102	4 574
Equity	18 001	239	140	1 701	-815	19 266
Total liabilities and equity	**74 805**	**32 975**	**27 823**	**22 961**	**-15 835**	**142 729**

Note 8 - Net interest income

All amounts in millions of NOK	2017	2016
Interest and similar income on loans to and receivables from credit institutions	80	29
Interest and similar income on loans to and receivables from customers	7 670	7 329
Interest and similar income on comm. paper, bonds and other securities	100	149
Total interest income	**7 850**	**7 507**
Interest and similar expenses on debt to credit institutions	-205	-219
Interest and similar expenses on deposits from and debt to customers	-603	-505
Interest and similar expenses on issued securities	-391	-441
Interest on subordinated loan capital	-37	-36
Other interest expenses and similar expenses	-7	-29
Total interest expense	**-1 243**	**-1 231**
Net interest income	**6 607**	**6 276**

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

All amounts in millions of NOK

To credit institutions	**2017**	**2016**
Interest expenses	-205	-219
Average loan	33 019	34 295
Average nominal interest rate	**0,62 %**	**0,64 %**

To customers	**2017**	**2016**
Interest expenses	-603	-505
Average deposit	45 794	39 176
Average nominal interest rate	**1,32 %**	**1,29 %**

To bondholders	**2017**	**2016**
Interest expenses	-391	-441
Average issued notes and bonds	46 940	42 309
Average nominal interest rate	**0,83 %**	**1,04 %**

Subordinated loan capital	**2017**	**2016**
Interest expenses	-37	-36
Average subordinated loan capital	1 525	1 452
Average nominal interest rate	**2,43 %**	**2,48 %**

Total of tables above:	**2017**	**2016**
Interest expenses	-1 236	-1 202
Loan	127 278	117 232
Average nominal interest rate	**0,97 %**	**1,03 %**

Note 9 - Other operating income and expenses

All amounts in millions of NOK	**2017**	**2016**
Operational leasing income	110	124
Dividends from investments	-	42
Other	84	57
Total other operating income	**194**	**222**
Ordinary depreciation operational leasing	-99	-102
Fees to The Norwegian Banks' Guarantee Fund	-55	-42
Other	-68	-26
Total other operating expenses	**-222**	**-170**

Note 10 - Tax

All amounts in millions of NOK

Income tax	2017	2016
Tax payable	714	830
Adjustments in respect of prior years	-6	-
Currency effects foreign tax credits	-2	4
Total current tax	**706**	**835**
Change in temporary differences	222	-36
Currency effects	6	8
Adjustments in respect of prior years	7	2
Total change in deferred tax	**235**	**-27**
Income tax expense	**941**	**808**

	2017	2016
Profit before tax	**3 995**	**3 250**
Estimated income tax at nominal tax rate 25%	999	813
Tax effects of:		
- Income not subject to tax	-	-10
- Non deductible expenses	-36	6
Impact of lower tax rate in subsidiary	-30	-26
Adjustments in respect of prior years	1	14
Currency effects	6	12
Tax charge	**941**	**808**

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

	2017		
All amounts in thousands of NOK	**Before tax**	**Tax (charge)/ credit**	**After tax**
Actuarial assumption related to pension	71	18	54
Cash flow hedges	92	23	69
Net investment Hedge	-99	-25	-74
Value change of assets held for sale	2	-	3
Currency translation differences	221	8	213
Other comprehensive income	**289**	**24**	**265**
Tax payable		4	
Deferred tax		20	
Tax in OCI		**24**	

Deferred tax assets and deferred taxes in the balance sheet

	2017	2016
Deferred tax assets/deferred taxes as at 1 January	465	532
Changes recognized in income statement	222	-36
Changes recognized in OCI	20	-21
Adjustments in respect of prior years	-19	-11
Deferred tax assets/deferred taxes at 31 December	**687**	**465**

Deferred taxes related to the following temporary differences

	2017	2016
Fixed assets	3 296	2 411
Net pension commitments	-88	-218
Financial instruments	15	-21
Net other taxable temporary differences	-674	-472
Net translation differences	-	-18
Total deferred tax assets	**2 548**	**1 682**

Fixed assets	824	603
Net pension commitments	-22	-54
Financial instruments	4	-5
Net other taxable temporary differences	-118	-74
Net translation differences	-	-4
Total deferred taxes	**687**	**465**

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%).

2017 figures: No changes in tax rates
2016 figures: The Danish tax rate have been reduced to 22%

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

Note 11 - Loans to customers

All amounts in millions of NOK	**2017**	**2016**
Credit Card	6 606	6 286
Unsecured loans	27 323	24 476
Auto loans	109 686	93 862
- Installment loans	*90 802*	*77 567*
- Financial leasing	*18 884*	*16 295*
Total gross loans to customers	**143 615**	**124 624**
- Specific loan reserves	-1 606	-1 555
- Generic loan reserves	-1 216	-1 371
Total net loans to customers	**140 793**	**121 698**

Note 12 - Loan reserves

All amounts in millions of NOK

Specific loan reserves	**2017**	**2016**
Specific loan reserves 01.01.	-1 555	-1 520
+/- Fx rate adjustment opening balance	-28	33
Reclassification between specific and generic loan reserves	-39	58
+ Specific loan reserves for the period	17	-126
= Specific loan reserves period end	**-1 605**	**-1 555**
Generic loan reserves		
Generic loan reserves 01.01.	-1 371	-1 111
+/- Fx rate adjustment opening balance	-56	50
Release of reserves related to bad debt sale	-	19
Reclassification between specific and generic loan reserves	39	-58
+/- Generic loan reserves for the year	172	-270
= Generic loan reserves period end	**-1 216**	**-1 371**
Total Loan Reserves in Balance Sheet	**-2 822**	**-2 926**

Loan losses expenses	**2017**	**2016**
Change in loan reserves provision	189	-397
+/- Fx rate adjustment	2	-1
+ Total realized losses	-1 567	-1 472
- Recoveries on previously realized losses	662	703
- Gain on sold portfolios	601	189
= Loan losses in the period	**-113**	**-977**

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 13 - Loans and losses by main sectors

All amounts in millions of NOK

2017	Gross carrying amount	Accumulated impairment	Total
Private individuals	121 733	-2 528	119 205
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	**143 615**	**-2 822**	**140 793**

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

Note 14 - Classification of financial instruments

All amounts in millions of NOK

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	-	-	-	140 793	140 793
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**	**-**	**145 670**	**152 790**
				Non financial assets	6 310
				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	Book 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 and equity	**159 100**

Classification of financial assets 31 December 2016	Financial assets at fair value through P&L	Available for sale financial assets at fair value	Held to maturity investments	Loans and receivables	Book value
Cash and receivables on central banks	-	-	-	60	60
Deposits with and receivables on financial institutions	-	-	-	3 897	3 897
Loans to customers	-	-	-	121 698	121 698
Commercial papers and bonds	-	10 944	-	-	10 944
Financial derivatives	362	-	-	-	362
Other ownership interests	-	18	-	-	18
Other financial assets	-	-	-	530	530
Total financial assets	**362**	**10 963**	**-**	**126 185**	**137 510**
				Non financial assets	5 220
				Total assets	**142 729**

Classification of financial liabilities 31 December 2016	Financial liabilities at fair value through P&L	Financial liabilities measured at amortized cost	Book value
Debt to credit institutions	-	35 019	35 019
Deposits from customers	-	40 971	40 971
Debt established by issuing securities	-	42 609	42 609
Financial derivatives	291	-	291
Other financial liabilities	-	153	153
Subordinated loan capital	-	1 297	1 297
Total financial liabilities	**291**	**120 049**	**120 340**
		Non financial liabilities and equity	22 389
		Total liabilities and equity	**142 729**

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

Note 15 - Issued securities

All amounts in millions of NOK

	2017	2016
Issued certificates	901	-
Issued bonds	50 369	42 609
Total liability issued securities	**51 270**	**42 609**

Changes in liability issued securities

	Book value 31.12.2016	New issues/ repurchase	Monthly payments and at maturity	Book value 31.12.2017
Issued certificates	-	901	-	901
Issued bonds	42 609	17 556	-9 796	50 369
Total liability issued securities	**42 609**	**18 457**	**-9 796**	**51 270**

Specification of issued securities

Bonds

Issuer	Net nominal value	Currency	Interest	Call date	Book value NOK 31.12.2017
Senior unsecured issued securities					
Santander Consumer Bank AS	1 600	NOK	Floating	19.02.2018	1 603
Santander Consumer Bank AS	1 700	NOK	Floating	14.03.2019	1 702
Santander Consumer Bank AS	1 751	NOK	Floating	08.08.2019	1 755
Santander Consumer Bank AS	1 050	NOK	Floating	17.01.2022	1 054
Santander Consumer Bank AS	1 400	NOK	Floating	17.01.2020	1 405
Santander Consumer Bank AS	200	NOK	Floating	21.09.2020	200
Santander Consumer Bank AS	500	NOK	Floating	20.11.2022	501
Santander Consumer Bank AS	500	EUR	Fixed	25.02.2019	4 957
Santander Consumer Bank AS	500	EUR	Fixed	30.09.2019	4 905
Santander Consumer Bank AS	750	EUR	Fixed	20.04.2018	7 417
Santander Consumer Bank AS	500	EUR	Fixed	17.02.2020	4 933
Santander Consumer Bank AS	1 450	SEK	Floating	18.11.2019	1 449
Santander Consumer Bank AS	500	SEK	Fixed	12.06.2018	503
Santander Consumer Bank AS	500	SEK	Floating	12.06.2018	500
Santander Consumer Bank AS	1 000	SEK	Floating	30.03.2020	1 000
Santander Consumer Bank AS	1 000	SEK	Floating	14.06.2021	1 001
Asset backed issued securities					
Bilkreditt 6 ltd A	52	EUR	Floating	25.07.2029	508
Bilkreditt 7 ltd A	152	EUR	Floating	25.03.2030	1 495
SAF WH 1 Ltd	4 455	SEK	Floating	09.06.2029	4 453
Rahoituspalvelut Ltd.	4 455	EUR	Floating	25.01.2020	151
SCF Rahoituspalvelut I DAC	15	EUR	Floating	25.11.2024	476
SCF Rahoituspalvelut II DAC	264	EUR	Floating	25.11.2025	2 602
SCF Rahoituspalvelut KIMI VI DAC	590	EUR	Floating	25.11.2026	5 801
Totals issued bonds					**50 369**

Certificates

Issuer	Net nominal value	Currency	Interest	Call date	Book value NOK 31.12.2017
Certificates					
Santander Consumer Bank AS	250	NOK	Fixed	26.01.2018	251
Santander Consumer Bank AS	250	NOK	Fixed	26.04.2018	251
Santander Consumer Bank AS	200	NOK	Fixed	22.05.2018	200
Santander Consumer Bank AS	200	NOK	Fixed	16.06.2018	200
Totals issued certificates					**901**

The Group has not had any defaults of principal or interest or other breaches with respect to its issued securities during the years ended 31 December 2017 and 2016.

