Santander Consumer Bank

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Second quarter report 2018

Santander Consumer Bank Nordic Group and Santander Consumer Bank AS

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Introduction

The second quarter of 2018 shows continued sustainable growth, in an increasingly competitive landscape.

Here in the Nordics, we have a long history in the auto industry and in sales finance. Our approach on the banking business has given us deep insights into our customers' needs. We also know how to create win-win situations for our partners, helping them increase their sales.

This insight is a great advantage and a basis for our ambition to take the lead as technology transforms the finance industry. As one of very few banks, we were onboard from day one as Apple Pay launched in Norway this summer – showing our commitment to provide outstanding customer experiences. Response from the markets confirms we are heading in the right direction.

Going forward, technology and innovation shall further strengthen our position as a bank that is close to the customer. In the years to come, we will invest heavily in our tech platform – to launch new products and services and to increase our own efficiency. I look forward to revealing several new initiatives the coming months.

Michael Hvidsten, CEO

Second quarter report 2018

Highlights

- Net interest income increased with 6% and gross margin with 5% compared to the second quarter of 2017. Year to date net interest income increased with 204 MM NOK and year to date gross margin increased with 203 MM NOK.
- Lending rose 9% compared to the same period in 2017 strongly driven by growth in the auto business.
- Sale of written off loans portfolios resulted in a reversal of impairment losses on loans of approximately 870 MM NOK in Q2 2018 compared to approximately 600 MM NOK in Q2 2017.
- Deposit volumes increased by 14% compared to the second quarter of 2017, and continues to be the largest funding source of the Group.
- The Group's Profit before tax in Q2 2018 was 1 303 MM NOK, reflecting an increase of 5% compared to the same period in 2017. Profit before tax year to date was 2 046 MM NOK compared to 2 157 MM NOK per Q2 2017.
- In June Apple Pay was launched for the Group's customers in Norway.

Key figures Santander Consumer Bank Group

All amounts in millions of NOK	Q2 2018	Q2 2017**	YTD Q2 2018	YTD Q2 2017**	2017	2016***
Net interest income	**1 716**	**1 615**	**3 412**	**3 208**	**6 607**	**6 276**
*Growth**	*6 %*	*2 %*	*6 %*	*2 %*	*5 %*	*27 %*
Profit before tax	**1 303**	**1 246**	**2 046**	**2 157**	**3 995**	**3 250**
*Growth**	*5 %*	*47 %*	*-5 %*	*34 %*	*23 %*	*67 %*
Profit after tax	**980**	**966**	**1 537**	**1 661**	**3 055**	**2 442**
*Growth**	*1 %*	*42 %*	*-7 %*	*37 %*	*25 %*	*62 %*
Total assets	**159 994**	**151 160**	**159 994**	**151 160**	**159 100**	**142 729**
*Growth**	*6 %*	*10 %*	*6 %*	*10 %*	*11 %*	*5 %*
Net Loans to customers	**144 035**	**132 366**	**144 035**	**132 366**	**140 793**	**121 698**
*Growth**	*9 %*	*13 %*	*9 %*	*13 %*	*16 %*	*7 %*
Customer deposits	**52 649**	**46 386**	**52 649**	**46 386**	**50 617**	**40 971**
*Growth**	*14 %*	*17 %*	*14 %*	*17 %*	*24 %*	*10 %*

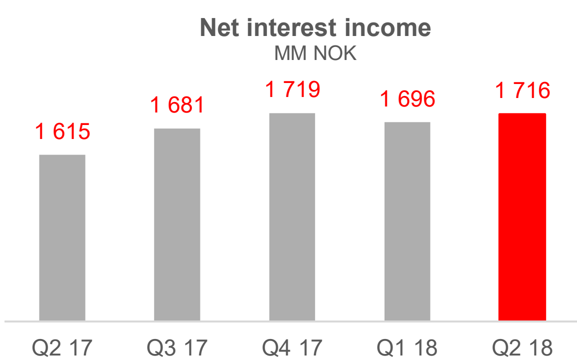
** Year on year.*
*** In the Q2 2017 and YTD Q2 2017 figures interest expenses of 42,5 MM NOK and 85 MM NOK related to additional Tier 1 capital has been reclassified to diviedend. Please see accounting principles in 2017 annual report for further details.*
**** The 2016 figures is affected by the GE Money Bank merger.*

Financial Performance for the second quarter of 2018

Results

The Group's profit before tax was 1 303 MM NOK in the second quarter of 2018, an increase of 5% compared to the second quarter last year. The increase in results are mainly driven by increase in net interest income and lower impairment losses. Profit before tax year to date was 2 046 MM NOK compared to 2 157 MM NOK per Q2 2017.

Net interest income increased by 101 MM NOK compared with Q2 2017, representing an increase of 6%. Higher lending volumes in all segments and lower cost of funding had a positive effect on net interest income. On the other hand, lower lending margins mainly due to a shift in the portfolio product mix towards more secured financing had a negative effect on net interest income.



Net fee and commission income decreased by 32 MM NOK from the second quarter of 2017. The decrease was driven by lower levels of insurance income, due mainly to the change of characteristics of the payment protection insurance (PPI) product in Norway during 2017.

Operating expenses for the period was 847 MM NOK, up from 709 MM NOK in the second quarter of 2017. The change is mainly due to increased salary and personnel expenses and reflects a higher activity level throughout the Nordic region in Q2 2018 compared to Q2 2017. The higher activity level is mainly related to new products and regulatory projects which have led to both a higher number of full time employees and increased use of consultants.

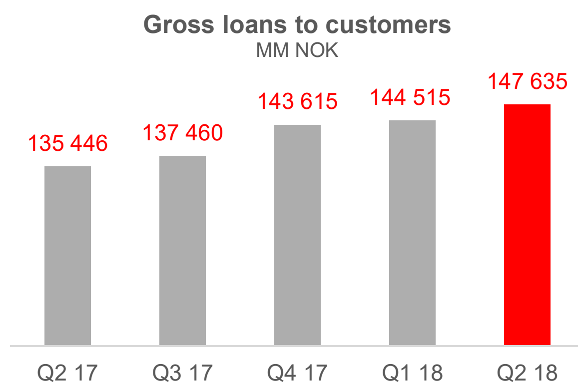
Net impairment losses on loans fell by 142 MM NOK in Q2 2018 compared to the second quarter of 2017. This was mainly driven by a higher sale of written off loans portfolios in June 2018 compared to June 2017. The sale of written off loans portfolios resulted in a reversal of impairment losses on loans of approximately 870 MM NOK in Q2 2018 versus approximately 600 MM NOK in Q2 2017.

Loans and Deposits Performance

Loans to Customers

The Group's gross outstanding loans to customers was 147.6 Bn NOK at Q2 2018. This is an increase of 9% (12 Bn NOK) compared to Q1 2017. 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.

9%
increase



Auto and Leisure Financing

Total new car sales in the Nordic region was 577 099 units per second quarter of 2018, an increase of total 8.7% compared to same period in 2017. Including used car, total car sales ended at 2 031 963 which is an increase of 2.9% compared to 2017.

In this market the Group has financed 153 349 cars, representing a growth at 8.2%. Total outstanding on auto financing is 118 Bn. NOK, which is an increase of 18% compared to last year.

Sales of cars, especially new cars, is expected to level out in the coming months, but still at a historically high level.

The auto industry is facing substantial changes. Car sharing, electrification, digitalization, connected cars etc., are all trends that will heavily impact the industry. Flexible mobility solutions, bundled with car related service with a residual value guaranty is increasing in popularity, especially private leasing market. Buying cars online is another trend, where dealers and importers are testing different concepts. The Group is currently offering solutions for financing cars when the customer is buying online in the Norwegian market. There are plans to expand this to the other Nordic markets.

All markets are showing a clear trend with reduced demand for diesel and increased popularity for EV and hybrids. Going forward this will represents a challenge for the industry in terms of prices of used diesel and related service and maintenances income. The related residual value risk of used cars is a concern, and the Group is through strategic partnerships with third parties offering to handle the residual value risk for the dealers.

The Group is piloting, in cooperation with a dealer group, a subscription based mobility model SHFT, with an "all inclusive" deal, giving the customer the flexibility to swop cars based on his or hers needs. The concept will also enable the dealers to get revenue on their used cars stock.

The competitor situation in the Nordics has had some changes in the first half of 2018 as the Finnish LähiTapiola Rahoitus (Insurance company) started auto financing in the end of 2017. In Norway Nordea and Gjensidige Forsikring have announced that Gjensidige Bank will be sold to Nordea. Combined they will be the 3rd largest in the market for auto financing, following SCB and DNB.

Unsecured Financing

The second quarter closed with an unsecured portfolio of 32 712 MM NOK, a sustained growth compared to the same period last year. Among the Nordic countries, Denmark had the strongest growth of 10%. Consumer loan volume deriving from brokers remained stable in Q2, although we expect to see increased loan volume deriving from brokers in Denmark and Finland as brokers are increasing their presence and activity in these markets.

The Nordic consumer loan market continues to be highly competitive with both traditional players as well new competitors entering the market. We continue to adapt and align our business to the regulatory landscape we operate within, which is of key importance both to our business and customers. In the second quarter we complied fully with the new FSA guidelines in Norway regarding prudent consumer lending practices ("Retningslinjer for finansforetaks behandling av forbrukslån"), as well as progressed according to plan to comply and benefit from the PSD2 regulation.

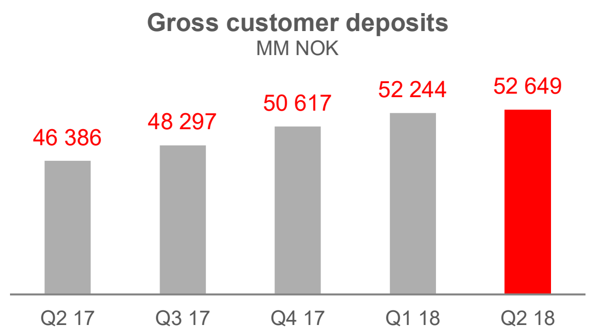
The card market remains competitive with the entrance of new players and contactless cards technologies as well as increased customer demands, such as smoother and faster card payments. In response, we were the first bank to launch Apple Pay in Norway, a significant milestone which increased by eight-fold the number of cards issued compared to a normal week. The Group will continue to embrace new technologies in order to meet our customers' demands on speed, convenience and payment security and as well as to approach new market segments.

Within the Sales Finance business area we launched our cooperation with Elgiganten in Denmark, which is a direct result of our successful cooperation with Elkjøp in Norway. Elgiganten will considerably increase our Sales Finance portfolio in Denmark and fortify our strong position in the Nordic market.

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 during the last years. The focus in the second quarter of 2018 has been on optimizing the existing portfolio and developing new products, while searching for opportunities and also fulfilling upcoming legal requirements. Total outstanding volumes is 52 649 MM NOK per June 2018, representing an increase of 6 263 MM NOK (14%) compared to June 2017.

14%
increase



Risk Management

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

Credit Risk

The Group's Credit Risk profile at Q2 2018 remains stable for the secured portfolio while a marginal change in risk profile observed for unsecured portfolio in line with its risk appetite statement compared to Q2 2017 despite continuing loan growth. The consolidated Non-Performing Loans (NPL) Ratio ended at 2.13% in Q2 2018 compared to 1.98% in Q2 2017 and this is largely concentrated to unsecured portfolios.

The loan loss reserves has increased significantly from 3 080 MM NOK per Q2 2017 to 3 600 MM NOK per Q2 2018. This increase is an effect of the new methodology in IFRS 9 which results in higher reserves coverage for the same credit risk levels, especially for the stage 2 segment that is reserved for lifetime expected credit losses and the reserves assigned to off-balance exposures.