Note 16 - Valuation Hierarchy

All amounts in millions of NOK

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	-	138	-	138
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 168	-	94	-	94
KIMI5 Fixed	Interest Rate Swap	MM EUR 258	-	2	-	2
KIMI4 Pass-through	Interest Rate Swap	MM EUR 48	-	1	-	1
KIMI6 Pass-through	Interest Rate Swap	MM EUR 590	-	-	-	-
KIMI6 Fixed	Interest Rate Swap	MM EUR 578	-	2	-	2
Total financial trading derivatives			**-**	**237**	**-**	**237**
Name	***Type***					
Government bonds and Treasury Bills	Bonds		2 662	-	-	2 662
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-through	Cross Currency Swap	MM EUR 52	-	87	-	87
Bilkreditt 7 Pass-through	Cross Currency Swap	MM EUR 152	-	85	-	85
KIMI5 Pass-through	Interest Rate Swap	MM EUR 264	-	1	-	1
KIMI4 Pass-through	Interest Rate Swap	MM EUR 48	-	1	-	1
KIMI4 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 SEK 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*				
KIMI5	Interest Rate Swap	MM EUR 264	-	-	-	-
KIMI6	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.

Financial instruments measured at fair value

2016			**Quoted market price Level 1**	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
Financial assets						
Name	*Type*	*Notional*				
Bilkreditt 4 Fixed	Cross Currency Swap	MM EUR 40	-	44	-	44
Bilkreditt 5 Fixed	Cross Currency Swap	MM EUR 72	-	56	-	56
Bilkreditt 6 Fixed	Cross Currency Swap	MM EUR 210	-	198	-	198
Bilkreditt 7 Pass-through	Cross Currency Swap	MM EUR 293	-	57	-	57
KIMI5 Pass-through	Interest Rate Swap	MM EUR 494	-	2	-	2
KIMI5 Pass-through	Interest Rate Swap	MM EUR 504	-	2	-	2
KIMI4 Pass-through	Interest Rate Swap	MM EUR 156	-	3	-	3
Total financial trading derivatives			**-**	**362**	**-**	**362**
Name	*Type*					
Government bonds and Treasury Bills	Bonds		2 307	-	-	2 307
Covered Bonds	Bonds		8 637	-	-	8 637
Total commercial papers and bonds			**10 944**	**-**	**-**	**10 944**
Name	*Type*					
VISA	Equity		-	18	-	18
Total other ownership interests			**-**	**18**	**-**	**18**
Total Assets			**10 944**	**380**	**-**	**11 325**
Financial liabilities						
Name	*Type*	*Notional*				
Bilkreditt 4 Pass-through	Cross Currency Swap	MM EUR 28	-	31	-	31
Bilkreditt 5 Pass-through	Cross Currency Swap	MM EUR 57	-	44	-	44
Bilkreditt 6 Pass-through	Cross Currency Swap	MM EUR 180	-	155	-	155
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 300	-	58	-	58
KIMI4 Fixed	Interest Rate Swap	MM EUR 153	-	3	-	3
Total financial derivatives			**-**	**291**	**-**	**291**
Total Liabilities			**-**	**291**	**-**	**291**

Derivatives designated for hedge accounting - assets

Name	***Type***	***Notional***				
Bilkreditt 4	Cross Currency Swap	MM EUR 28	-	31	-	31
Bilkreditt 5	Cross Currency Swap	MM EUR 57	-	44	-	44
Bilkreditt 6	Cross Currency Swap	MM EUR 180	-	155	-	155
EMTN SEK	Interest Rate Swap	MM EUR 1 500	-	5	-	5
EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	3	-	3
Total dervatives designated for hedging - assets*			**-**	**237**	**-**	**237**

Derivatives designated for hedge accounting - liabilities

Name	***Type***	***Notional***				
Bilkreditt 7	Cross Currency Swap	MM EUR 293	-	57	-	57
EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	7	-	7
EMTN MEUR 350	Cross Currency Swap	MM EUR 350	-	1	-	1
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	15	-	15
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	7	-	7
KIMI4	Interest Rate Swap	MM EUR 156	-	3	-	3
KIMI5	Interest Rate Swap	MM EUR 504	-	5	-	5
Total dervatives designated for hedging - liabilities*			**-**	**95**	**-**	**95**

* 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.

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	-	-	-	-	-	-

All amounts in millions of NOK

				Related amounts not offset in the statement of financial position		
2016	**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	599	-	599	-	346	253
Reverse repurchase arrangements	692	-	692	692	-	-
Financial liabilites						
Derivatives	385	-	385	-	127	258
Repurchase arrangements	-	-	-	-	-	-

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

Note 17 - 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:

		2017			2016	
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)	-	11 688	-5	-	16 934	-4
Hedge instruments (Cross currency swaps)	9	12	7	-	6	1
Net exposure over P&L			**2**			**-3**

Inefficiency	**2017 Ineffectiveness recognized in P&L**	**2016 Ineffectiveness recognized in P&L**
Fair value hedging ineffectiveness	2	-3

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:

		2017			2016	
All amounts in millions of NOK	**Assets**	**Liabilities**	**Gains/ (Losses) recognized in OCI**	**Assets**	**Liabilities**	**Gains/ (Losses) recognized in OCI**
Hedged item (Bonds)	-	23 085	-	-	28 480	-
Hedge instruments (Cross currency interest rate swaps)	266	3	23	255	108	64
Hedge instruments (Interest rate swaps)	-	3	5	-	8	2
Net exposure over OCI			**28**			**66**

Inefficiency	2017 Ineffectiveness recognized in P&L	2016 Ineffectiveness recognized in P&L
Cash flow hedging ineffectiveness	1	10

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)	10 053	13 032	-	7 181	21 299	-
Net cash flows	**10 053**	**13 032**	**-**	**7 181**	**21 299**	**-**

Reclass from OCI to profit and loss:	2017	2016
Reclassified amount	-94	41

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 derivatives designated as net investment hedges is as follows:

	2017			2016		
All amounts in millions of NOK	Assets	Liabilities	Gains/ (Losses) recognized in OCI	Assets	Liabilities	Gains/ (Losses) recognized in OCI
Hedged item (Net assets in foreign subsidiary)	1 289	-	-99	1 190	-	-32
Hedge instrument (EUR-loan)	-	1 289	99	-	1 190	32
Net exposure over OCI			**-**			**-**

Inefficiency	2017 Ineffectiveness recognized in P&L	2016 Ineffectiveness recognized in P&L
Net investment hedging ineffectiveness	-	-

Note 18 - 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 SPVs buying the assets are consolidated into the group accounts. There are no transfers of securitized assets to unrelated parties.

See note 18 in AS for further details.

Note 19 - Fixed assets

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	-	-	-
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.

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

2016

All amounts in millions of NOK	Machines, fittings, equipment	Leasing portfolio (operational)	Total 2016
Acquisition cost 1.1	126	605	731
Rate difference opening balance	-5	-33	-37
Acquisition cost 1.1 rate 31.12	121	573	693
Additions during the year	48	454	502
Disposals during the year	-23	-366	-390
Impairment	-	-	-
Acquisition cost 31.12	**145**	**661**	**806**
			-
Acc. ordinary depreciation 1.1	-57	-202	-259
Rate difference 01.01	2	11	13
Acc. ordinary depreciation 1.1 rate 31.12	-55	-192	-246
Year's ordinary depreciation*	-29	-131	-160
Impairment	-	-12	-12
Rate difference year's depreciation average rate	-	2	2
Reversed depreciation on disposals	15	140	156
Acc. depreciation 31.12	**-68**	**-193**	**-261**
Accrued fees and provisions		-21	-21
Book value in the balance sheet 31.12	**77**	**447**	**524**

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

Note 20 - Intangible assets

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**

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.

2016

All amounts in millions of NOK	Intangible assets (software)	Goodwill	Total 2016
Acquisition cost 1.1	510	1 362	1 872
Rate difference opening balance	-10	-74	-84
Acquisition cost 1.1 rate 31.12	500	1 288	1 788
Additions during the year	112	-	112
Disposals during the year	-115	-	-115
Impairment	-	-	-
Acquisition cost 31.12	**497**	**1 288**	**1 785**
			-
Acc. ordinary amortization 1.1	-256	-596	-852
Rate difference 01.01	7	33	39
Acc. ordinary amortization 1.1 rate 31.12	-249	-563	-813
Year's ordinary amortization	-77	-	-77
Impairment	-	-	-
Rate difference year's amortization average rate	1	-	1
Reversed amortization on disposals	88	-	88
Acc. amortization 31.12	**-238**	**-563**	**-801**
Book value in the balance sheet 31.12	**260**	**725**	**984**

Note 21 - Leasing

All amounts in millions of NOK

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.

Gross investment in the lease:	**2017**	**2016**
Due in less than 1 year	6 784	6 669
Due in 1 - 5 years	12 031	9 579
Due later than 5 years	69	48
Total gross investment in the lease	**18 884**	**16 295**
Present value of minimum lease payments receivable:		
Due in less than 1 year	6 533	6 387
Due in 1 - 5 years	10 801	8 586
Due later than 5 years	53	37
Total present value of minimum lease payments receivable	**17 388**	**15 011**
Unearned finance income	**1 496**	**1 285**

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.

Future minimum lease payments under non-cancellable operating leases	**2017**	**2016**
Due in less than 1 year	216	246
Due in 1 - 5 years	340	283
Due later than 5 years	-	-
Total future minimum lease payments under non-cancellable operating leases	**556**	**529**

Note 22 - Repossessed assets

All amounts in millions of NOK

	2017	2016
Vehicles	12	6
Net	**12**	**6**

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

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

Note 23 - Changes in liabilities arising from financing activities

All amounts in millions of NOK

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

Liability	2016	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair value	Other changes	2017
Debt to credit institutions	**35 019**	-3 999	-	-	-	**31 020**
Debt established by issuing securities	**42 609**	8 661	-	-	-	**51 270**
Subordinated loan capital	**1 297**	420	36	-	-	**1 753**

Note 24 - 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	**2017**	**2016**
Present value of year's pension earnings	24	31
Curtailment (gain) / loss	-	-
Settlement (gain) / loss	-166	-13
Interest cost on accrued liability	18	19
Interest income on plan assets	-13	-13
Allowance for taxes	5	6
Net Pension expenses	**-132**	**30**

Pension expenses for defined contribution plans	**2017**	**2016**
Total expenses	99	88

Pension liabilities in balance sheet	**2017**	**2016**
Pension funds at market value	248	441
Estimated pension liability	-336	-659
Net pension liability	**-88**	**-218**

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 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	222	-222	-
Others	-5	-	-5
	227	-200	27
At 31 December 2017	**-336**	**248**	**-88**

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

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

	2017			2016		
	Norway	Sweden	Total	Norway	Sweden	Total
Present value of obligation	-13	-324	-336	-390	-269	-659
Fair value of plan assets	0	248	248	221	220	441
Total	**-13**	**-76**	**-88**	**-169**	**-49**	**-218**

The following assumptions have been used calculating future pensions:

	2017		2016	
	Norway	Sweden	Norway	Sweden
Discount rate	2,50%	2,75%	2,75%	3,00%
Inflation	N/A	1,75%	N/A	1,75%
Salary growth rate	2,50%	3,25%	2,25%	3,25%
Pension growth rate	1,32%	1,75%	1,99%	1,75%
Rate of social security increases	2,25%	2,75%	2,00%	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:

	2017		2016	
	Norway	Sweden	Norway	Sweden
Retiring at the end of the reporting period:				
- Male	22	22	22	22
- Female	25	25	25	25
Retiring 20 years after the end of the reporting period:				
- Male	24	24	24	24
- Female	27	26	27	26

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

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 7.17%	Increase by 7.20%
Salary growth rate	1,00%	Increase by 0.90%	Decrease by 0.89%

	Impact on defined benefit obligation - Sweden		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 25.68%	Increase by 31.39%
Salary growth rate	1,00%	Increase by 4.73%	Decrease by 2.10%

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 2017	Less than 1 year	Between 1 - 2 years	Between 2 - 5 years	Between 5 - 10 years	Total
Pension benefit payments	5	5	18	30	**58**

Note 25 - Remuneration

All amounts in thousands of NOK

Santander Consumer Bank has established a Remuneration Committee, and the Company established Remuneration Guidelines in 2011 to be aligned with FSA regulations. The Guidelines were updated in February 2017. The Guidelines apply to employees in the Company's operations in Norway, Denmark and Sweden, as well as the subsidiary in Finland. In addition, there are special regulations for Senior Management's employees with duties of material importance to risk exposure, employees heading the main control functions and directors.

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

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

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

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

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

Granted options are not part of the corporate plan.

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

Pension schemes
The Company offers different pension and insurance schemes in the Nordic countries:

Norway
1. Defined Benefit - Up to approximately 70 per cent of the final salary maximized to 12 G (G = Grunnbeløp, Base amount)
2. Contribution Benefit - Contribution is 5,32 per cent of salary between 1 G and 7,1 G, plus 8 per cent of salary between 7,1 G and 12 G, or 5 per cent of up to 7,1 G and 14 per cent of salary over 12 G.
3. Pensions Scheme for wages above 12 G - Approximately 70 per cent of the final salary that exceeds 12 G.

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

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

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 2017	Total 2016
Michael Hvidsten, Chief Executive Officer	3 343	1 126	79	1 182	5 730	4 855
Knut Øvernes, Managing Director Norway	1 938	609	99	710	3 356	2 793
Bo Jakobsen, Managing Director Denmark	2 655	409	448	961	4 473	3 537
Peter Sjöberg, Managing Director Finland (as of 16.05.2017) & Nordic CDO	2 127	436	27	831	3 421	2 257
Arttu Nykanen, Managing Director Finland (Until 09.11.2017)	3 079	-	-	492	3 571	2 942
Carolina Brandtman, Managing Director Sweden	2 557	338	633	391	3 919	3 179
Juan Calvera, Nordic IT&OPS Director	1 478	196	86	780	2 540	2 947
Olav Hasund, Nordic Auto Director	1 890	298	224	599	3 011	2 829
Christoph Reuter, Nordic Controlling Director	912	284	-	2 124	3 320	3 732
Anders Bruun-Olsen, Nordic Financial Management Director	1 708	455	84	565	2 812	2 612
Juan Garcia Bolos, Nordic Collection Director (Until 10.07.2017)	461	116	-	773	1 350	2 470
Rasmus Forssblad, Nordic Internal Audit Director (Until 30.09.2017)	1 232	-	455	181	1 868	1 909
Trond Debes, Nordic Legal & Compliance Director	1 461	316	132	533	2 442	2 174
Andres Diez - Nordic Risk Director	1 246	243	69	375	1 933	-
Tatjana Toth - Nordic Controlling Director	1 304	197	110	927	2 538	-
Rocío Sánchez Aragonés - Nordic Internal Audit Director	825	260	-	1 198	2 283	-
Total	**28 216**	**5 283**	**2 446**	**12 622**	**48 567**	**38 236**

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

Bonus shares (part of CBS program)	Number of shares earned in 2017*	Total number of shares earned, but not issued per 31.12.2017*	Value of the shares earned, but not issued per 31.12.2017*
Michael Hvidsten, Chief Executive Officer	9 798	21 970	1 263
Knut Øvernes, Managing Director Norway	5 294	10 064	578
Bo Jakobsen, Managing Director Denmark	3 556	8 724	501
Peter Sjöberg, Managing Director Finland (as of 16.05.2017) & Nordic CDO	3 797	7 399	425
Arttu Nykanen, Managing Director Finland (Until 09.11.2017)	-	4 939	284
Carolina Brandtman, Managing Director Sweden	2 944	9 251	532
Olav Hasund, Nordic Auto Director	2 588	6 082	350
Christoph Reuter, Nordic Controlling Director	2 471	7 159	411
Anders Bruun-Olsen, Nordic Financial Management Director	3 960	8 966	515
Juan Calvera, Nordic IT&OPS Director	1 711	6 226	358
Juan Garcia Bolos, Nordic Collection Director (Until 10.07.2017)	1 010	3 351	193
Rasmus Forssblad, Nordic Internal Audit Director (Until 30.09.2017)	-	1 834	105
Trond Debes, Nordic Legal & Compliance Director	2 753	5 912	340
Andres Diez - Nordic Risk Director	2 118	2 118	122
Tatjana Toth - Nordic Controlling Director	1 711	1 711	98
Rocío Sánchez Aragonés - Nordic Internal Audit Director	2 263	2 263	130
Total	**45 974**	**107 969**	**6 205**

Defined share value	**2017**	**2016**	**2015**
Share value - Banco Santander (EUR) *	6	5	4
Share value - Banco Santander (NOK) *	57	45	38

*Value of shares is delivered by Corporate per 05.02.2018, and the exchange rate per 23.01.2018.

Board of Directors		2017	2016	
Erik Kongelf	Chairman	-	-	
Bruno Montalvo Wilmot	Deputy Chairman	-	-	
Manuel Menendez Barrero (Until 31.08.2017)	Member	-	-	
Javier Anton San Pablo	Member	-	-	
Federico Jose Maria Ysart Alvarez De Toledo	Member	-	-	
Henning Strøm	Member	450	450	
Niels Aall	Member	450	450	
Berndt Ola Tillberg	Observer	213	200	213
Ulla Aronen	Observer	71	-	
Vibeke Hamre Krey (Until 31.10.2108)	Employee representative	200	200	
Sigrid Dale (From 01.11.2017)	Employee representative	30	30	
Jim Grøtner	Employee representative	57	-	
Jyri Oskar Vilamo	Deputy Employee representative	-	-	545
Mette Kjærsund	Deputy Employee representative	-	-	
Bent Ove Pettersen (Until 01.04.2017)	Deputy Employee representative	26	25	
Total		**1 497**	**1 355**	

Control Committee (ended January 2016)		2017	2016
Finn Myhre	Chairman	-	145
Egil Dalviken	Deputy Chairman	-	20
Tone Bjørnhov	Member	-	15
Terje Sommer	Deputy Member	-	0
Total		**-**	**180**

	2017		2016	
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	595	541	525	479
Sweden	374	358	344	299
Denmark	271	245	246	212
Finland	182	176	172	150
Total	**1 422**	**1 320**	**1 287**	**1 140**

Audit services and advisory services (without VAT)	2017	2016
Audit services	13 585	8 391
- Statutory audit and reporting SCF	*8 118*	*8 391*
- IFRS 9	*2 000*	-
- SOX	*3 467*	-
Other certification services	-	-
Tax advice	-	489
Other non-audit services	813	3 304
Total	**14 398**	**12 184**

Note 26 - Ownership interests in group companies

Santander Consumer Bank AS owns 100% of the shares in Santander Consumer Finance OY. Santander Consumer Bank AS retains most of the risk and rewards of the sale of loans to the securitization-vehicles. (Se note 28 in AS for list of SPV's) These are fully consolidated into the Nordic Group Financial statement.