Liquidity and Interest Rate Risk
Liquidity risk is managed by monitoring regulatory metrics: Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), in addition to internally developed liquidity stress test models and metrics in order to capture the bank's ability to survive in stressful conditions. The Group has a healthy liquidity position, managed at Nordic level to ensure efficient use of liquidity across the Group. As of June 2018, the Group's LCR was 132.28%. The NSFR as of June 2018 was 97.00%. Both metrics are comfortably exceeding the regulatory requirements.

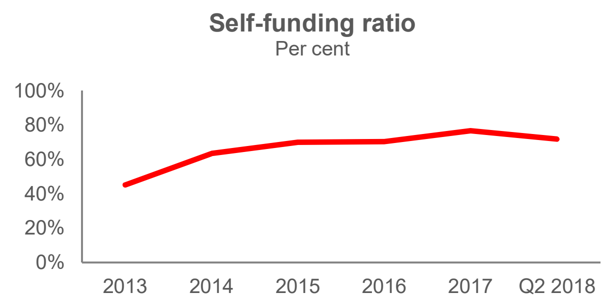
The Group manages interest rate risk by aiming to match the repricing of the liabilities with the repricing of the underlying assets (loans to customers). An appropriate balance sheet structure ensures that the impact of changes in interest rates on net interest income and equity value are contained. Interest rate risk in the Group is measured using the Net Interest Margin sensitivity and Market Value of Equity sensitivity to account for the impact of various shifts in the underlying market rates over NIM and MVE. Both metrics were within appropriate limits for all currencies at the end of Q2 2018.

Foreign Currency Risk
The Group operates in countries with various currencies and is exposed to currency risk from these operations. The Group's strategy is to have a composition of the balance sheet that minimizes currency risk by ensuring that the assets and liabilities are denominated in the same currency. When the Group raises funding through the international debt markets, FX derivatives are used to swap liquidity to the currency when funds are needed and to offset the position created. The total open currency exposure as of end of Q2 2018 was 931 MM NOK equivalent for SEK, DKK and EUR exposures.

Funding

72%
Self-funding ratio

Maintaining a diversified funding platform is a strategic priority for the Group, as it enables flexibility, optimization of cost of funds, and reduces reliance on support from the parent bank. Over the past five years, the Group has developed deposit products across three of its four markets, has 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 72% per Q2 2018, with parent funding providing the remaining 28%.



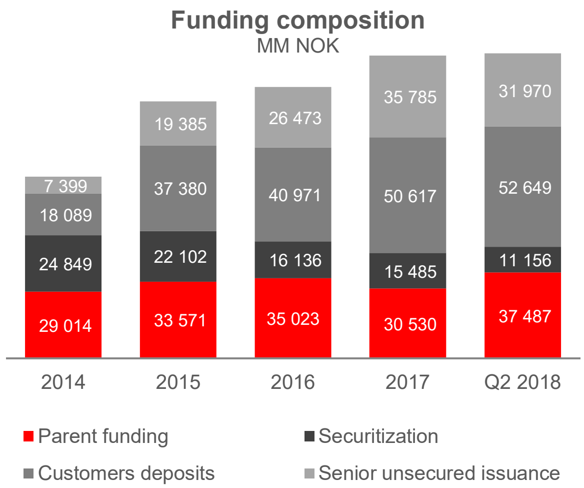
Customer deposits are the largest source of funding, comprising 39% of total funding per June 2018. The total outstanding volume sums to 52 649 MM NOK across the three Nordic markets where the Group is present. Deposit volumes have increased 14% from June 2017, with expectations of continued significant importance.

Senior unsecured issuance and certificates comprises 24% of our funding, compared to 27% Q2 2017. The share of senior unsecured funding has fallen due to the maturity of a 750 MM EUR bond issuance in Q2.

Senior unsecured issuance and certificates in the first half of 2018 includes 500 MM EUR in the Euro market, 1 500 MM SEK in the Swedish market, and 950 MM NOK in the Norwegian market. In addition, we are present in the certificates of deposits market in Norway, with 850 MM NOK currently outstanding.

Total outstanding bond and certificate issuance equals 31 970 MM NOK per June 2018, a decrease of 2 409 MM NOK (8%) from a year earlier. The average remaining term to maturity is approximately 2.07 years. This level has been increased from year-end due to the Group's issuance calendar typically concentrated in the first half of the year, combined with an increase in issuance with a five-year maturity.

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



The Group has not accessed the asset-backed securities market year-to-date 2018 in Scandinavia, but looks to utilize its securitization capabilities more frequently going forward, once Norwegian legislation is harmonized with the European capital markets framework. This will include the adoption of Regulation (EU) 2017/2402, which establishes a general framework for securitization and creates a specific framework for simple, transparent, and standardized securitizations.

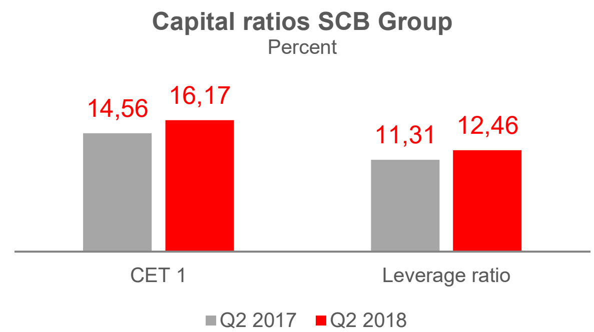
Securitizing the Finnish portfolio remains a stable source of funding, since SCF OY is not impacted by the change in Norwegian law. The pause in the Norwegian securitization program has caused total outstanding securitization volumes across the Group to trend downwards, currently equaling 11 156 MM NOK, or 8% of the Group's funding.

Loans and drawing rights from the parent bank and companies within Grupo Santander provide any remaining funding needs. These loans are priced at market rates, denominated in the local Nordic currencies, and are currently concentrated in the shorter-end maturities. The Group expects parent funding to decrease slightly over time, even as it continues as an important buffer in our overall funding strategy.

Solvency and Capital Adequacy

The Group is supervised by the Norwegian FSA and has to comply with the capital requirements for banks in Norway. The Group has to comply with the capital requirements both at group level (the Group) and at stand-alone level (SCB AS). The Group had per June 2018 a strong capital adequacy position well above regulatory requirements. The half year profit after tax has been included in capital ratio calculations, adjusted with the expected dividend share (35% assumed dividend share).

After implementation of IFRS 9 in January, the Group publishes capital ratios both using the transitional rules for IFRS 9 impact (allowing for a reversal of 95% of the capital impact in 2018) and capital ratios showing the full impact of IFRS 9 implementation. The capital ratios using the transitional rules (phase-in), are the official ratios that have to meet minimum capital adequacy requirements. The CET1-ratio per end of second quarter allowing for phase-in of IFRS 9 impact was 16.17% for the Group and 16.82% for SCB AS. The CET1-ratio per end of second quarter with the full IFRS 9 impact was 15.84% for the Group and 16.53% for SCB AS.



The required leverage ratio for the Group is 5%. Per June 2018 the Group had a leverage ratio allowing for phase-in of IFRS 9 impact of 12.47%, while SCB AS had a leverage ratio of 13.62%.

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

Regulatory Changes

There are several regulatory initiatives in the financial sector, and the Group 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) has applied 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 Group 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 Group 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 Group 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 Group will also focus upon further developing its innovation culture and practices.

As a key component of its Digital Transformation Programme, the Group 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 Group 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.

Future Prospects

The competition within auto finance is expected to remain high with new entrants as well as new products and services introduced. Flexible mobility solutions, bundled with car related services and with a residual value guaranty is increasing in popularity. Consumers have developed a stronger budget thinking and the market is shifting towards considering the purchasing of a vehicle through monthly instalments with value added services included in the rate. The penetration rate of finance is expected to increase and this as a combination provides opportunities for the Group, both in the indirect and direct distribution and helping partners grow and thrive. Especially in Finland, the All in One concept has proven to be successful in this regard, both Santander branded as well as white-labelled for key automotive partners at importer as well as at retailer level. In Norway, the Group is piloting a subscription based mobility model SHFT together with a dealer group with high flexibility for the customers, enabling them to swap cars during the subscription period.

The growth in e-commerce and general retail comes with opportunities in the financing of goods, both at point of sale and online. New entrants have emerged from outside the traditional finance company sector and further players are expected. Technology will play a more important role going forward. The general trend of consumers planning expenditures through monthly instalments ("the Spotify and Netflix model") will both drive consumption, payment transactions and finance penetration. The competitive pressures in direct unsecured lending remains, with several new bank start-ups focusing on high-margin lending with considerable risk appetite. Additionally, loan brokers are gaining more ground across the Nordics. The introduction of legislation, rules and legislations, as well as media attention will counterbalance and moderate some of the excesses introduced by the new entrants.

The current regulatory landscape is presenting new opportunities that the Group is leveraging on, further to develop the digital offer and capabilities.

Generally, the Group is well placed for the future challenges. In addition to securing the needed commercial execution with needed investments, the Group is working on the Pan-Nordic technology and infrastructure architecture to secure competitiveness also going forward.

Lysaker, 15th August 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	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Total interest income		2 019	1 932	4 055	3 827	7 850
Total interest expenses		-303	-317	-643	-619	-1 243
Net interest income	9	**1 716**	**1 615**	**3 412**	**3 208**	**6 607**
Fee and commission income		134	150	266	306	553
Fee and commission expenses		-38	-22	-64	-43	-111
Value change and gain/loss on foreign exchange and securities		10	3	40	-21	-32
Other operating income		57	28	106	92	194
Other operating expenses		-57	-32	-109	-94	-222
Gross margin		**1 823**	**1 743**	**3 651**	**3 448**	**6 989**
Salaries and personnel expenses		-366	-328	-681	-610	-1 125
Administrative expenses		-410	-355	-779	-732	-1 587
Depreciation and amortization		-71	-26	-99	-52	-106
Net operating income		**976**	**1 034**	**2 092**	**2 054**	**4 171**
Other income and costs		-36	-8	-36	-9	-63
Impairment losses on other assets		0	0	0	0	0
Impairment losses on loan, guarantees etc.	3, 4, 5	362	220	-9	112	-113
Profit before tax		**1 303**	**1 246**	**2 046**	**2 157**	**3 995**
Income tax expense		-323	-280	-510	-496	-941
Profit after tax		**980**	**966**	**1 537**	**1 661**	**3 055**
Allocation of profit after tax						
Transferred to other earned equity		938	891	1 453	1 576	2 885
Transferred to additional Tier 1 capital	15	42	43	84	85	170
Total allocations		**980**	**934**	**1 537**	**1 661**	**3 055**

Profit after tax	**980**	**966**	**1 537**	**1 661**	**3 055**
Items not to be recycled to profit and loss					
Actuarial gain/loss on post employment benefit obligations	-15	-48	-15	-48	-25
Items to be recycled to profit and loss					
Net exchange differences on translating foreign operations	-43	85	-79	111	213
Value change of assets available for sale	3	2	3	5	3
Net gains on investments in equity instruments designated at FVOCI	-	-	-	-	-
Cash flow hedge	-5	-4	-24	21	69
Net investment hedge	16	-40	32	-48	-74
Other comprehensive income for the period net of tax	**-43**	**-5**	**-83**	**41**	**186**
Total comprehensive income for the period	**937**	**961**	**1 454**	**1 702**	**3 241**