Note 27 - Receivables and liabilities to related parties

All amounts in millions of NOK

Debt to related parties:	**2017**	**Accrued interest 2017**	**2016**	**Accrued interest 2016**
Santander Benelux	582	2	2 028	10
Santander Consumer Finance S.A.	29 939	8	32 230	14
Banco Madesant	-	-	754	-
Total	**30 520**	**10**	**35 012**	**24**
Balance sheet line: "Subordinated loan capital" - Bonds				
MNOK 80, maturity October 2017, 3 months NIBOR +1.75% (Santander Consumer Finance S.A)	-	-	80	-
MNOK 250, maturity March 2025, 3 months NIBOR + 2.2575% (Santander Consumer Finance S.A)	250	-	250	1
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)	750	-	714	-
MNOK 500, maturity September 2027, 3 months NIBOR + 1,66% (Santander Consumer Finance S.A)	500	1	-	-
Total	**1 750**	**3**	**1 294**	**3**

* Additional Tier 1 capital of 2 250 MM NOK has been reclassified from Subordinated loan capital to equity in 2017. Please see Accounting principles for further details.

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 28 - 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 SPVs (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:	2017	2016
Interest income	39	39
Interest expenses	-201	-343
Interest payments additional Tier 1 capital	-174	-170
Fees	57	133
Other	-4	-
Net transactions	**-284**	**-341**

Santander Consumer Bank Group had transactions with the following related parties per 31.12.2017:

Banco Santander S.A
Santander Benelux B.V.
Santander Consumer Finance S.A.
Santander Insurance Europe Ltd.
Santander Insurance Services Ireland Ltd.
Banco Madesant
Abbey National Treasury Services plc
Santander Securities Services, S.A
Geoban S.A
Produban Servicios Informáticos Generales S.L
Isban Madrid

Note 29 - Contingent liabilities & commitments and provisions

All amounts in millions of NOK	2017	2016
Contingent liabilities*	82	111
Commitments (Granted undrawn credits)	21 754	18 397

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

Note 30 - Result over total assets

All amounts in millions of NOK	2017	2016
Profit after tax (PAT)	3 055	2 442
Total assets (Assets)	159 100	142 729
PAT over Assets	**1,92%**	**1,71%**

Santander Consumer Bank AS

Notes

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 the 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 AS 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 5

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 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 4

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	**2017**	**2016**	**2017**	**2016**
Current - not past due date	110 337	99 056	-673	-818
Current - past due date	5 864	4 784	-257	-210
Total impaired loans	2 708	2 432	-1 495	-1 511
Total gross loans to customers	**118 909**	**106 272**	**-2 425**	**-2 539**

	Balance		Loss reserves	
Ageing of past due but not impaired loans	**2017**	**2016**	**2017**	**2016**
1 - 29 days	4 556	3 807	-105	-88
30 - 59 days	969	730	-82	-66
60 - 89 days	339	247	-70	-56
Total loans due but not impaired	**5 864**	**4 784**	**-257**	**-210**

	Balance		Loss reserves	
Ageing of impaired loans	**2017**	**2016**	**2017**	**2016**
90 - 119 days	215	191	-72	-66
120 - 149 days	166	136	-70	-60
150 - 179 days	144	114	-70	-59
180 + days	797	927	-550	-710
Economic doubtful*	1 386	1 064	-733	-616
Total impaired loans	**2 708**	**2 432**	**-1 495**	**-1 511**

* 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	
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	**107 659**	**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

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

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

Note 4 - Liquidity Risk

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

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	2 424	4 522	23 709	67 406	20 152	-	118 213
Commercial papers and bonds	7	1 079	3 057	4 341	-	-	8 483
Financial derivatives	44	86	101	-	-	-	232
Consignment	1 266	501	227	-	-	-	1 994
Loans to subsidiaries and SPV's	435	125	212	8 785	-	-	9 556
Investment in subsidiaries	-	-	-	-	-	1 277	1 277
Other assets	104	-	463	843	-	1	1 412
Total cash from assets	**5 696**	**6 313**	**27 769**	**81 375**	**20 152**	**1 278**	**142 583**
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 liabilities	853	16	427	-	-	92	1 388
Subordinated loan capital	-	3	-	-	1 750	-	1 753
Total cash from debt	**52 137**	**7 066**	**22 966**	**34 511**	**3 241**	**300**	**120 221**
Net cash flow	**-46 441**	**-753**	**4 803**	**46 865**	**16 911**		

All amounts in millions of NOK

2016	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	With no specific maturity	Total
Cash and receivables on central banks	60	-	-	-	-	-	60
Deposits with and receivables on financial institutions	1 500	-	-	-	-	-	1 500
Loans to customers	2 062	4 155	21 639	60 615	17 942	-	106 412
Commercial papers and bonds	571	1 359	3 466	7 386	-	-	12 782
Financial derivatives	31	61	184	78	-	-	355
Consignment	980	391	177	-	-	-	1 548
Loans to subsidiaries and SPV's	431	156	531	5 679	-	-	6 798
Investment in subsidiaries	-	-	-	-	-	1 180	1 180
Other assets	82	-	142	8	1	-	233
Total cash from assets	**5 718**	**6 122**	**26 140**	**73 765**	**17 943**	**1 180**	**130 867**
Debt to credit institutions	7 102	9 090	13 037	6 821	2 388	-	38 439
Deposits from customers	38 675	468	264	1 631	-	-	41 039
Debt established by issuing securities	12	31	2 473	24 416	-	-	26 931
Financial derivatives	25	49	152	61	-	-	287
Other liabilities	838	60	264	-	-	278	1 440
Subordinated loan capital	-	3	80	-	1 214	-	1 297
Total cash from debt	**46 652**	**9 701**	**16 270**	**32 929**	**3 602**	**278**	**109 433**
Net cash flow	**-40 937**	**-3 583**	**9 861**	**40 836**	**14 340**		

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

Liquidity coverage ratio

Liquidity Coverage Ratio (LCR) measures the capability to meet obligations in the next 30 days by means of liquidity assets. It is defined as LCR = liquidity assets / (cash outflows - cash inflows). The minimum LCR level (CRD IV) is 100% from 31 December 2017. With a stable basis of High Quality Liquid Assets, SCB AS fulfills the minimum LCR requirements.

Liquidity Coverage Ratio (LCR) %	2017	2016
Liquidity Coverage Ratio (LCR) Total	135	117
Liquidity Coverage Ratio (LCR) NOK	125	124
Liquidity Coverage Ratio (LCR) SEK	128	129
Liquidity Coverage Ratio (LCR) DKK	283	66
Liquidity Coverage Ratio (LCR) EUR	-	-

Note 5 - Interest rate risk

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

Santander Consumer Bank AS

All amounts in millions of NOK

2017	< 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	56 461	41 648	7 219	8 559	172	2 425	116 484
Commercial papers and bonds	2 578	2 342	842	-	2 713	-	8 475
Financial derivatives	94	139	-	-	-	-	232
Consignment	1 169	618	-	-	-	-	1 788
Loans to subsidiaries and SPV's	-	2 586	3 103	3 362	-	-	9 050
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	1428	-	-	50 617
Debt established by issuing securities	11 101	20 191	1 781	-	2 713	-	35 785
Financial derivatives	-	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.

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

All amounts in millions of NOK

2017	< 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 and equity	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	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	18	-	-	-	-	195	213
Liabilities and equity	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	< 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 and equity	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	< 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 and equity	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

Santander Consumer Bank AS

All amounts in millions of NOK

2016	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Cash and receivables on central banks	60	-	-	-	-	-	60
Deposits with and receivables on financial institutions	1 500	-	-	-	-	-	1 500
Loans to customers	48 470	42 244	5 630	4 653	197	2 539	103 733
Commercial papers and bonds	3 639	3 683	1 967	-	3 263	-	12 552
Financial derivatives	187	168	-	-	-	-	355
Consignment	869	480	-	-	-	-	1 348
Loans to subsidiaries and SPV's	593	190	-	5 711	-	-	6 494
Other non interest bearing assets	-	-	-	-	-	2 475	2 475
Total assets	**55 318**	**46 765**	**7 597**	**10 364**	**3 459**	**5 014**	**128 517**
Debt to credit institutions	16 298	20 657	685	780	-	-	38 420
Deposits from customers	4 011	15 687	19 644	1 628	-	-	40 971
Debt established by issuing securities	3 578	10 126	1 065	8 441	3 263	-	26 473
Financial derivatives	132	155	-	-	-	-	287
Subordinated loan capital	331	966	-	-	-	-	1 297
Other non interest bearing liabilities	-	-	-	-	-	2 670	2 670
Equity	2 250	-	-	-	-	16 149	18 399
Total liabilities and equity	**26 602**	**47 590**	**21 394**	**10 850**	**3 263**	**18 818**	**128 517**
Net interest risk exposure	**28 716**	**-825**	**-13 797**	**-486**	**196**		

The tables below show the same as the table above, but split per country.

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

All amounts in millions of NOK

2016	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	8 177	43 264	4 278	925	91	17 531	74 266
Liabilities and equity	10 294	19 772	9 286	-	-	34 914	74 266
Net balance	**-2 117**	**23 492**	**-5 008**	**925**	**91**	**-17 383**	**-**
Repricing gap	-2 117	23 492	-5 008	925	91	-17 383	-
Cumulative gap	-2 117	21 375	16 367	17 292	17 383	-	-

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

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

All amounts in millions of EUR

2016	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	37	-	32	-	-	215	284
Liabilities and equity	50	54	52	90	-	38	284
Net balance	**-13**	**-54**	**-20**	**-90**	**-**	**177**	**-**
Repricing gap	-13	-54	-20	-90	-	177	-
Cumulative gap	-13	-67	-87	-177	-177	-	-

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

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

2016	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	30 485	2 747	1 199	337	28	207	35 003
Liabilities and equity	10 313	14 902	7 361	1 460	-	968	35 003
Net balance	**20 172**	**-12 155**	**-6 162**	**-1 123**	**28**	**-761**	**-**
Repricing gap	20 172	-12 155	-6 162	-1 123	28	-761	-
Cumulative gap	20 172	8 018	1 856	733	761	-	-

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

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

2016	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	>5 years	Non Interest Bearing	Total
Assets	16 107	1 149	1 701	2 911	70	826	22 764
Liabilities and equity	6 644	5 722	3 551	6 140	-	707	22 764
Net balance	**9 463**	**-4 573**	**-1 850**	**-3 229**	**70**	**119**	**-**
Repricing gap	9 463	-4 573	-1 850	-3 229	70	119	-
Cumulative gap	9 463	4 891	3 040	-189	-118	-	-

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

Note 6 - Capital adequacy

All amounts in millions of NOK	**2017**	**2016**
Balance sheet equity		
Paid in equity	9 652	9 652
Share premium	891	891
Other equity	7 164	5 757
Additional Tier 1 capital	2 250	2 250
Other reserves	-30	-151
Total Equity	**19 928**	**18 399**
Common Equity Tier 1 Capital		
(-) Profit not eligible as capital	-350	-1 200
Cash-flow hedge adjustment	-20	-
IRB Expected Loss - Reserves	-250	-125
Goodwill	-294	-272
Other intangible assets	-299	-251
Deferred tax assets	0	0
Adjustment Prudent Valuation (AVA)	-6	-10
Additional Tier 1 capital	-2 250	-2 250
Total common Equity Tier 1 Capital	**16 458**	**14 291**
Additional Tier 1 capital		
Paid in Additional Tier 1 capital instruments	2 250	2 250
Total Additional Tier 1 capital	**18 708**	**16 541**
Total Capital		
Paid up subordinated loans	1 711	1 291
Subordinated loans not eligible	0	-80
Total Capital	**20 419**	**17 752**
Risk exposure		
Regional governments or local authorities	78	62
Institutions	585	789
Corporates	9 505	11 076
Retail Standard Approach	46 214	40 731
Retail Internal Rating Based	21 920	19 156
Exposures in default SA	999	863
Covered bonds	388	698
Other Exposures	12 560	8 708
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**92 250**	**82 084**
Foreign exchange (zero if under threshold)	-	-
Risk exposure amount for position, foreign exchange and commodities risks	**-**	**-**
Basic indicator approach	10 607	8 741
Risk exposure amount for operational risk	**10 607**	**8 741**
Standardized method	165	265
Risk exposure amount for credit valuation adjustment	**165**	**265**
Allowance which apply on the standardized approach for credit risk	-	-
Deductions of risk exposure amount	**-**	**-**
Total risk exposure amount	**103 021**	**91 090**

All amounts in millions of NOK	2017	2016
Total exposure for Leverage Ratio		
Derivatives: Add-on under market-to-market method	532	975
Off-balance sheet items with 10% CCF	1 927	-
Off-balance sheet items with 20% CCF	257	1 626
Off-balance sheet items with 50% CCF	41	-
On balance sheet assets	140 661	127 942
Total exposure for Leverage Ratio	**143 419**	**130 543**
Minimum Regulatory Capital		
Minimum Core Equity (4,50%)	4 636	5 874
Countercyclical Buffer*	1 514	1 318
Conservation Buffer (2,50%)	2 576	3 264
Systemic Risk Buffer (3,00%)	3 091	3 916
Pillar 2 Requirement (2,20%)	2 266	2 872
Surplus of Total capital	**6 336**	**508**
*Countercyclikcal buffer %	**1,47 %**	**1,01 %**
Common equity tier 1 capital ratio	**15,98 %**	**15,69 %**
CET1 regulatory requirements	13,67 %	13,21 %
Tier 1 capital ratio	**18,16 %**	**18,16 %**
Tier 1 regulatory requirements	14,93 %	14,94 %
Total capital ratio	**19,82 %**	**19,49 %**
Total capital regulatory requirements	16,93 %	16,94 %
Leverage ratio	**13,04 %**	**12,67 %**
LR regulatory requirements	5,00 %	5,00 %

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

Financial information in accordance with the capital requirement regulation is published at www.santander.no. Information according to Pillar 3 will be published at www.santander.no.

Note 7 - Segment information

All amounts in millions of NOK

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

Product segmentation per country (gross lending before expected losses)

31 December 2017

	Unsecure loans	Secured loans	Financial lease	Operational lease	Consignment	Total
Norway	11 410	35 088	9 837	-	-	**56 335**
Sweden	14 094	14 479	4 823	-	1 261	**34 658**
Denmark	5 777	20 914	2 487	161	526	**29 865**
Total	**31 281**	**70 480**	**17 147**	**161**	**1 788**	**120 857**

31 December 2016

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

Balance sheet and P&L per country

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**	**0**	**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**	**0**	**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**	**0**	**3 733**
Other income and costs	-58	0	-1	-	-59
Impairment losses on other assets	0	0	0	-	0
Impairment losses on loan, guarantees etc.	177	-104	-112	-	-40
Profit before tax	**2 062**	**701**	**871**	**0**	**3 634**
Income tax expense	-461	-158	-202	-	-820
Profit after tax	**1 601**	**543**	**670**	**0**	**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	33 397	29 178	-	118 909
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	1 687	1 926	-12 515	13 242
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**

Balance sheet and P&L per country

31 December 2016

All amounts in millions of NOK	**Norway**	**Sweden**	**Denmark**	**Eliminations***	**Total Group**
Total interest income	3 538	1 489	1 444	-52	6 418
Total interest expenses	-747	-168	-199	52	-1 062
Net interest income	**2 791**	**1 321**	**1 245**	**0**	**5 357**
Fee and commission income	372	176	154	-	701
Fee and commission expenses	-88	-12	-19	-	-120
Value change and gain/loss on foreign exchange and securities	34	-5	-15	-	14
Other operating income	578	9	6	-	592
Other operating expenses	-29	-14	-21	-	-64
Gross margin	**3 657**	**1 475**	**1 349**	**0**	**6 481**
Salaries and personnel expenses	-472	-299	-260	-	-1 031
Administration expenses	-517	-433	-224	-	-1 174
Depreciation and amortisation	-70	-13	-19	-	-101
Net operating income	**2 598**	**730**	**846**	**0**	**4 175**
Other income and costs	-58	0	-12	-	-71
Impairment losses on other assets	0	0	0	-	0
Impairment losses on loan, guarantees etc.	-628	-108	-114	-	-850
Profit before tax	**1 912**	**622**	**720**	**0**	**3 254**
Income tax expense	-115	-139	-438	-	-693
Profit after tax	**1 797**	**483**	**282**	**0**	**2 562**
Cash and receivables on central banks	60	-	-	-	60
Deposits with and receivables on financial institutions	1 069	408	1	22	1 500
Total gross loans to customers	52 397	28 738	25 137	-	106 272
Write-downs	-1 724	-463	-352	-	-2 539
Commercial papers and bonds	7 019	3 394	2 140	-	12 552
Financial derivatives	355	-	-	-	355
Investments in subsidiaries	1 180	-	-	-	1 180
Other assets	16 488	1 218	898	-9 466	9 138
Total assets	**76 844**	**33 294**	**27 823**	**-9 444**	**128 517**
Debt to credit institutions	16 011	15 250	16 585	-9 426	38 420
Deposits from customers	18 573	11 936	10 462	-	40 971
Debt established by issuing securities	21 849	4 631	-6	-	26 473
Financial derivatives	287	-	-	-	287
Other liabilities	2 103	1 240	642	-18	3 967
Equity	18 021	239	140	-	18 399
Total liabilities and equity	**76 844**	**33 294**	**27 823**	**-9 444**	**128 517**

Note 8 - Net interest income

All amounts in millions of NOK	2017	2016
Interest and similar income on loans to and receivables from credit institutions	513	660
Interest and similar income on loans to and receivables from customers	6 126	5 468
Interest and similar income on comm. paper, bonds and other securities	142	290
Total interest income	**6 781**	**6 418**
Interest and similar expenses on debt to credit institutions	-174	-205
Interest and similar expenses on deposits from and debt to customers	-603	-505
Interest and similar expenses on issued securities	-325	-302
Interest on subordinated loan capital	-37	-36
Other interest expenses and similar expenses	-11	-13
Total interest expense	**-1 150**	**-1 062**
Net interest income	**5 630**	**5 357**

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

All amounts in millions of NOK

To credit institutions	**2017**	**2016**
Interest expenses	-174	-205
Average loan	34 233	42 506
Average nominal interest rate	**0,51 %**	**0,48 %**

To customers	**2017**	**2016**
Interest expenses	-603	-505
Average deposit	45 794	39 176
Average nominal interest rate	**1,32 %**	**1,29 %**

To bondholders	**2017**	**2016**
Interest expenses	-325	-302
Average issued notes and bonds	31 129	23 055
Average nominal interest rate	**1,04 %**	**1,31 %**

Subordinated loan capital	**2017**	**2016**
Interest expenses	-37	-36
Average subordinated loan capital	1 525	1 452
Average nominal interest rate	**2,43 %**	**2,48 %**

Total of tables above:	**2017**	**2016**
Interest expenses	-1 139	-1 049
Loan	112 680	106 189
Average nominal interest rate	**1,01 %**	**0,99 %**

Note 9 - Other operating income and expenses

All amounts in millions of NOK	**2017**	**2016**
Operational leasing income	1	-
Dividends from investments	241	554
Other	70	37
Total other operating income	**312**	**592**
Ordinary depreciation operational leasing	-10	-5
Fees to The Norwegian Banks' Guarantee Fund	-55	-42
Other	-56	-17
Total other operating expenses	**-120**	**-64**

Note 10 - Tax

All amounts in millions of NOK

Income tax	**2017**	**2016**
Tax payable	586	706
Adjustments in respect of prior years	-6	-
Currency effects foreign tax credits	-2	4
Total current tax	**578**	**711**
Change in temporary differences	229	-28
Currency effects	6	8
Adjustments in respect of prior years	7	2
Total change in deferred tax	**242**	**-18**
Income tax expense	**820**	**693**

	2017	**2016**
Profit before tax	3 634	3 254
Estimated income tax at nominal tax rate 25%	909	814
Tax effects of:		
- Income not subject to tax*	-60	-138
- Non deductible expenses	-35	4
Adjustments in respect of prior years	1	2
Currency effects	6	12
Tax charge	**820**	**693**

* 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:

		2017	
	Before tax	**Tax (charge)/ credit**	**After tax**
Actuarial assumption related to pension	71	18	54
Cash flow hedges	69	17	52
Value change of assets held for sale	5	-	5
Currency translation differences	14	4	11
Other comprehensive income	**160**	**39**	**121**
Tax payable		4	
Deferred tax		35	
Tax in OCI		**39**	

Deferred tax assets and deferred taxes in the balance sheet

	2017	**2016**
Deferred tax assets/deferred taxes as at 1 January	631	652
Changes recognized in income statement	229	-28
Changes recognized in OCI	35	5
Adjustments in respect of prior years	9	2
Net Deferred tax assets/deferred taxes at 31 December	**904**	**631**

Deferred taxes related to the following temporary differences

	2017	**2016**
Fixed assets	3 296	2 411
Net pension commitments	-88	-218
Financial instruments	15	-32
Net other taxable temporary differences	392	364
Total deferred tax position	**3 615**	**2 525**

Net pension commitments	-22	-54
Financial instruments	4	-8
Net other taxable temporary differences	98	91
Net Deferred tax assets/deferred taxes at 31 December	**904**	**631**

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%) . Taxes are paid in Norway and later credited by amount paid in other countries.