Balance Sheet - Santander Consumer Bank Group

All amounts in millions of NOK	Note	Q2 2018	Q2 2017	FY 2017
Assets				
Cash and receivables on central banks	10	65	60	65
Deposits with and receivables on financial institutions	10	2 594	3 553	3 226
Loans to customers	3, 4, 5, 10, 12	144 035	132 366	140 793
Commercial papers and bonds	10, 11	6 629	8 038	6 859
Financial derivatives	10, 11	78	336	237
Consignment		3 389	3 279	4 355
Repossessed assets		12	20	12
Other ownership interests	10, 11	26	20	23
Intangible assets		1 018	1 045	1 100
Deferred tax assets		250	245	228
Fixed assets		641	515	555
Other assets		1 258	1 681	1 645
Total assets		**159 994**	**151 160**	**159 100**
Liabilities				
Debt to credit institutions	10, 14	37 711	33 286	31 020
Deposits from customers		52 649	46 386	50 617
Debt established by issuing securities	10, 13	43 126	47 202	51 270
Financial derivatives	10, 11	39	260	175
Tax payable		476	142	399
Other financial liabilities		272	144	344
Deferred tax		476	801	604
Pension liabilities		97	276	88
Other liabilities		1 709	1 624	1 651
Subordinated loan capital	10, 14	1 686	1 328	1 753
Total liabilities		**138 241**	**131 448**	**137 921**
Equity				
Share capital		9 652	9 652	9 652
Share capital premium		891	891	891
Additional Tier 1 capital		2 250	2 250	2 250
Other equity		8 940	7 030	8 274
OCI items		19	(112)	111
Total equity		**21 753**	**19 712**	**21 179**
Total liabilities and equity		**159 994**	**151 160**	**159 100**

Cash Flow - Santander Consumer Bank Group

All amounts in millions of NOK	Note	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Cash flow from operations						
Profit before tax		1 303	1 246	2 046	2 157	3 995
Adjustments for:						
- Depreciation, amortization and impairment on fixed and intangible assets		97	52	149	101	206
- Net interest income	9	-1 716	-1 615	-3 412	-3 208	-6 607
- Value change and gain/loss on foreign exchange and securities		-10	-3	-40	21	32
- Dividends on financial assets at FVOCI		-	-	-	-	-
Changes in:						
- Loans to customers	12	-3 120	-6 903	-4 020	-10 668	-19 095
- Consignment and operational lease		655	-161	871	-49	-1 159
- Repossessed assets		33	-5	1	-14	-7
- Other assets		91	39	188	60	-896
- Deposits from customers		405	2 500	2 032	5 415	9 647
- Other liabilities and provisions		432	-250	-355	-1 295	-324
Interests received		2 144	1 932	4 053	3 827	7 850
Dividends received		-	-	-	-	-
Interests paid		-379	-318	-692	-619	-1 243
Net income taxes paid		-86	-378	-249	-561	-953
Net cash flow from operations		**-152**	**-3 864**	**571**	**-4 832**	**-8 554**
Cash flow from investments						
Purchase of bonds		-2 548	-1 310	-5 816	-1 447	-5 896
Proceeds from matured bonds		4 150	2 479	6 323	4 354	10 334
Purchase of fixed and intangible assets		96	-58	70	-69	-177
Proceeds from sale of fixed and intangible assets		-7	-	-3	-	25
Net cash flow from investments		**1 691**	**1 110**	**574**	**2 837**	**4 286**
Cash flow from financing						
Proceeds from issued securities		1 415	1 307	8 018	8 327	18 457
Repayments of issued securities		-11 703	-1 355	-16 159	-3 735	-9 795
Change in loans and deposits from credit institutions		4 057	3 433	6 691	-1 733	-3 999
Proceeds from issue of subordinated loans	14	-	-	-	-	500
Repayment of subordinated loans	14	-	-	-	-	-80
Dividend payments		-	-	-350	-1 200	-1 200
Interest payments on additional Tier 1 capital	15	-42	-42	-84	-85	-170
Net cash flow from financing		**-6 273**	**3 342**	**-1 883**	**1 574**	**3 712**
Exchange gains / (losses) on cash and cash equivalents		**36**	**61**	**106**	**77**	**-110**
Net change in cash and cash equivalents		-4 698	649	-632	-345	-666
Cash and cash equivalents at the beginning of the period		7 357	2 964	3 291	3 958	3 957
Cash and cash equivalents at the end of the period		**2 659**	**3 613**	**2 659**	**3 613**	**3 291**

Statement of changes in equity - Santander Consumer Bank Nordic Group

Q2 2018

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 31 March 2018	**9 652**	**891**	**2 250**	**7 992**	**141**	**23**	**2**	**-34**	**-70**	**20 848**
Profit for the period	-	-	42	938	-	-	-	-	-	980
OCI movements (net of tax)	-	-	-	-	-43	3	-5	16	-15	-44
Interest payments additional Tier 1 capital	-	-	-42	-	-	-	-	-	-	-42
Tax on interest payment additional Tier 1 capital	-	-	-	10	-	-	-	-	-	10
Share dividend	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2018	**9 652**	**891**	**2 250**	**8 940**	**98**	**26**	**-3**	**-18**	**-85**	**21 753**

YTD Q2 2018

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 2018	**9 652**	**891**	**2 250**	**8 274**	**178**	**32**	**21**	**-50**	**-70**	**21 179**
Changes in initial application of IFRS 9*	-	-	-	-601	0	-12	-	-	-	-614
Changes in initial application of IFRS 9 - tax*	-	-	-	144	-	3	-	-	-	147
Restated balance at 1 January 2018	**9 652**	**891**	**2 250**	**7 817**	**177**	**23**	**21**	**-50**	**-70**	**20 713**
Profit for the period	-	-	84	1453	-	-	-	-	-	1537
OCI movements (net of tax)	-	-	-	-	-79	3	-24	32	-15	-83
Interest payments additional Tier 1 capital	-	-	-84	-	-	-	-	-	-	-84
Tax on interest payment additional Tier 1 capital	-	-	-	21	-	-	-	-	-	21
Share dividend	-	-	-	-350	-	-	-	-	-	-350
Balance at 30 June 2018	**9 652**	**891**	**2 250**	**8 940**	**98**	**26**	**-3**	**-18**	**-85**	**21 753**

* See accounting principles for further details.

Total shares registered as at June 30, 2018, was 965 241 842.

Restricted capital as at June 30, 2018, was 9 652 MM NOK and unrestricted capital was 12 100 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.

Financial Year 2017

All amounts in millions of NOK	Share capital	Share capital premium	Additional Tier 1 capital	Other Equity	Translation differences from foreign currencies	Value change available for sale assets	Cash flow hedge	Net investment hedge	Actuarial gain/loss	Total
Balance at 1 January 2017	**9 652**	**891**	**2 250**	**6 626**	**-36**	**29**	**-48**	**24**	**-123**	**19 266**
Profit for the period	-	-	170	2 885	-	-	-	-	-	3 055
OCI movements (net of tax)	-	-	-	-	213	3	69	-74	-25	186
Interest payments additional Tier 1 capital	-	-	-170	-	-	-	-	-	-	-170
Tax on interest payment additional Tier 1 capital	-	-	-	42	-	-	-	-	-	42
Pension release	-	-	-	-79	-	-	-	-	79	-
Capital increase	-	-	-	-	-	-	-	-	-	-
Share dividend	-	-	-	-1 200	-	-	-	-	-	-1 200
Correction previous years	-	-	-	0	-	-	-	-	-	0
Balance at 31 December 2017	**9 652**	**891**	**2 250**	**8 274**	**178**	**32**	**21**	**-50**	**-70**	**21 179**

Total shares registered as at December 31, 2017, was 965 241 842.

Restricted capital as at December 31, 2017, was 9 652 MM NOK and 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	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Total interest income		1 736	1 670	3 478	3 306	6 781
Total interest expenses		-299	-296	-594	-566	-1 150
Net interest income	9	**1 437**	**1 375**	**2 884**	**2 739**	**5 630**
Fee and commission income		127	146	253	302	545
Fee and commission expenses		-33	-15	-53	-31	-86
Value change and gain/loss on foreign exchange and securities		10	9	2	38	-23
Other operating income		28	-16	47	0	312
Other operating expenses		-29	7	-58	-14	-120
Gross margin		**1 538**	**1 499**	**3 111**	**2 973**	**6 248**
Salaries and personnel expenses		-311	-290	-592	-539	-1 002
Administrative expenses		-343	-315	-666	-656	-1 418
Depreciation and amortization		-67	-24	-93	-47	-95
Net operating income		**817**	**871**	**1 760**	**1 732**	**3 733**
Other income and costs		-36	-8	-37	-9	-59
Impairment losses on other assets		0	0	0	0	0
Impairment losses on loan, guarantees etc.	3, 4, 5	345	201	49	103	-40
Profit before tax		**1 125**	**1 063**	**1 772**	**1 826**	**3 634**
Income tax expense		-287	-244	-455	-430	-820
Profit after tax		**838**	**820**	**1 317**	**1 396**	**2 814**
Allocation of profit after tax						
Transferred to other earned equity		796	777	1 234	1 311	2 644
Transferred to additional Tier 1 capital	15	42	43	84	85	170
Total allocations		**838**	**820**	**1 317**	**1 396**	**2 814**

Profit after tax		**838**	**820**	**1 317**	**1 396**	**2 814**
Items not to be recycled to profit and loss						
Actuarial gain/loss on post employment benefit obligations		-15	-48	-15	-48	-25
Items to be recycled to profit and loss						
Net exchange differences on translating foreign operations		1	9	4	10	11
Value change of assets available for sale		3	2	3	6	5
Net gains on investments in equity instruments designated at FVOCI		-	-	-	-	-
Cash flow hedge		-4	-3	-22	8	52
Other comprehensive income for the period net of tax		**-16**	**-41**	**-31**	**-25**	**43**
Total comprehensive income for the period		**822**	**779**	**1 287**	**1 371**	**2 857**

Balance Sheet - Santander Consumer Bank AS

All amounts in millions of NOK	Note	Q2 2018	Q2 2017	FY 2017
Assets				
Cash and receivables on central banks	10	65	60	65
Deposits with and receivables on financial institutions	10	1 338	1 572	1 351
Loans to customers	3, 4, 5, 10, 12	117 336	110 957	116 484
Commercial papers and bonds	10, 11	7 923	10 071	8 475
Financial derivatives	10, 11	74	331	232
Consignment		1 433	1 557	1 788
Repossessed assets		9	10	6
Loans to subsidiaries and SPV's	10, 14	8 592	8 945	9 050
Investments in subsidiaries		1 235	1 243	1 277
Other ownership interests	10, 11	26	20	23
Intangible assets		606	635	677
Deferred tax assets		56	84	27
Fixed assets		244	191	222
Other assets		1 263	1 475	1 449
Total assets		**140 199**	**137 153**	**141 126**
Liabilities				
Debt to credit institutions	10, 14	30 715	33 540	30 045
Deposits from customers		52 649	46 386	50 617
Debt established by issuing securities	10, 13	31 970	34 379	35 785
Financial derivatives	10, 11	37	256	172
Tax payable		476	142	395
Other financial liabilities		269	141	342
Deferred tax		482	780	620
Pension liabilities		97	276	88
Other liabilities		1 397	1 412	1 380
Subordinated loan capital	10, 14	1 686	1 328	1 753
Total liabilities		**119 779**	**118 639**	**121 198**
Equity				
Share capital		9 652	9 652	9 652
Share capital premium		891	891	891
Additional Tier 1 capital		2 250	2 250	2 250
Other equity		7 695	5 896	7 164
OCI items		(69)	(176)	(30)
Total equity		**20 420**	**18 514**	**19 928**
Total liabilities and equity		**140 199**	**137 153**	**141 126**

Santander Consumer Bank

Cash Flow - Santander Consumer Bank AS

All amounts in millions of NOK	Note	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Cash flow from operations						
Profit before tax		1 125	1 063	1 772	1 826	3 634
Adjustments for:						
- Depreciation, amortization and impairment on fixed and intangible assets		70	26	99	51	105
- Net interest income	9	-1 437	-1 375	-2 884	-2 739	-5 630
- Value change and gain/loss on foreign exchange and securities		-9	-3	-38	23	33
- Dividends on financial assets at FVOCI		0	0	0	0	-241
Changes in:						
- Loans to customers	12	-1 691	-4 735	-1 488	-7 224	-12 751
- Consignment and operational lease		342	-104	324	-204	-459
- Repossessed assets		34	-2	-3	-5	-1
- Other assets		281	28	386	-29	-1 060
- Deposits from customers		405	2 500	2 032	5 415	9 647
- Other liabilities and provisions		598	-118	-89	-1 050	205
Interests received		1 818	1 670	3 482	3 306	6 781
Dividends received		0	0	0	0	241
Interests paid		-379	-296	-655	-566	-1 150
Net income taxes paid		-52	-330	-179	-489	-832
Net cash flow from operations		**1 104**	**-1 674**	**2 758**	**-1 686**	**-1 479**
Cash flow from investments						
Purchase of bonds		-2 214	-1 232	-2 757	-1 232	-2 809
Proceeds from matured bonds		1 337	1 879	3 009	3 713	6 164
Purchase of fixed and intangible assets		-30	-47	-54	-56	-159
Proceeds from sale of fixed and intangible assets		0	0	1	0	17
Net cash flow from investments		**-907**	**600**	**199**	**2 425**	**3 213**
Cash flow from financing						
Proceeds from issued securities		1 415	1 307	8 018	8 327	11 795
Repayments of issued securities		-9 778	101	-11 628	-421	-2 483
Change in loans and deposits from credit institutions		3 592	429	670	-7 331	-10 218
Proceeds from issue of subordinated loans	14	0	0	0	0	500
Repayment of subordinated loans	14	0	0	0	0	-80
Dividend payments		350	0	0	-1 200	-1 200
Interest payments on additional Tier 1 capital	15	-42	-42	-84	-85	-170
Net cash flow from financing		**-4 464**	**1 795**	**-3 024**	**-710**	**-1 856**
Exchange gains / (losses) on cash and cash equivalents		**17**	**39**	**53**	**44**	**-21**
Net change in cash and cash equivalents		-4 250	760	-13	73	-144
Cash and cash equivalents at the beginning of the period		5 653	872	1 416	1 559	1 560
Cash and cash equivalents at the end of the period		**1 403**	**1 632**	**1 403**	**1 632**	**1 416**

Statement of changes in equity - Santander Consumer Bank AS

Q2 2018

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 31 March 2018	**9 652**	**891**	**2 250**	**6 889**	**-9**	**23**	**2**	**-70**	**19 629**
Profit for the period	-	-	42	796	-	-	-	-	838
OCI movements (net of tax)	-	-	-	0	1	3	-4	-15	-16
Interest payments additional Tier 1 capital	-	-	-42	0	-	-	-	-	-42
Tax on interest payment additional Tier 1 capital	-	-	-	10	-	-	-	-	10
Share dividend	-	-	-	0	-	-	-	-	0
Balance at 30 June 2018	**9 652**	**891**	**2 250**	**7 695**	**-8**	**26**	**-2**	**-85**	**20 420**

YTD Q2 2018

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 2018	**9 652**	**891**	**2 250**	**7 164**	**-12**	**31**	**20**	**-70**	**19 928**
Changes in initial application of IFRS 9*	-	-	-	-498	0	-11	-	-	-509
Changes in initial application of IFRS 9 - tax*	-	-	-	124	-	3	-	-	127
Restated balance at 1 January 2018	**9 652**	**891**	**2 250**	**6 791**	**-12**	**23**	**20**	**-70**	**19 546**
Profit for the period	-	-	84	1 234	-	-	-	-	1 317
OCI movements (net of tax)	-	-	-	0	4	3	-22	-15	-31
Interest payments additional Tier 1 capital	-	-	-84	0	-	-	-	-	-84
Tax on interest payment additional Tier 1 capital	-	-	-	21	-	-	-	-	21
Share dividend	-	-	-	-350	-	-	-	-	-350
Balance at 30 June 2018	**9 652**	**891**	**2 250**	**7 695**	**-8**	**26**	**-2**	**-85**	**20 420**

* See accounting principles for further details.

Total shares registered as at June 30, 2018, was 965 241 842.

Restricted capital as at June 30, 2018, was 9 652 MM NOK and unrestricted capital was 10 767 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.

Financial Year 2017

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

Total shares registered as at December 31, 2017, was 965 241 842.

Restricted capital as at December 31, 2017, was 9 652 MM NOK and unrestricted capital was 10 274 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, 15th August 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)

Notes

Santander Consumer Bank Nordic Group

Note 1 - Basis of preparation

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

The Santander Consumer Bank interim accounts for the second quarter of 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual report as at and for the year ended 31 December.

The annual report for 2017 may be obtained by contacting Santander Consumer Bank AS, Strandveien 18, Lysaker – or by visiting www.santander.no.

These interim financial statements were authorized by the Board of Directors on 15th August 2018.

Note 2 - Accounting principles

The Group's accounting policies are consistent with those of the previous financial year as described in the 2017 annual report and in the Q1 2018 report where accounting principles of Financial instruments was updated according to IFRS 9.

Management's estimates and assumptions

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

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

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, with the exception of changes in methodology that are required in determining the provision for income taxes. The estimates and assumptions that are deemed critical to the consolidated financial statements are listed in the Santander Consumer Bank 2017 annual report.

Note 3 - Credit risk exposure

All amounts in millions of NOK

Maximum exposure to credit risk - Financial intruments subject to impairment

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

	Q2 2018				
Loans to customers	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
Credit grade					
Loans not past due date	129 080	7 548	-	-	136 628
Standard monitoring	4 299	2 957	-	-	7 256
Special monitoring	5	525	-	-	530
Default	-	-	3 221	-	3 221
Gross carrying amount	**133 384**	**11 030**	**3 221**	-	**147 635**
Loss allowance	-1 216	-539	-1 844	-	-3 600
Carrying amount	**132 167**	**10 491**	**1 377**	-	**144 035**

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

Standard monitoring: Exposures in early arrears.

Special monitoring: Exposures under special monitoring.

Default: Defaulted loans.

	Q2 2018				
Commercial papers and bonds	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
Credit grade					
Investment grade	6 630	-	-	-	6 630
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	**6 630**	-	-	-	**6 630**
Loss allowance	-1	-	-	-	-1
Carrying amount	**6 629**	-	-	-	**6 629**

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

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

	Maximum exposure to credit risk
Financial derivatives	78

Note 4 - Risk classification

All amounts in millions of NOK

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		
	Q2 2018	Q2 2017	FY 2017	Q2 2018	Q2 2017	FY 2017
Current - not past due date	136 628	126 699	132 664	-1 275	-1 152	-908
Current - past due date	7 785	6 067	8 039	-481	-260	-306
Total impaired loans	3 221	2 680	2 912	-1 844	-1 668	-1 608
Total gross loans to customers	**147 635**	**135 446**	**143 615**	**-3 600**	**-3 080**	**-2 822**

	Balance			Loss reserves		
Ageing of past due but not impaired loans	Q2 2018	Q2 2017	FY 2017	Q2 2018	Q2 2017	FY 2017
1 - 29 days	5 845	4 847	6 485	-241	-111	-131
30 - 59 days	1 045	901	1 162	-147	-80	-95
60 - 89 days	372	318	392	-92	-70	-80
Total loans due but not impaired	**7 262**	**6 067**	**8 039**	**-481**	**-260**	**-306**

	Balance			Loss reserves		
Ageing of impaired loans	Q2 2018	Q2 2017	FY 2017	Q2 2018	Q2 2017	FY 2017
90 - 119 days	264	215	242	-130	-74	-82
120 - 149 days	199	172	185	-102	-74	-77
150 - 179 days	182	156	154	-98	-73	-75
180 + days	904	957	798	-583	-696	-551
Economic doubtful*	1 673	1 181	1 532	-931	-751	-823
Total impaired loans	**3 221**	**2 680**	**2 912**	**-1 844**	**-1 668**	**-1 608**

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

Note 5 - Loss allowance

All amounts in millions of NOK

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

Loans to customers	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
Loss allowance as at 1 January 2018	**1 171**	**542**	**1 709**	-	**3 421**
Changes due to financial instruments recognized as at 1 January 2018					
Transfer from Stage 1 to Stage 2	-53	243	-	-	190
Transfer from Stage 1 to Stage 3	-22	-	382	-	360
Transfer from Stage 2 to Stage 1	22	-112	-	-	-90
Transfer from Stage 2 to Stage 3	-	-81	248	-	167
Transfer from Stage 3 to Stage 2	-	11	-90	-	-79
Transfer from Stage 3 to Stage 1	0	-	-5	-	-5
New financial assets originated or purchased	293	70	85	-	448
Changes to assumptions and methodologies	-66	-13	23	-	-56
Financial assete that have been derecognized	-119	-51	-149	-	-319
Write-offs	-9	-69	-358	-	-436
Loss allowance as at 30 June 2018	**1 216**	**539**	**1 844**	-	**3 600**

Commercial papers and bonds	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
Loss allowance as at 1 January 2018	**2**	-	-	-	**2**
Changes due to financial instruments recognized as at 1 January 2018					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Changes to assumptions and methodologies	**-1**	-	-	-	-1
Financial asstes that have been derecognized	-	-	-	-	-
Write-offs	-	-	-	-	-
Loss allowance as at 30 June 2018	**1**	**-**	**-**	**-**	**1**

2017

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

All amounts in millions of NOK

Specific loan reserves	**Q2 2017**	**FY 2017**
Specific loan reserves 01.01.	1 555	1 555
+/- Fx rate adjustment opening balance	20	28
Reclassification between specific and generic loan reserves	38	39
+ Specific loan reserves for the period	52	-17
= Specific loan reserves period end	**1 666**	**1 605**
Generic loan reserves		
Generic loan reserves 01.01	1 371	1 371
+/- Fx rate adjustment opening balance	39	56
Release of reserves related to bad debt sale	-	-
Reclassification between specific and generic loan reserves	-38	-39
+/- Generic loan reserves for the year	42	-172
= Generic loan reserves period end	**1 414**	**1 216**
Total Loan Reserves in Balance Sheet	**3 080**	**2 822**

Loan losses expenses	**Q2 2017**	**YTD Q2 2017**	**FY 2017**
Change in loan reserves provision	-180	-94	189
+/- Fx rate adjustment opening balance	4	4	3
+ Total realized losses	-394	-756	-1 567
- Recoveries on previously realized losses	189	958	662
- Gain on sold portfolios	601	-	601
= Loan losses in the period	**220**	**112**	**-113**

Loan reserves calculated separately for each business unit, using internal parameters.