Change in tax rate

2017 figures: No changes in tax rates
2016 figures: The Danish tax rate have been reduced to 22%

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

Note 11 - Loans to customers

All amounts in millions of NOK	2017	2016
Credit Card	6 603	6 284
Unsecured loans	24 678	22 165
Auto loans	87 628	77 824
- Installment loans	*70 480*	*62 870*
- Financial leasing	*17 147*	*14 954*
Total gross loans to customers	**118 909**	**106 272**
- Specific loan reserves	-1 495	-1 475
- Generic loan reserves	-930	-1 064
Total net loans to customers	**116 484**	**103 733**

Note 12 - Loan reserves

All amounts in millions of NOK

Specific loan reserves	**2017**	**2016**
Specific loan reserves 01.01.	-1 475	-1 444
+/- Fx rate adjustment opening balance	-22	29
Reclassification between specific and generic loan reserves	-39	58
+ Specific loan reserves for the period	41	-118
= Specific loan reserves period end	**-1 495**	**-1 475**
Generic loan reserves		
Generic loan reserves 01.01.	-1 064	-783
+/- Fx rate adjustment opening balance	-30	32
Release of reserves related to bad debt sale	-	19
Reclassification between specific and generic loan reserves	39	-58
+/- Generic loan reserves for the year	125	-274
= Generic loan reserves period end	**-930**	**-1 064**
Total Loan Reserves in Balance Sheet	**-2 425**	**-2 539**

Loan losses expenses	**2017**	**2016**
Change in loan reserves provision	166	-392
+/- Fx rate adjustment	5	-1
+ Total realized losses	-1 363	-1 247
- Recoveries on previously realized losses	607	656
- Gain on sold portfolios	545	134
= Loan losses in the period	**-40**	**-850**

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 13 - Loans and losses by main sectors

All amounts in millions of NOK

2017	Gross carrying amount	Accumulated impairment	Total
Private individuals	101 510	-2 204	99 307
Wholesale and retail trade	7 502	-91	7 412
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
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
Professional, scientific and technical activities	-	-	-
Other services	-	-	-
Total	**118 909**	**-2 425**	**116 484**

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

Note 14 - Classification of financial instruments

All amounts in millions of NOK

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	-	-	-	116 484	116 484
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		Book 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 and equity	**141 126**

Classification of financial assets 31 December 2016	Financial assets at fair value through P&L	Available for sale financial assets at fair value	Held to maturity investments	Loans and receivables	Book value
Cash and receivables on central banks	-	-	-	60	60
Deposits with and receivables on financial institutions	-	-	-	1 500	1 500
Loans to customers	-	-	-	103 733	103 733
Commercial papers and bonds	-	9 289	3 263	-	12 552
Financial derivatives	355	-	-	-	355
Loans to subsidiaries and SPV's	-	-	-	6 494	6 494
Other ownership interests	-	18	-	-	18
Other financial assets	-	-	-	233	233
Total financial assets	**355**	**9 307**	**3 263**	**112 020**	**124 945**
				Non financial assets	3 572
				Total assets	**128 517**

Classification of financial liabilities 31 December 2016	Financial liabilities at fair value through P&L	Financial liabilities measured at amortized cost	Book value
Debt to credit institutions	-	38 420	38 420
Deposits from customers	-	40 971	40 971
Debt established by issuing securities	-	26 473	26 473
Financial derivatives	287	-	287
Other financial liabilities	-	161	161
Subordinated loan capital	-	1 297	1 297
Total financial liabilities	**287**	**107 321**	**107 609**
		Non financial liabilities and equity	20 908
		Total liabilities and equity	**128 517**

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

Note 15 - Issued securities

All amounts in million NOK

	2017	2016
Issued Certificates	901	-
Issued bonds	34 884	26 473
Total liability issued securities	**35 785**	**26 473**

Changes in liability issued securities

	Book value 31.12.2016	New issues/ repurchase	Matured	Amortization	Book value 31.12.2017
Issued certificates	-	901	-	-	901
Issued bonds	26 473	10 893	-2 483	-	34 884
Total liability issued securities	**26 473**	**11 795**	**-2 483**	**-**	**35 785**

Specification of issued securities

Bonds

Issuer	Net nominal value	Currency	Interest	Call date	Book value NOK 31.12.2017
Senior unsecured issued securities					
Santander Consumer Bank AS	1 600	NOK	Floating	19.02.2018	1 603
Santander Consumer Bank AS	1 700	NOK	Floating	14.03.2019	1 702
Santander Consumer Bank AS	1 751	NOK	Floating	08.08.2019	1 755
Santander Consumer Bank AS	1 050	NOK	Floating	17.01.2022	1 054
Santander Consumer Bank AS	1 400	NOK	Floating	17.01.2020	1 405
Santander Consumer Bank AS	200	NOK	Floating	21.09.2020	200
Santander Consumer Bank AS	500	NOK	Floating	20.11.2022	501
Santander Consumer Bank AS	500	EUR	Fixed	25.02.2019	4 957
Santander Consumer Bank AS	500	EUR	Fixed	30.09.2019	4 905
Santander Consumer Bank AS	750	EUR	Fixed	20.04.2018	7 417
Santander Consumer Bank AS	500	EUR	Fixed	17.02.2020	4 933
Santander Consumer Bank AS	1 450	SEK	Floating	18.11.2019	1 449
Santander Consumer Bank AS	500	SEK	Fixed	12.06.2018	503
Santander Consumer Bank AS	500	SEK	Floating	12.06.2018	500
Santander Consumer Bank AS	1 000	SEK	Floating	30.03.2020	1 000
Santander Consumer Bank AS	1 000	SEK	Floating	14.06.2021	1 001
Total issued bonds					**34 884**

Certificates

Issuer	Net nominal value	Currency	Interest	Call date	Book value NOK 31.12.2017
Certificates					
Santander Consumer Bank AS	250	NOK	Fixed	26.01.2018	251
Santander Consumer Bank AS	250	NOK	Fixed	26.04.2018	251
Santander Consumer Bank AS	200	NOK	Fixed	22.05.2018	200
Santander Consumer Bank AS	200	NOK	Fixed	16.06.2018	200
Total+ issued certificates					**901**

The Group has not had any defaults of principal or interests or other breaches with respect to its issued securities during the years ended 31 December 2017 and 2016.

Note 16 - Valuation Hierarchy

All amounts in millions of NOK

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	-	138	-	138
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**	**255**	**-**	**6 017**
Financial liabilities						
Name	***Type***	***Notional***				
Bilkreditt 6 Pass-through	Cross Currency Swap	MM EUR 52	-	87	-	87
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**

2016			Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Financial assets						
Name	*Type*	*Notional*				
Bilkreditt 4 Fixed	Cross Currency Swap	MM EUR 40	-	44	-	44
Bilkreditt 5 Fixed	Cross Currency Swap	MM EUR 72	-	56	-	56
Bilkreditt 6 Fixed	Cross Currency Swap	MM EUR 210	-	198	-	198
Bilkreditt 7 Pass-through	Cross Currency Swap	MM EUR 293	-	57	-	57
Total financial derivatives			**-**	**355**	**-**	**355**
Name	*Type*					
Government bonds and Treasury Bills	Bonds		2 307	-	-	2 307
Covered Bonds	Bonds		6 982	-	-	6 982
Total commercial papers and bonds *			**9 289**	**-**	**-**	**9 289**
Name	*Type*					
VISA	Equity		**-**	18	-	18
Total other ownership interests			**-**	**18**	**-**	**18**
Total Assets			**9 289**	**373**	**-**	**9 662**
Financial liabilities						
Name	*Type*	*Notional*				
Bilkreditt 4 Pass-through	Cross Currency Swap	MM EUR 28	-	31	-	31
Bilkreditt 5 Pass-through	Cross Currency Swap	MM EUR 40	-	44	-	44
Bilkreditt 6 Pass-through	Cross Currency Swap	MM EUR 180	-	155	-	155
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 300	-	58	-	58
Total financial derivatives			**-**	**287**	**-**	**287**
Total Liabilities			**-**	**287**	**-**	**287**

Derivatives designated for hedge accounting - assets

Name	*Type*	*Notinal*				
EMTN SEK	Cross Currency Swap	MM SEK 1 500	-	5	-	5
EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	3	-	3
Total dervatives designated for hedging - assets**			**-**	**8**	**-**	**8**

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Derivatives designated for hedge accounting - liabilities

Name	***Type***	***Notional***				
EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	7	-	7
EMTN MEUR 350	Cross Currency Swap	MM EIR 350	-	1	-	1
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	15	-	15
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	7	-	7
Total dervatives designated for hedging - liabilities**			**-**	**30**	**-**	**30**

* 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 14.

** 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

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	-	-	-	-	-	-

All amounts in millions of NOK

2016	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	362	-	362	-	95	267
Reverse repurchase arrangements	692	-	692	692	-	-
Financial liabilites						
Derivatives	318	-	318	-	127	190
Repurchase arrangements	-	-	-	-	-	-

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

Note 17 - 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:

		2017			2016	
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)	-	11 688	-5	-	16 934	-4
Hedge instruments (Cross currency swaps)	9	12	7	-	6	-
Net exposure over P&L			**2**			**-4**

Inefficiency	**2017 Ineffectiveness recognized in P&L**	**2016 Ineffectiveness recognized in P&L**
Fair value hedging ineffectiveness	2	-3

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:

	2017			2016		
All amounts in millions of NOK	**Assets**	**Liabilities**	**Gains/ (Losses) recognized in OCI**	**Assets**	**Liabilities**	**Gains/ (Losses) recognized in OCI**
Hedged item (Bonds)	-	11 688	-	-	17 414	-
Hedge instruments (Cross currency interest rate swaps)	93	3	27	164	25	42
Hedge instruments (Interest rate swaps)	-	-	-	-	-	-
Net exposure over OCI			**27**			**42**

Inefficiency	**2017 Ineffectiveness recognized in P&L**	**2016 Ineffectiveness recognized in P&L**
Cash flow hedging ineffectiveness	1	3

	2017			2016		
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)	3 457	8 231	-	955	16 458	-
Net cash flows	**3 457**	**8 231**	**0**	**955**	**16 458**	**0**

Reclass from OCI to profit and loss:	**2017**	**2016**
Reclassified amount	-69	20

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:

	2017			2016		
All amounts in millions of NOK	**Assets**	**Liabilities**	**Gains/ (Losses) recognized in OCI**	**Assets**	**Liabilities**	**Gains/ (Losses) recognized in OCI**
Hedged item (Net assets in foreign subsidiary)	1 277	-	-98	1 180	-	-67
Hedge instrument (EUR-loan)	-	1 289	99	-	1 190	74
Net exposure over OCI			**1**			**7**

Inefficiency	**2017 Ineffectiveness recognized in P&L**	**2016 Ineffectiveness recognized in P&L**
Net investment hedging ineffectiveness	1	7

Note 18 - Securitization

The company securitizes auto loan to customers by selling the loans to a special purpose company (SPV), 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 31.12.2017, Santander Consumer Bank AS has sold auto loan portfolio to four different SPVs. (See note 28 for a list of SPVs)

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

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

The table below shows the carrying amounts of all financial assets transferred that are not derecognised in their entirety and associated liabilities as of 31.12.2017.

All amounts in millions of NOK	**2017**	**2016**
Carrying amount of assets (Portfolio of auto loans)	8 705	11 944
Carrying amount of associated liabilities	8 705	11 944

Note 19 - Fixed assets

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	-	-	-
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	-	-1	-1
Rate difference year's depreciation average rate	-	-1	-1
Reversed depreciation on disposals	10	3	14
Acc. depreciation 31.12	**-77**	**-29**	**-106**
Accrued feesd 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.

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

2016

All amounts in millions of NOK	Machines, fittings, equipment	Leasing portfolio (operational)	Total 2016
Acquisition cost 1.1	108	-	108
Rate difference opening balance	-4	-	-4
Acquisition cost 1.1 rate 31.12	104	-	104
Additions during the year	33	334	367
Disposals during the year	-12	-151	-163
Impairment	-	-	-
Acquisition cost 31.12	**125**	**183**	**307**
Acc. ordinary depreciation 1.1	-47	-	-47
Rate difference 01.01	1	-	1
Acc. ordinary depreciation 1.1 rate 31.12	-46	-	-46
Year's ordinary depreciation*	-25	-46	-71
Impairment	-	-	-
Rate difference year's depreciation average rate	-	-	-
Reversed depreciation on disposals	7	26	33
Acc. depreciation 31.12	**-63**	**-20**	**-83**
Accrued fees and provisions	-	-21	-21
Book value in the balance sheet 31.12	**61**	**141**	**203**

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

Note 20 - Intangible assets

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	-	-
Disposals during the year	-13	-	-13
Impairment	-	-	-
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**

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.

2016

All amounts in millions of NOK	**Intangible assets (software)**	**Goodwill**	**Total 2016**
Acquisition cost 1.1	469	965	1 434
Rate difference opening balance	-8	-52	-60
Acquisition cost 1.1 rate 31.12	461	913	1 374
Additions during the year	109	-	-
Disposals during the year	-95	-	**-95**
Impairment	-	-	-
Acquisition cost 31.12	**476**	**913**	**1 389**
Acc. ordinary amortization 1.1	-226	-596	-822
Rate difference 01.01	5	33	38
Acc. ordinary amortization 1.1 rate 31.12	-221	-563	-784
Year's ordinary amortization	-73	-	-73
Impairment	-	-	-
Rate difference year's amortization average rate	-	-	-
Reversed amortization on disposals	68	-	68
Acc. amortization 31.12	**-225**	**-563**	**-788**
Book value in the balance sheet 31.12	**251**	**350**	**600**

Note 21 - Leasing

All amounts in millions of NOK

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.

Gross investment in the lease:	2017	2016
Due in less than 1 year	6 107	6 117
Due in 1 - 5 years	10 971	8 790
Due later than 5 years	69	47
Total gross investment in the lease	**17 147**	**14 954**
Present value of minimum lease payments receivable:		
Due in less than 1 year	5 880	5 846
Due in 1 - 5 years	9 817	7 861
Due later than 5 years	52	36
Total present value of minimum lease payments receivable	**15 749**	**13 743**
Unearned finance income	**1 398**	**1 211**

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.

Future minimum lease payments under non-cancellable operating leases:	2017	2016
Due in less than 1 year	80	82
Due in 1 - 5 years	138	101
Due later than 5 years	50 730	-
Total future minimum lease payments under non-cancellable operating leases	**50 948**	**183**

Note 22 - Repossessed assets

All amounts in millions of NOK

	2017	2016
Vehicles	6	5
Net	**6**	**5**

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

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

Note 23 - Changes in liabilities arising from financing activities

All amounts in millions of NOK

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

Liability	2016	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair value	Other changes	2017
Debt to credit institutions	**38 420**	-8 375	-	-	-	**30 045**
Debt established by issuing securities	**26 473**	9 312	-	-	-	**35 785**
Subordinated loan capital	**1 297**	420	37	-	-	**1 753**

Note 24 - 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	**2017**	**2016**
Present value of year's pension earnings	24	31
Curtailment (gain) / loss	-	-
Settlement (gain) / loss	-166	-13
Interest cost on accrued liability	18	19
Interest income on plan assets	-13	-13
Allowance for taxes	5	6
Net Pension expenses	**-132**	**30**

Pension expenses for defined contribution plans	**2017**	**2016**
Total expenses	84	74

Pension liabilities in balance sheet	**2017**	**2016**
Pension funds at market value	248	441
Estimated pension liability	-336	-659
Net pension liability	**-88**	**-218**

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 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	222	-222	-
Others	-5	-	-5
	227	-200	27
At 31 December 2017	**-336**	**248**	**-88**

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

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

	2017			2016		
	Norway	Sweden	Total	Norway	Sweden	Total
Present value of obligation	-13	-324	-336	-390	-269	-659
Fair value of plan assets	0	248	248	221	220	441
Total	**-13**	**-76**	**-88**	**-169**	**-49**	**-218**

The following assumptions have been used calculating future pensions:

	2017		2016	
	Norway	Sweden	Norway	Sweden
Discount rate	2,50%	2,75%	2,75%	3,00%
Inflation	N/A	1,75%	N/A	1,75%
Salary growth rate	2,50%	3,25%	2,25%	3,25%
Pension growth rate	1,32%	1,75%	1,99%	1,75%
Rate of social security increases	2,25%	2,75%	2,00%	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:

	2017		2016	
	Norway	Sweden	Norway	Sweden
Retiring at the end of the reporting period:				
- Male	22	22	22	22
- Female	25	25	25	25
Retiring 20 years after the end of the reporting period:				
- Male	24	24	24	24
- Female	27	26	27	26

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

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 7.17%	Increase by 7.20%
Salary growth rate	1,00%	Increase by 0.90%	Decrease by 0.89%

	Impact on defined benefit obligation - Sweden		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 25.68%	Increase by 31.39%
Salary growth rate	1,00%	Increase by 4.73%	Decrease by 2.10%

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 2017	**Less than 1 year**	**Between 1 - 2 years**	**Between 2 - 5 years**	**Between 5 - 10 years**	**Total**
Pension benefit payments	5	5	18	30	**58**

Note 25 - Remuneration

All amounts in thousands of NOK

Santander Consumer Bank has established a Remuneration Committee, and the Company established Remuneration Guidelines in 2011 to be aligned with FSA regulations. The Guidelines were updated in February 2017. The Guidelines apply to employees in the Company's operations in Norway, Denmark and Sweden, as well as the subsidiary in Finland. In addition, there are special regulations for Senior Management's employees with duties of material importance to risk exposure, employees heading the main control functions and directors.

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

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

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

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

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

Granted options are not part of the corporate plan.

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

Pension schemes
The Company offers different pension and insurance schemes in the Nordic countries:

Norway
1. Defined Benefit - Up to approximately 70 per cent of the final salary maximized to 12 G (G = Grunnbeløp, Base amount)
2. Contribution Benefit - Contribution is 5,32 per cent of salary between 1 G and 7,1 G, plus 8 per cent of salary between 7,1 G and 12 G, or 5 per cent of up to 7,1 G and 14 per cent of salary over 12 G.
3. Pensions Scheme for wages above 12 G - Approximately 70 per cent of the final salary that exceeds 12 G.