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

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

Note 6 - Liquidity coverage ratio

All amounts in millions of NOK

Liquidity Coverage Ratio (LCR) measures the capability to meet obligations in the next 30 days by means of liquidity assets. It is defined as LCR = 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) %	**Q2 2018**	**Q2 2017**	**FY 2017**
Liquidity Coverage Ratio (LCR) Total	132	127	148
Liquidity Coverage Ratio (LCR) NOK	109	145	125
Liquidity Coverage Ratio (LCR) SEK	133	118	128
Liquidity Coverage Ratio (LCR) DKK	145	-	283
Liquidity Coverage Ratio (LCR) EUR	270	99	198

Note 7 - Capital adequacy

All amounts in millions of NOK

	Q2 2018	Q2 2017	FY 2017
Balance sheet equity			
Paid in equity	9 652	9 652	9 652
Share premium	891	891	891
Other equity	8 940	7 000	8 274
Tier 1 Capital	2 250	2 250	2 250
Other reserves	18	-112	111
Total Equity	**21 753**	**19 682**	**21 179**
Common Equity Tier 1 Capital			
(-) Profit not eligible as capital	-538	-799	-350
Cash-flow hedge adjustment	-	0	-21
IRB Expected Loss - Reserves	-341	-364	-361
Goodwill	-675	-683	-700
Other intangible assets	-263	-282	-317
Deferred tax assets	-	-	-
Adjustment Prudent Valuation (AVA)	-7	-9	-7
Tier 1 Capital	-2 250	-2 250	-2 250
Total common Equity Tier 1 Capital (with full IFRS9 impact)	**17 679**	**15 295**	**17 172**
Capital adjustment according to IFRS9 Transitional rules	434	-	-
Total common Equity Tier 1 Capital (after IFRS9 transitional rules)	**18 113**	**15 295**	**17 172**
Tier 1 Capital			
Paid in Tier 1 capital instruments	2 250	2 250	2 250
Total Tier 1 Capital (with full IFRS9 impact)	**19 929**	**17 545**	**19 422**
Total Tier 1 Capital (after IFRS9 transitional rules)	**20 363**	**17 545**	**19 422**
Total Capital			
Paid up subordinated loans	1 682	1 291	1 711
Subordinated loans not eligible	-	-80	-
Total Capital (with full IFRS9 impact)	**21 611**	**18 756**	**21 133**
Total Capital (after IFRS9 transitional rules)	**22 046**	**18 756**	**21 133**
Risk exposure on Standard Approach			
Regional governments or local authorities	78	-	78
Institutions	738	1 304	978
Corporates	4 962	6 484	5 528
Retail Standard Approach	52 230	49 353	51 402
Exposures in default SA	933	834	1 051
Covered bonds	439	653	420
Other Exposures	6 595	6 076	7 414
Total Risk exposure amount on Standard Approach	**65 976**	**64 703**	**66 871**
Risk exposure on Internal Rating Based Approach			
Retail Other	32 659	29 242	31 032
Total Risk exposure amount on Internal Rating Based Approach	**32 659**	**29 242**	**31 032**
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**98 635**	**93 945**	**97 903**

Foreign exchange (zero if under threshold)	931	1 027	852
Risk exposure amount for position, foreign exchange and commodities risks	**931**	**1 027**	**852**
Basic indicator approach	11 896	9 835	11 896
Risk exposure amount for operational risk	**11 896**	**9 835**	**11 896**
Standardized method	154	236	165
Risk exposure amount for credit valuation adjustment	**154**	**236**	**165**
Total risk exposure amount (with full IFRS9 impact)	**111 616**	**105 043**	**110 815**
Risk Exposure adjustment according to IFRS9 Transitional rules	380	-	-
Total risk exposure amount (after IFRS9 transitional rules)	**111 996**	**105 043**	**110 815**
Total exposure for Leverage Ratio			
Derivatives: Add-on under market-to-market method	**747**	**1 218**	**734**
Off-balance sheet items with 10% CCF	**2 363**	**1 529**	**2 041**
Off-balance sheet items with 20% CCF	**956**	**1 702**	**269**
Off-balance sheet items with 50% CCF	**34**	**47**	**41**
Adjusted On balance sheet exposure	**158 708**	**150 594**	**159 100**
Total exposure for Leverage Ratio (with full IFRS9 impact)	**162 808**	**155 090**	**162 184**
Exposure adjustment according to IFRS9 Transitional rules	571	-	-
Total exposure for Leverage Ratio (after IFRS9 transitional rules)	**163 379**	**155 090**	**162 184**
Minimum Regulatory Capital			
Minimum Core Equity	4,50%	4,50%	4,50%
Pillar 2 Requirement	2,30%	2,20%	2,20%
Countercyclical Buffer (combined)	1,14%	1,00%	1,14%
Conservation Buffer	2,50%	2,50%	2,50%
Systemic Risk Buffer	3,00%	3,00%	3,00%
Minimum Regulatory Capital ratio (CET1)	**13,44%**	**13,20%**	**13,34%**
Minimum Regulatory Capital			
Minimum Core Equity	5 023	4 727	4 987
Pillar 2 Requirement	2 567	2 311	2 438
Countercyclical Buffer (combined)	1 272	1 050	1 263
Conservation Buffer	2 790	2 626	2 770
Systemic Risk Buffer	3 348	3 151	3 324
Minimum Regulatory Capital amount (full IFRS9 impact)	**15 001**	**13 866**	**14 783**
Surplus of Core Equity Tier 1 capital (full IFRS9 impact)	2 678	1 430	2 389
Minimum Regulatory Capital amount (after IFRS9 transitional rules)	**15 052**	**13 866**	**14 783**
Surplus of Core Equity Tier 1 capital (after IFRS9 transitional rules)	3 061	1 430	2 389
Common equity tier 1 capital ratio (full IFRS9 impact)	**15,84%**	**14,56%**	**15,50%**
Common equity tier 1 capital ratio (after IFRS9 transitional rules)	**16,17%**	**14,56%**	**15,50%**
CET1 regulatory requirements	13,44%	13,20%	13,34%
Tier 1 capital ratio (full IFRS9 impact)	**17,85%**	**16,70%**	**17,53%**
Tier 1 capital ratio (after IFRS9 transitional rules)	**18,18%**	**16,70%**	**17,53%**
Tire 1 regulatory requirements	14,94%	14,70%	14,71%

Total capital ratio (full IFRS9 impact)	**19,36%**	**17,86%**	**19,07%**
Total capital ratio (after IFRS9 transitional rules)	**19,68%**	**17,86%**	**19,07%**
Total capital regulatory requirements	16,94%	16,70%	16,71%
Leverage ratio (full IFRS9 impact)	**12,24%**	**11,31%**	**12,05%**
Leverage ratio (after IFRS9 transitional rules)	**12,46%**	**11,31%**	**12,05%**
LR regulatory requirements	5,00%	5,00%	5,00%

Specification of IFRS Transition rules (based on initial impact)	
IFRS 9 Increase in Loss Reserves	-601
- whereof Internal Rating Based	0
Tax impact from increased loss reserves	144
Deferred tax assets impact on capital	-
Initial IFRS9 net impact on capital	-457
Base amount for IFRS9 transitional rule on capital	457
Transition %	95%
Capital adjustment due to Transitional rule	**434**

Std Approach value adjustments Spec Reserves	-601
- whereof Retail (75%RW)	-600
- whereof Covered Bonds (10%RW)	-2
Deferred tax assets impact on Risk Exposure Amount (250%RW) *	20
Initial IFRS9 net impact on Risk Exposure Amount	-400
Base amount for IFRS9 transitional rule on Risk Exposure Amount	400
Transition %	95%
Risk Exposure adjustment due to Transitional rule	**380**

Impact from Transitional rules on capital ratios (same impact for Tier 1 and 2)	0,33%

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

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

Financial information in accordance with the capital requirement regulation is published at www.santander.no. The Pillar 3 Disclosure report is be published at www.santander.no.

Note 8 - Segment information

All amounts in millions of NOK

Financial management in Santander is oriented towards the various geographical markets. Monitoring of the overall profitability of the geographic areas are important dimensions of the strategic priorities and allocation of resources in the Group. Reported figures for the various segments reflect the 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 the Group management. The 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 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 Group's governance model. All the 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 Group treasury at market conditions. Surplus liquidity is transferred to the Group treasury at market conditions.
Internal agreements at market conditions or simulated market conditions are made when segments cooperate on the delivery of financial services to customers.
Services provided by the Group's central functions and staff are charged segments based on an allocation agreement.

Product segmentation per country (gross lending before expected losses)

	Q2 2018					
	Unsecured loans*	**Secured loans**	**Financial lease**	**Operational lease**	**Consignment**	**Total**
Norway	11 250	36 636	10 480	-	-	**58 367**
Sweden	13 159	14 396	4 744	-	1 180	**33 478**
Denmark	5 680	21 515	2 535	192	253	**30 176**
Finland	2 622	22 291	2 326	382	1 956	**29 576**
Total	**32 712**	**94 838**	**20 085**	**574**	**3 389**	**151 597**

* The reduction in unsecured loans in Sweden from Q2 2017 to Q2 2018 is due to FX. In local currency unsecured loans in Sweden was 14 462 MM SEK per Q2 2018 compared to 13 864 MM SEK per Q2 2017.

	Q2 2017					
	Unsecured loans	**Secured loans**	**Financial lease**	**Operational lease**	**Consignment**	**Total**
Norway	10 911	34 058	9 290	-	-	**54 258**
Sweden*	13 765	13 272	4 729	-	1 254	**33 020**
Denmark	5 398	19 866	2 360	137	304	**28 065**
Finland	2 570	17 647	1 581	307	1 722	**23 827**
Total	**32 644**	**84 843**	**17 959**	**444**	**3 279**	**139 169**

P&L and Balance sheet per country

	Q2 2018					
	Norway	**Sweden**	**Denmark**	**Finland**	**Eliminations**	**Total Group**
Total interest income	943	385	433	279	-20	2 019
Total interest expenses	-221	-36	-51	-26	33	-303
Net interest income	**722**	**349**	**382**	**252**	**13**	**1 716**
Fee and commission income	39	34	45	16	-	135
Fee and commission expenses	-26	-2	-6	-5	-	-38
Value change and gain/loss on foreign exchange and securities	10	1	-1	0	-	10
Other operating income	9	2	17	30	-	57
Other operating expenses	-9	-6	-14	-28	-	-57
Gross margin	**744**	**378**	**421**	**266**	**13**	**1 823**
Salaries and personnel expenses	-146	-88	-77	-46	-8	-366
Administrative expenses	-162	-107	-75	-63	-4	-410
Depreciation and amortization	-51	-4	-12	-4	-	-71
Net operating income	**386**	**179**	**257**	**154**	**0**	**976**
Other income and costs	-1	-34	-1	1	-	-35
Impairment losses on other assets	-	-	-	-	-	-
Impairment losses on loan, guarantees etc.	297	63	-21	24	-	363
Profit before taxes	**683**	**208**	**235**	**178**	**0**	**1 303**
Income tax expense	-195	-48	-44	-36	-	-323
Profit after tax	**488**	**160**	**191**	**142**	**0**	**980**

	YTD Q2 2018					
	Norway	**Sweden**	**Denmark**	**Finland**	**Eliminations**	**Total Group**
Total interest income	1 886	787	854	555	-27	4 055
Total interest expenses	-437	-72	-101	-59	27	-643
Net interest income	**1 449**	**715**	**753**	**496**	**-**	**3 412**
Fee and commission income	77	73	86	30	-	266
Fee and commission expenses	-40	-4	-11	-10	-	-64
Value change and gain/loss on foreign exchange and securities	29	-1	10	2	-	40
Other operating income	13	4	30	59	-	106
Other operating expenses	-20	-12	-26	-51	-	-109
Gross margin	**1 508**	**775**	**842**	**526**	**-**	**3 651**
Salaries and personnel expenses	-262	-180	-150	-89	-	-681
Administrative expenses	-326	-201	-139	-113	-	-779
Depreciation and amortization	-66	-8	-19	-6	-	-99
Net operating income	**854**	**386**	**534**	**318**	**-**	**2 092**
Other income and costs	-2	-34	-1	1	-	-36
Impairment losses on other assets	-	-	-	-	-	-
Impairment losses on loan, guarantees etc.	122	0	-87	-44	-	-9
Profit before taxes	**974**	**352**	**446**	**275**	**-**	**2 046**
Income tax expense	-282	-81	-91	-55	-	-510
Profit after tax	**692**	**271**	**355**	**220**	**-**	**1 537**

Cash and receivables on central banks	65	-	-	-	-	65
Deposits with and receivables on financial institutions	913	941	100	638	-	2 594
Total gross loans to customers	58 367	32 299	29 731	27 238	-	147 635
Write-downs	-1 882	-669	-511	-539	-	-3 600
Commercial papers and bonds	2 722	1 699	1 456	752	-	6 629
Financial derivatives	74	-	-	4	-	78
Investments in subsidiaries	-	-	-	-	-	-
Other assets	19 815	1 525	1 720	2 582	-19 048	6 593
Total assets	**80 074**	**35 795**	**32 496**	**30 675**	**-19 048**	**159 994**

Debt to credit institutions	5 997	11 597	16 152	22 123	-18 158	37 711
Deposits from customers	22 855	14 407	15 387	-	-	52 649
Debt established by issuing securities	28 494	8 562	27	6 043	-	43 126
Financial derivatives	37	-	-	2	-	39
Other liabilities	2 167	1 278	905	337	29	4 716
Equity	20 442	-48	24	2 171	-836	21 753
Total liabilities and equity	**79 992**	**35 796**	**32 495**	**30 676**	**-18 965**	**159 994**

	Q2 2017					
	Norway	**Sweden**	**Denmark**	**Finland**	**Eliminations**	**Total Group**
Total interest income	930	391	381	247	-16	1 932
Total interest expenses	-231	-42	-40	-26	22	-317
Net interest income	**698**	**348**	**341**	**221**	**6**	**1 615**
Fee and commission income	54	38	42	14	3	150
Fee and commission expenses	-8	-2	-5	-6	-	-22
Value change and gain/loss on foreign exchange and securities	0	1	2	0	0	3
Other operating income	-	-	-	25	-	9
Other operating expenses	0	-2	8	-18	-	-12
Gross margin	**738**	**380**	**381**	**234**	**9**	**1 743**
Salaries and personnel expenses	-153	-73	-64	-32	-6	-328
Administration expenses	-147	-107	-61	-38	-2	-355
Depreciation and amortization	-11	-4	-8	-2	0	-26
Net operating income	**427**	**196**	**248**	**162**	**0**	**1 034**
Other income and costs	-8	-	-1	-	-	-8
Impairment losses on other assets	-	-	-	-	-	-
Impairment losses on loan, guarantees etc.	148	50	1	20	-	220
Profit before taxes	**567**	**247**	**249**	**182**	**0**	**1 246**
Income tax expense	-129	-55	-60	-36	-	-280
Profit after tax	**439**	**192**	**188**	**146**	**0**	**966**

	YTD Q2 2017					
	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Total interest income	1 858	776	746	475	-27	3 827
Total interest expenses	-441	-81	-81	-55	39	-619
Net interest income	**1 417**	**694**	**665**	**420**	**11**	**3 208**
Fee and commission income	128	75	73	27	3	306
Fee and commission expenses	-19	-4	-9	-10	-	-43
Value change and gain/loss on foreign exchange and securities	-22	3	-3	0	1	-21
Other operating income	-	-	-	55	-	56
Other operating expenses	-8	-8	1	-43	-	-58
Gross margin	**1 496**	**760**	**728**	**449**	**15**	**3 448**
Salaries and personnel expenses	-251	-163	-125	-62	-9	-610
Administration expenses	-332	-209	-116	-71	-4	-732
Depreciation and amortization	-22	-10	-15	-5	-1	-52
Net operating income	**891**	**379**	**472**	**312**	**1**	**2 054**
Other income and costs	-8	-	-1	-	-	-9
Impairment losses on other assets	-	-	-	-	-	-
Impairment losses on loan, guarantees etc.	102	22	-31	18	-	112
Profit before taxes	**985**	**401**	**440**	**331**	**1**	**2 157**
Income tax expense	-236	-93	-102	-66	-	-496
Profit after tax	**749**	**308**	**339**	**265**	**1**	**1 661**

Cash and receivables on central banks	60	-	-	-	-	60
Deposits with and receivables on financial institutions	2 445	525	2	581	-	3 553
Total gross loans to customers	54 258	31 767	27 624	21 798	-	135 446
Write-downs	-1 723	-572	-396	-389	-	-3 080
Commercial papers and bonds	3 338	2 459	990	1 251	-	8 038
Financial derivatives	331	-	-	6	-	336
Investments in subsidiaries	1 263	-	-	-	-1 243	20
Other assets	21 503	1578	1538	2 271	-20105	6 786
Total assets	**81 476**	**35 756**	**29 758**	**25 518**	**-21 348**	**151 160**
Debt to credit institutions	8 749	10 666	16 315	18 252	-20 696	33 286
Deposits from customers	20 120	13 782	12 484	0	-	46 386
Debt established by issuing securities	32 501	9 743	-11	4 969	-	47 202
Financial derivatives	256	-	-	4	-	260
Other liabilities	1 576	1 464	838	220	217	4 315
Equity	18 274	101	133	2 072	-868	19 712
Total liabilities and equity	**81 476**	**35 756**	**29 758**	**25 518**	**-21 347**	**151 160**

Note 9 - Net interest income

All amounts in millions of NOK

	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Interest and similar income on loans to and receivables from credit institutions	18	18	48	39	80
Interest and similar income on loans to and receivables from customers	1 981	1 888	3 965	3 723	7 670
Interest and similar income on comm. paper, bonds and other securities	19	26	41	65	100
Total interest income	**2 019**	**1 932**	**4 055**	**3 827**	**7 850**
Interest and similar expenses on debt to credit institutions	-48	-49	-103	-110	-205
Interest and similar expenses on deposits from and debt to customers	-169	-146	-334	-281	-603
Interest and similar expenses on issued securities	-85	-113	-172	-213	-391
Interest on subordinated loan capital*	-11	-8	-22	-17	-37
Other interest expenses and similar expenses	11	0	-11	1	-7
Total interest expense	**-303**	**-317**	**-643**	**-619**	**-1 243**
Net interest income	**1 716**	**1 615**	**3 412**	**3 208**	**6 607**

* Additional Tier 1 capital of 2 250 MM NOK has been reclassified from Subordinated loan capital to equity in 2017. Interest expenses for Q2 2017 of 42 MM NOK and YTD Q2 2017 of 85 MM NOK are consequently presented in equity. Please see Accounting principles in 2017 annual report for further details.

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

To credit institutions	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Interest expenses	-48	-49	-103	-110	-205
Average loan	35 498	35 654	35 498	35 654	33 019
Average nominal interest rate	**0,54 %**	**0,55 %**	**0,58 %**	**0,61 %**	**0,62 %**

To customers	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Interest expenses	-169	-146	-334	-281	-603
Average deposit	49 517	43 061	49 517	43 061	45 794
Average nominal interest rate	**1,37 %**	**1,36 %**	**1,35 %**	**1,30 %**	**1,32 %**

To bondholders	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Interest expenses	-85	-113	-172	-213	-391
Average issued notes and bonds	45 164	43 061	45 164	43 061	46 940
Average nominal interest rate	**0,76 %**	**1,05 %**	**0,76 %**	**0,99 %**	**0,83 %**

Subordinated loan capital*	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Interest expenses	-11	-8	-22	-17	-37
Average subordinated loan capital	1 507	1 430	1 507	1 430	1 525
Average nominal interest rate	**2,99 %**	**2,36 %**	**2,96 %**	**2,35 %**	**2,44 %**

Total of tables above:	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Interest expenses	-314	-317	-632	-620	-1 236
Loan	131 686	123 206	131 686	123 206	127 278
Average nominal interest rate	**0,95 %**	**1,03 %**	**0,96 %**	**1,01 %**	**0,97 %**

Note 10 - Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 30 June 2018	Financial assets at fair value through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Cash and receivables on central banks	-	-	65	65
Deposits with and receivables on financial institutions	-	-	2 594	2 594
Loans to customers	-	-	144 035	144 035
Commercial papers and bonds	-	-	6 629	6 629
Financial derivatives	78	-	-	78
Other ownership interests	-	26	-	26
Total financial assets	**78**	**26**	**153 323**	**153 426**
			Non financial assets	6 567
			Total assets	**159 994**

Classification of financial liabilities 30 June 2018	Financial assets at fair value through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	37 711	37 711
Deposits from customers	-	-	52 649	52 649
Debt established by issuing securities	-	-	43 126	43 126
Financial derivatives	39	-	-	39
Other financial liabilities	-	-	272	272
Subordinated loan capital	-	-	1 686	1 686
Total financial liabilities	**39**	**-**	**135 444**	**135 483**
			Non financial liabilities and equity	24 511
			Total liabilities and equity	**159 994**

2017

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

Classification of financial assets 31 December 2017	Financial assets at fair value through P&L	Available for sale financial assets at fair value	Held to maturity investments	Loans and receivables	Book value
Cash and receivables on central banks	-	-	-	65	65
Deposits with and receivables on financial institutions	-	-	-	3 226	3 226
Loans to customers	-	-	-	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 assets	23 921
		Total liabilities and equity	**159 100**

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

Note 11 - Valuation Hierarchy

All amounts in millions of NOK

Financial instruments measured at fair value			Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Financial assets						
Name	***Type***	**Notional**				
Bilkreditt 6 Fixed	Cross Currency Swap	MM EUR 34	-	47	-	47
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 117	-	27	-	27
KIMI4 Pass Through	Interest Rate Swap	MM EUR 13	-	0	-	0
KIMI5 Fixed	Interest Rate Swap	MM EUR 174	-	0	-	0
KIMI6 Pass Through	Interest Rate Swap	MM EUR 448	-	3	-	3
KIMI5 Pass Through	Interest Rate Swap	MM EUR 174	-	0	-	0
Total financial trading derivatives			**-**	**78**	**-**	**78**
Name	***Type***					
VISA	Equity		-	26	-	26
Total other ownership interests			**-**	**26**	**-**	**26**
Total Assets			**-**	**104**	**-**	**104**
Financial liabilities						
Name	***Type***	**Notional**				
KIMI5	Interest Rate Swap	MM EUR 218	-	1	-	1
Bilkreditt 6 Pass Through	Cross Currency Swap	MM EUR 31	-	13	-	13
Bilkreditt 7 Pass Through	Cross Currency Swap	MM EUR 127	-	24	-	24
KIMI4	Interest Rate Swap	MM EUR 30	-	0	-	0
KIMI4 Fixed	Interest Rate Swap	MM EUR 39	-	0	-	0
KIMI6 Fixed	Interest Rate Swap	MM EUR 218	-	1	-	1
Total financial derivatives			**-**	**39**	**-**	**39**
Total Liabilities			**-**	**39**	**-**	**39**
Derivatives designated for hedge accounting - assets						
Name	***Type***	**Notional**				
Bilkreditt 6	Cross Currency Swap	MM EUR 10	-	13	-	13
Bilkreditt 7	Cross Currency Swap	MM EUR 102	-	24	-	24
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	11	-	11
DK EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	2	-	2
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	78	-	78
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	2	-	2
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	41	-	41
Total derivatives designated for hedging - assets*			**-**	**170**	**-**	**170**