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

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

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 2017	Total 2016
Michael Hvidsten, Chief Executive Officer	3 343	1 126	79	1 182	5 730	4 855
Knut Øvernes, Managing Director Norway	1 938	609	99	710	3 356	2 793
Bo Jakobsen, Managing Director Denmark	2 655	409	448	961	4 473	3 537
Carolina Brandtman, Managing Director Sweden	2 557	338	633	391	3 919	3 179
Juan Calvera, Nordic IT&OPS Director	1 478	196	86	780	2 540	2 947
Olav Hasund, Nordic Auto Director	1 890	298	224	599	3 011	2 829
Christoph Reuter, Nordic Controlling Director	912	284	-	2 124	3 320	3 732
Anders Bruun-Olsen, Nordic Financial Management Director	1 708	455	84	565	2 812	2 612
Juan Garcia Bolos, Nordic Collection Director (Until 10.07.2017)	461	116	-	773	1 350	2 470
Rasmus Forssblad, Nordic Internal Audit Director (Until 30.09.2017)	1 232	-	455	181	1 868	1 909
Trond Debes, Nordic Legal & Compliance Director	1 461	316	132	533	2 442	2 174
Andres Diez - Nordic Risk Director	1 246	243	69	375	1 933	-
Tatjana Toth - Nordic Controlling Director	1 304	197	110	927	2 538	-
Rocío Sánchez Aragonés - Nordic Internal Audit Director	825	260	-	1 198	2 283	-
Total	**23 010**	**4 847**	**2 419**	**11 299**	**41 575**	**33 037**

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 2017*	Total number of shares earned, but not issued per 31.12.2017*	Value of the shares earned, but not issued per 31.12.2017*
Michael Hvidsten, Chief Executive Officer	9 798	21 970	1 263
Knut Øvernes, Managing Director Norway	5 294	10 064	578
Bo Jakobsen, Managing Director Denmark	3 556	8 724	501
Carolina Brandtman, Managing Director Sweden	2 944	9 251	532
Olav Hasund, Nordic Auto Director	2 588	6 082	350
Christoph Reuter, Nordic Controlling Director	2 471	7 159	411
Anders Bruun-Olsen, Nordic Financial Management Director	3 960	8 966	515
Juan Calvera, Nordic IT&OPS Director	1 711	6 226	358
Juan Garcia Bolos, Nordic Collection Director (Until 10.07.2017)	1 010	3 351	193
Rasmus Forssblad, Nordic Internal Audit Director (Until 30.09.2017)	-	1 834	105
Trond Debes, Nordic Legal & Compliance Director	2 753	5 912	340
Andres Diez - Nordic Risk Director	2 118	2 118	122
Tatjana Toth - Nordic Controlling Director	1 711	1 711	98
Rocío Sánchez Aragonés - Nordic Internal Audit Director	2 263	2 263	130
Total	**42 177**	**95 631**	**5 496**

Defined share value	2017	2016	2015
Share value - Banco Santander (EUR) *	6	5	4
Share value - Banco Santander (NOK) *	56	45	38

*Value of shares is delivered by Corporate per 05.02.2018, and the exchange rate per 23.01.2018.

Board of Directors		2017	2016	
Erik Kongelf	Chairman	-	-	
Bruno Montalvo Wilmot	Deputy Chairman	-	-	
Manuel Menendez Barrero (Until 31.08.2017)	Member	-	-	
Javier Anton San Pablo	Member	-	-	
Federico Jose Maria Ysart Alvarez De Toledo	Member	-	-	
Henning Strøm	Member	450	450	
Niels Aall	Member	450	450	
Berndt Ola Tillberg	Observer	213	200	
Ulla Aronen	Observer	71	-	
Vibeke Hamre Krey (Until 31.10.2108)	Employee representative	200	200	
Sigrid Dale (From 01.11.2017)	Employee representative	30	30	
Jim Grøtner	Employee representative	57	-	
Jyri Oskar Vilamo	Deputy Employee representative	-	-	545
Mette Kjærsund	Deputy Employee representative	-	-	
Bent Ove Pettersen (Until 01.04.2017)	Deputy Employee representative	26	25	
Total		**1 497**	**1 355**	

Control Committee (ended January 2016)		2017	2016
Finn Myhre	Chairman	-	145
Egil Dalviken	Deputy Chairman	-	20
Tone Bjørnhov	Member	-	15
Terje Sommer	Deputy Member	-	0
Total		**-**	**180**

	2017		2016	
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	595	541	525	479
Sweden	374	358	344	299
Denmark	271	245	246	212
Total	**1 240**	**1 144**	**1 115**	**990**

Audit services and advisory services (without VAT)	2017	2016
Audit services	12 770	6 733
- Statutory audit and reporting SCF	*7 303*	*6 733*
- IFRS 9	*2 000*	-
- SOX	*3 467*	-
Other certification services	-	-
Tax advice	-	489
Other non-audit services	813	3 304
Total	**13 583**	**10 526**

Note 26 - 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 Bank AS own all shares in Santander Consumer Finance OY. Book value of investment in Finland is revaluated due to a hedging and the investment. See note 17 for further details.

	2017	**2016**
Number of Shares owned	600 000	600 000
Book value	1 277	1 180

Company name	Share Capital	Equity	Total assets	Result 2017	Result 2016
Santander Consumer Finance OY	728	1 375	31 187	481	412

Note 27 - Receivables and liabilities to related parties

Amounts in millions of NOK

Debt to related parties:	**2017**	**Accrued interest 2017**	**2016**	**Accrued interest 2016**
Balance sheet line: "Loans and deposits from credit institutions with an agreed term"				
Santander Benelux	582	2	2 028	10
Santander Consumer Finance S.A.	20 433	6	24 443	12
Debt to SPV on future cash flow of securitized loans	8 705	-	11 944	-
Total	**29 720**	**8**	**38 415**	**22**

Balance sheet line: "Subordinated loan capital" - Bonds				
MNOK 80, maturity October 2017, 3 months NIBOR +1.75% (Santander Consumer Finance S.A)	-	-	80	-
MNOK 250, maturity March 2025, 3 months NIBOR +2.2575% (Santander Consumer Finance S.A)	250	-	250	1
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)	750	-	714	-
MNOK 500, maturity September 2027, 3 months NIBOR + 1,66% (Santander Consumer Finance S.A)	500	1	-	-
Total	**1 750**	**3**	**1 294**	**3**

* Additional Tier 1 capital of 2 250 MM NOK has been reclassified from Subordinated loan capital to equity in 2017. Please see Accounting principles for further details.

Receivables on related parties:

Amounts in millions of NOK	**2017**	**Accrued interest 2017**	**2016**	**Accrued interest 2016**
Balance sheet line: "Commercial papers and bonds"				
B and C notes issued by SPVs	2 712	1	3 262	1
Balance sheet line :"Loans to subsidiaries and SPVs"				
Loan to subsidiary (Santander Consumer Bank OY)	8 608	45	5 679	30
Subordinated loan to SPVs	404	-	696	-

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 28 - 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 SPVs (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:

	2017	2016
Interest income	588	862
Interest expenses	-700	-1 078
Interest payments additional Tier 1 capital	-174	-170
Fees	57	126
Other	37	7
Net transactions	**-193**	**-253**

Santander Consumer Bank AS had transactions with the following related parties per 31.12.2017:

Banco Santander S.A
Santander Benelux B.V.
Santander Consumer Finance S.A.
Santander Consumer Bank OY
Santander Insurance Europe Ltd.
Santander Insurance Services Ireland Ltd.
Santander Securities Services, S.A
Abbey National Treasury Services plc
Geoban S.A
Produban Servicios Informáticos Generales S.L
Isban Madrid

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

Note 29 - Contingent liabilities & commitments and provisions

All amounts in millions of NOK	**2017**	**2016**
Contingent liabilities*	82	111
Commitments (Granted undrawn credits)	20 558	17 418

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

Note 30 - Result over total assets

All amounts in millions of NOK	**2017**	**2016**
Profit after tax (PAT)	2 814	2 562
Total assets (Assets)	141 126	128 517
PAT over Assets	**1,99%**	**1,99%**


Our purpose is to help people and businesses prosper.
Our culture is based on the belief that everything we do should be
Simple | Personal | Fair
Santander
CONSUMER BANK

To the General Meeting of Santander Consumer Bank AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

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 2017 financial statements. In this light, our areas of focus have been the same in 2017 as the previous year.

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Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans to customers and estimated impact of IFRS 9 adoption Loans to customers represents a considerable part of the group's total assets. The assessment of impairment losses is a model based framework which includes elements of management judgement. The framework is complex, includes a considerable volume of data and judgemental parameters, which are based on a risk classification of loans. The risk classification of loans and internal controls in relation to identification of impaired loans is central to the impairment assessment. The use of the model based framework affects the profit for the period and is significant for compliance with the capital requirement regulation. In our audit we have focused on: • Identification of impaired loans including completeness of the customer accounts that are included in the impairment calculation • Assumptions and judgments made by management underlying the calculation We refer to note 1, 2, 8 and 9 to the financial statements for further descriptions related to impairment of loans to customers. The Group described in note 2.2.2 their process for implementation of the new requirements in IFRS 9 Financial Instruments. The Group explains that definition of the main assumptions used in the valuation, classification and provisions process, such as: the main business models used, definition of default, future information included in the provision models is	We have evaluated and tested the design and effectiveness of internal controls related to the model based framework. These controls were directed towards risk classification of loans and identification of correct input to the model. We satisfied ourselves about the accuracy of the data used in the calculations by tracing data back to registration in the systems on a sample basis. We have also tested that the mathematical accuracy in the model. We compared the probability of default and loss given default parameters used in the loan loss calculation with historical information. To satisfy ourselves that the setting of parameters related to the probability of losses on loans were appropriate, we interviewed management and challenged the relevance and methods in the model. In order to gain an understanding of the implementation process of IFRS 9 and the development of the new impairment model, we have performed interviews and meetings with management and read relevant project documentation. Our focus has been on an evaluation of whether the model developed by the bank takes into consideration, all the relevant requirements from IFRS 9. Further, we have reviewed a sample of loan portfolios to satisfy ourselves that the loan portfolios have an adequate classification and valuation, based on analysis of business models and solely payment of principal and interest ("SPPI") tests carried out. For a sample of the loan portfolios we have reviewed and tested whether the parameters for calculating expected loss including used historical and prospective information, are reasonable. We have reviewed the reasonableness of the criteria for significant increase in credit risk. Further we have tested mathematical accuracy for a sample of the impairment calculations including the information related to forward looking information. We also read the description of the implementation process in note 2.2.2, which we believe gives a balanced

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completed. The Group is still working on strengthening their model to identify significant increase in credit risk. The Group indicates that the impact on loss reserves from the implementation of IFRS 9 is in the range of 550-650 MNOK.	overview of the implementation of IFRS 9, and a reasonable range of possible outcomes of the implementation.
IT systems supporting processes over financial reporting The Group's financial accounting and reporting processes are dependent on complex systems and there is a risk that automated accounting procedures and related IT dependent manual controls are not designed and operating effectively.	For important IT-systems, the audit team performed detailed testing of relevant reports and automated controls. We have also tested controls over application management and we relied on assurance reports on controls at service organizations where that was relevant for our work. Our work gave us sufficient evidence to enable us to rely on the operation of the group's IT systems relevant for our audit.

Other information

Management is responsible for the other information. The other information comprises all of the information in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 14 February 2018

PricewaterhouseCoopers AS

Geir Julsvoll

State Authorised Public Accountant