Derivatives designated for hedge accounting - liabilities

Name	*Type*	Notional				
KIMI6	Interest Rate Swap	MM EUR 448	-	5	-	5
Total derivatives designated for hedging - liabilities*			**-**	**5**	**-**	**5**

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

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

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

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

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

Q2 2017

All amounts in millions of NOK

Financial instruments measured at fair value			**Quoted market price Level 1**	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
Financial assets						
Name	***Type***	**Notional**				
Bilkreditt 4 Fixed	Cross Currency Swap	MM EUR 14	-	22	-	22
Bilkreditt 5 Fixed	Cross Currency Swap	MM EUR 37	-	47	-	47
Bilkreditt 6 Fixed	Cross Currency Swap	MM EUR 138	-	197	-	197
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 229	-	64	-	64
KIMI5 Fixed	Interest Rate Swap	MM EUR 363	-	4	-	4
KIMI4 Pass Through	Interest Rate Swap	MM EUR 96	-	1	-	1
Total financial trading derivatives			**-**	**336**	**-**	**336**
Name	***Type***					
Government bonds and Treasury Bills	Bonds		1 060	-		1 060
Covered Bonds	Bonds		6 978	-		6 978
Total commercial papers and bonds *			**8 038**	**-**		**8 038**
Name	***Type***					
VISA	Equity		-	20	-	20
Total other ownership interests			**-**	**20**	**-**	**20**
Total Assets			**8 038**	**356**		**8 394**

Financial liabilities

Name	*Type*	*Notional*				
Bilkreditt 4 Pass Through	Cross Currency Swap	MM EUR 3	-	5	-	5
Bilkreditt 5 Pass Through	Cross Currency Swap	MM EUR 24	-	30	-	30
Bilkreditt 6 Pass Through	Cross Currency Swap	MM EUR 112	-	160	-	160
Bilkreditt 7 Pass Through	Cross Currency Swap	MM EUR 220	-	62	-	62
KIMI4 Fixed	Interest Rate Swap	MM EUR 99	-	2	-	2
KIMI5 Pass Through	Interest Rate Swap	MM EUR 376	-	2	-	2
Total financial derivatives			**-**	**260**	**-**	**260**
Total Liabilities			**-**	**260**	**-**	**260**

Derivatives designated for hedge accounting - assets

Name	*Type*	*Notional*				
Bilkreditt 4	Cross Currency Swap	MM EUR 350	-	5	-	5
Bilkreditt 5	Cross Currency Swap	MM EUR 24	-	30	-	30
Bilkreditt 6	Cross Currency Swap	MM EUR 112	-	160	-	160
Bilkreditt 7	Cross Currency Swap	MM EUR 220	-	62	-	62
EMTN SEK	Interest Rate Swap	MM SEK 500	-	2	-	2
KIMI5	Interest Rate Swap	MM EUR 376	-	0	-	0
Total derivatives designated for hedging - assets*			**-**	**259**	**-**	**259**

Derivatives designated for hedge accounting - liabilities

Name	*Type*	*Notional*				
EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	6	-	6
EMTN MEUR 350	Cross Currency Swap	MM EUR 350	-	8	-	8
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	14	-	14
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	1	-	1
EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	3	-	3
EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	5	-	5
KIMI4	Interest Rate Swap	MM EUR 96	-	1	-	1
Total derivatives designated for hedging - liabilities*			**-**	**39**	**-**	**39**

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

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

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

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

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

Note 12 - Loans to customers

All amounts in millions of NOK	**Q2 2018**
Credit Card	6 606
Unsecured loans	26 106
Auto loans	114 923
- Installment loans	*94 838*
- Financial leasing	*20 085*
Total gross loans to customers	**147 635**
- Loan loss allowance - Stage 1	-1 216
- Loan loss allowance - Stage 2	-539
- Loan loss allowance - Stage 3	-1 844
Total net loans to customers	**144 035**

2017

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

All amounts in millions of NOK	**YTD Q2 2017**	**FY 2017**
Credit Card	6 224	6 606
Unsecured loans	26 418	27 323
Auto loans	102 803	109 686
- Installment loans	*84 844*	*90 802*
- Financial leasing	*17 959*	*18 884*
Total gross loans to customers	**135 446**	**143 615**
- Specific loan reserves	-1 666	-1 605
- Generic loan reserves	-1 414	-1 216
Total net loans to customers	**132 366**	**140 793**

Note 13 - Issued securities

All amounts in millions of NOK

	Q2 2018	Q2 2017	FY 2017
Issued certificates	852	-	901
Senior unsecured issued securities	31 119	34 379	34 884
Asset backed issued securities	11 156	12 822	15 485
Total issued securities	**43 126**	**47 202**	**51 270**

Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in January to a value of NOK 300 MM.
Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exchange in January to a value of NOK 200 MM.
Santander Consumer Bank AS issued bonds on the Irish stock exchange in January to a value of SEK 500 MM (NOK 488 MM)
Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in February to a value of NOK 350 MM.
Santander Consumer Bank AS issued bonds on the Irish stock exchange in March to a value of SEK 500 MM (NOK 473 MM)
Santander Consumer Bank AS issued bonds on the Irish stock exchange in March to a value of EUR 500 MM (NOK 4 830 MM)
Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exchange in April to a value of NOK 250 MM.
Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exchange in May to a value of NOK 200 MM.
Santander Consumer Bank AS issued bonds on the Irish stock exchange in May to a value of SEK 500 MM (NOK 464 MM)
Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in May to a value of NOK 300 MM.
Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exchange in June to a value of NOK 200 MM.

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

Note 14 - Receivables and liabilities to related parties

Amounts in millions of NOK

Debt to related parties:	**Q2 2018**	**Accrued interest Q2 2018**	**Q2 2017**	**Accrued interest Q2 2017**	**FY 2017**	**Accrued interest FY 2017**
Santander Benelux	255	0	566	2	582	2
Santander Consumer Finance S.A.	37 224	7	32 236	13	29 939	8
Total	**37 479**	**8**	**32 802**	**16**	**30 520**	**10**
Balance sheet line: "Subordinated loan capital" - Bonds						
MNOK 80, maturity October 2017, 3 months NIBOR +1.75% (Santander Consumer Finance S.A)	-	-	80	0	-	-
MNOK 250, maturity March 2025, 3 months NIBOR + 2.2575% (Santander Consumer Finance S.A)	250	0	250	0	250	-
MNOK 250, maturity July 2025, 3 months NIBOR+3.135% (Santander Consumer Finance S.A)	250	2	250	2	250	2
MSEK 750, maturity December 2024, 3 months STIBOR+2.2825% (Santander Consumer Finance S.A)	682	0	745	0	750	-
MNOK 500, maturity September 2027, 3 months NIBOR + 1,66% (Santander Consumer Finance S.A)	500	1	-	-	500	1
Total	**1 682**	**4**	**1 325**	**3**	**1 750**	**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 in 2017 annual report 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 15 - Transaction with related parties

All amounts in millions of NOK

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

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

The following transactions were carried out with related parties:

	Q2 2018	**Q2 2017**	**YTD Q2 2018**	**YTD Q2 2017**	**FY 2017**
Interest income	3	9	12	21	39
Interest expenses	-35	-53	-72	-115	-205
Interest payments additional Tier 1 capital	-42	-42	-84	-85	-170
Fees	2	18	5	41	57
Other	0	1	0	-1	-4
Net transactions	**-72**	**-70**	**-138**	**-138**	**-284**

Santander Consumer Bank Group had transactions with the following related parties per 30 June 2018:

Banco Santander S.A
Santander Benelux B.V.
Santander Consumer Finance S.A.
Santander Insurance Europe Ltd.
Abbey National Treasury Services plc
Isban Madrid
Produban

Notes

Santander Consumer Bank AS

Note 1 - Basis of preparation

The accounts show the activities of the company in Norway, Sweden and Denmark (Santander Consumer Bank AS.
All figures and notes were prepared under the assumption that the business is a going concern.

The Santander Consumer Bank AS interim accounts for the first quarter of 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual report as at and for the year ended 31 December 2017.

The annual report for 2017 may be obtained by contacting Santander Consumer Bank AS, Strandveien 18, Lysaker – or by visiting www.santander.no.

These interim financial statements were authorized by the Board of Directors on 15th August 2018.

Note 2 - Accounting policy

The Santander Consumer Bank AS's accounting policies are consistent with those of the previous financial year as described in the 2017 annual report and in the Q1 2018 report where accounting principles of Financial instruments was updated according to IFRS 9.

Note 3 - Credit risk exposure

All amounts in millions of NOK

Maximum exposure to credit risk - Financial intruments subject to impairment

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

	Q2 2018				
Loans to customers	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
Credit grade					
Loans not past due date	105 711	6 012	-	-	111 723
Standard monitoring	3 092	2 109	-	-	5 201
Special monitoring	-	493	-	-	493
Default	-	-	2 979	-	2 979
Gross carrying amount	**108 803**	**8 614**	**2 979**	**-**	**120 397**
Loss allowance	-934	-399	-1 728	-	-3 061
Carrying amount	**107 869**	**8 216**	**1 252**	**-**	**117 336**

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

	Q1 2018				
Commercial papers and bonds	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
Credit grade					
Investment grade	7 924	-	-	-	7 924
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	**7 924**	**-**	**-**	**-**	**7 924**
Loss allowance	-1	-	-	-	-1
Carrying amount	**7 923**	**-**	**-**	**-**	**7 923**

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

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

	Maximum exposure to credit risk
Financial derivatives	74

Note 4 - Risk classification

All amounts in millions of NOK

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		
	Q2 2018	**Q2 2017**	**FY 2017**	**Q2 2018**	**Q2 2017**	**FY 2017**
Current - not past due date	111 723	106 688	110 336	-961	-900	-673
Current - past due date	5 694	4 446	5 864	-372	-214	-257
Total impaired loans	2 979	2 514	2 708	-1 728	-1 577	-1 495
Total gross loans to customers	**120 397**	**113 648**	**118 909**	**-3 061**	**-2 691**	**-2 425**

	Balance			Loss reserves		
Ageing of past due but not impaired loans	**Q2 2018**	**Q2 2017**	**FY 2017**	**Q2 2018**	**Q2 2017**	**FY 2017**
1 - 29 days	4 058	3 428	4 556	-176	-86	-106
30 - 59 days	822	743	969	-117	-67	-82
60 - 89 days	321	275	339	-79	-61	-70
Total loans due but not impaired	**5 201**	**4 446**	**5 864**	**-372**	**-214**	**-257**

	Balance			Loss reserves		
Ageing of impaired loans	**Q2 2018**	**Q2 2017**	**FY 2017**	**Q2 2018**	**Q2 2017**	**FY 2017**
90 - 119 days	227	189	215	-116	-65	-72
120 - 149 days	181	156	166	-94	-68	-70
150 - 179 days	168	147	144	-91	-69	-70
180 + days	903	955	797	-582	-694	-550
Economic doubtful*	1 499	1 068	1 386	-845	-681	-733
Total impaired loans	**2 979**	**2 514**	**2 708**	**-1 728**	**-1 577**	**-1 495**

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

Note 5 - Interest rate risk

All amounts in millions of NOK

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

Loans to customers	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Loss allowance as at 1 January 2018	**908**	**406**	**1 607**	-	**2 920**
Changes due to financial instruments recognized as at 1 January 2018					
Transfer from Stage 1 to Stage 2	-37	188	-	-	151
Transfer from Stage 1 to Stage 3	-21	-	353	-	332
Transfer from Stage 2 to Stage 1	17	-92	-	-	-76
Transfer from Stage 2 to Stage 3	-	-73	217	-	144
Transfer from Stage 3 to Stage 2	-	11	-86	-	-75
Transfer from Stage 3 to Stage 1	-	-	-5	-	-5
New financial assets originated or purchased	225	56	74	-	354
Changes to assumptions and methodologies	-52	-1	22	-	-32
Financial assets that have been derecognized	-97	-37	-134	-	-268
Write-offs	-8	-57	-319	-	-385
Loss allowance as at 30 June 2018	**934**	**399**	**1 728**	-	**3 061**

Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Loss allowance as at 1 January 2018	**2**	**-**	**-**	-	**2**
Changes due to financial instruments recognized as at 1 January 2018					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Changes to assumptions and methodologies	**-1**	-	-	-	-1
Financial asstes that have been derecognized	-	-	-	-	-
Write-offs	-	-	-	-	-
Loss allowance as at 30 June 2018	**1**	**-**	**-**	**-**	**1**

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

All amounts in millions of NOK

Specific loan reserves	**Q2 2017**	**FY 2017**
Specific loan reserves 01.01.	1 475	1 475
+/- Fx rate adjustment opening balance	16	-22
Reclassification between specific and generic loan reserves	38	-39
+ Specific loan reserves for the period	48	41
= Specific loan reserves period end	**1 577**	**1 495**
Generic loan reserves		
Generic loan reserves 01.01	1 064	1 064
+/- Fx rate adjustment opening balance	23	30
Release of reserves related to bad debt sale	-	-
Reclassification between specific and generic loan reserves	-38	-39
+/- Generic loan reserves for the year	65	-125
= Generic loan reserves period end	**1 114**	**930**
Total Loan Reserves in Balance Sheet	**2 691**	**2 425**

Loan losses expenses	**Q2 2017**	**YTD Q2 2017**	**FY 2017**
Change in loan reserves provision	-172	-113	166
+/- Fx rate adjustment opening balance	5	4	5
+ Total realized losses	-345	-659	-1 363
- Recoveries on previously realized losses	169	871	607
- Gain on sold portfolios	545	-	545
= Loan losses in the period	**201**	**103**	**-40**

Loan reserves calculated separately for each business unit, using internal parameters.

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

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

Note 6 - 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) %	Q2 2018	Q2 2017	FY 2017
Liquidity Coverage Ratio (LCR) Total	118	128	135
Liquidity Coverage Ratio (LCR) NOK	109	145	125
Liquidity Coverage Ratio (LCR) SEK	133	118	128
Liquidity Coverage Ratio (LCR) DKK	145	-	283
Liquidity Coverage Ratio (LCR) EUR	-	-	-

Note 7 - Capital adequacy

All amounts in millions of NOK

	Q2 2018	Q2 2017	FY 2017
Balance sheet equity			
Paid in equity	9 652	9 652	9 652
Share premium	891	891	891
Other equity	7 695	5 867	7 164
Tier 1 Capital	2 250	2 250	2 250
Other reserves	-69	-176	-30
Total Equity	**20 420**	**18 484**	**19 928**
Common Equity Tier 1 Capital			
(-) Profit not eligible as capital	-461	-666	-350
Cash-flow hedge adjustment	0	0	-20
IRB Expected Loss - Reserves	-220	-214	-250
Goodwill	-282	-288	-294
Other intangible assets	-243	-267	-299
Deferred tax assets	-	-	-
Adjustment Prudent Valuation (AVA)	-6	-8	-6
Tier 1 Capital	-2 250	-2 250	-2 250
Total common Equity Tier 1 Capital (with full IFRS9 impact)	**16 958**	**14 791**	**16 458**
Capital adjustment according to IFRS9 Transitional rules	355	-	-
Total common Equity Tier 1 Capital (after IFRS9 transitional rules)	**17 313**	**14 791**	**16 458**
Tier 1 Capital			
Paid in Tier 1 capital instruments	2 250	2 250	2 250
Total Tier 1 Capital (with full IFRS9 impact)	**19 208**	**17 041**	**18 708**
Total Tier 1 Capital (after IFRS9 transitional rules)	**19 563**	**17 041**	**18 708**
Total Capital			
Paid up subordinated loans	1 682	1 291	1 711
Subordinated loans not eligible	-	-80	-
Total Capital (with full IFRS9 impact)	**20 891**	**18 252**	**20 419**
Total Capital (after IFRS9 transitional rules)	**21 246**	**18 252**	**20 419**
Risk exposure on Standard Approach			
Regional governments or local authorities	78	-	78
Institutions	422	675	585
Corporates	8 166	11 454	9 505
Retail Standard Approach	46 732	44 025	46 214
Exposures in default SA	866	787	999
Covered bonds	416	528	388
Other Exposures	12 105	12 018	12 560
Total Risk exposure amount on Standard Approach	**68 786**	**69 487**	**70 330**
Risk exposure on Internal Rating Based Approach			
Retail Other	22 446	21 006	21 920
Total Risk exposure amount on Internal Rating Based Approach	**22 446**	**21 006**	**21 920**
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**91 232**	**90 492**	**92 250**

Foreign exchange (zero if under threshold)	601	-	-
Risk exposure amount for position, foreign exchange and commodities risks	**601**	**-**	**-**
Basic indicator approach	10 607	8 718	10 607
Risk exposure amount for operational risk	**10 607**	**8 718**	**10 607**
Standardized method	154	235	165
Risk exposure amount for credit valuation adjustment	**154**	**235**	**165**
Total risk exposure amount (with full IFRS9 impact)	**102 594**	**99 445**	**103 021**
Risk Exposure adjustment according to IFRS9 Transitional rules	354	-	-
Total risk exposure amount (after IFRS9 transitional rules)	**102 948**	**99 445**	**103 021**
Total exposure for Leverage Ratio			
Derivatives: Add-on under market-to-market method	**585**	**740**	**532**
Off-balance sheet items with 10% CCF	**2 174**	**1 621**	**1 927**
Off-balance sheet items with 20% CCF	**942**	**1 074**	**257**
Off-balance sheet items with 50% CCF	**34**	**47**	**41**
Adjusted On balance sheet exposure	**139 449**	**136 697**	**140 661**
Total exposure for Leverage Ratio (with full IFRS9 impact)	**143 184**	**140 179**	**143 419**
Exposure adjustment according to IFRS9 Transitional rules	473	-	-
Total exposure for Leverage Ratio (after IFRS9 transitional rules)	**143 657**	**140 179**	**143 419**
Minimum Regulatory Capital			
Minimum Core Equity	4,50%	4,50%	4,50%
Pillar 2 Requirement	2,30%	2,20%	2,20%
Countercyclical Buffer (combined)	1,49%	1,23%	1,49%
Conservation Buffer	2,50%	2,50%	2,50%
Systemic Risk Buffer	3,00%	3,00%	3,00%
Minimum Regulatory Capital ratio (CET1)	**13,79%**	**13,43%**	**13,69%**
Minimum Regulatory Capital			
Minimum Core Equity	4 617	4 475	4 636
Pillar 2 Requirement	2 360	2 188	2 266
Countercyclical Buffer (combined)	1 529	1 223	1 535
Conservation Buffer	2 565	2 486	2 576
Systemic Risk Buffer	3 078	2 983	3 091
Minimum Regulatory Capital amount (full IFRS9 impact)	**14 148**	**13 355**	**14 104**
Surplus of Core Equity Tier 1 capital (full IFRS9 impact)	2 810	1 435	2 355
Minimum Regulatory Capital amount (after IFRS9 transitional rules)	**14 197**	**13 355**	**14 104**
Surplus of Core Equity Tier 1 capital (after IFRS9 transitional rules)	3 117	1 435	2 355
Common equity tier 1 capital ratio (full IFRS9 impact)	**16,53%**	**14,87%**	**15,98%**
Common equity tier 1 capital ratio (after IFRS9 transitional rules)	**16,82%**	**14,87%**	**15,98%**
CET1 regulatory requirements	13,79%	13,43%	13,44%
Tier 1 capital ratio (full IFRS9 impact)	**18,72%**	**17,14%**	**18,16%**
Tier 1 capital ratio (after IFRS9 transitional rules)	**19,00%**	**17,14%**	**18,16%**
Tire 1 regulatory requirements	15,29%	14,93%	14,94%
Total capital ratio (full IFRS9 impact)	**20,36%**	**18,35%**	**19,82%**
Total capital ratio (after IFRS9 transitional rules)	**20,64%**	**18,35%**	**19,82%**
Total capital regulatory requirements	17,29%	16,93%	16,94%

Leverage ratio (full IFRS9 impact)	**13,42%**	**12,16%**	**13,04%**
Leverage ratio (after IFRS9 transitional rules)	**13,62%**	**12,16%**	**13,04%**
LR regulatory requirements	5,00%	5,00%	5,00%

Specification of IFRS Transition rules (based on initial impact)	
IFRS 9 Increase in Loss Reserves	-498
- whereof Internal Rating Based	-
Tax impact from increased loss reserves	124
Deferred tax assets impact on capital	-
Initial IFRS9 net impact on capital	-374
Base amount for IFRS9 transitional rule on capital	374
Transition %	95%
Capital adjustment due to Transitional rule	**355**

Std Approach value adjustments Spec Reserves	-498
- whereof Retail (75%RW)	-496
- whereof Covered Bonds (10%RW)	-2
Deferred tax assets impact on Risk Exposure Amount (250%RW)	-
Initial IFRS9 net impact on Risk Exposure Amount	-372
Base amount for IFRS9 transitional rule on Risk Exposure Amount	372
Transition %	95%
Risk Exposure adjustment due to Transitional rule	**354**
Impact from Transitional rules on capital ratios (same impact for Tier 1 and 2)	29%

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

Financial information in accordance with the capital requirement regulation is published at www.santander.no. The Pillar 3 Disclosure report is published at www.santander.no.

Note 8 - Segment information

All amounts in millions of NOK

Financial management in Santander is oriented towards the various geographical markets. Monitoring of the overall profitability of the geographic areas are important dimensions of the strategic priorities and allocation of resources in 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)

	Q2 2018					
	Unsecured loans*	**Secured loans**	**Financial lease**	**Operational lease**	**Consignment**	**Total**
Norway	11 250	36 636	10 480	-	-	**58 367**
Sweden	13 159	14 396	4 744	-	1 180	**33 478**
Denmark	5 680	21 515	2 535	192	253	**30 176**
Total	**30 090**	**72 547**	**17 759**	**192**	**1 433**	**122 022**

* The reduction in unsecured loans in Sweden is due to FX. In local currency unsecured loans in Sweden was 14 462 MM SEK per Q2 2018 compared to 13 864 MM SEK per Q2 2017.

	Q2 2017					
	Unsecured loans	**Secured loans**	**Financial lease**	**Operational lease**	**Consignment**	**Total**
Norway	10 911	34 058	9 290	-	-	**54 258**
Sweden	13 764	13 274	4 729	-	1 254	**33 020**
Denmark	5 398	19 866	2 360	137	304	**28 065**
Total	**30 073**	**67 197**	**16 378**	**137**	**1 557**	**115 342**

P&L and Balance sheet per country

	Q2 2018				
	Norway	Sweden	Denmark	Eliminations	Total
Total interest income	929	376	433	-2	1 736
Total interest expenses	-216	-34	-51	2	-299
Net interest income	**714**	**342**	**383**	**-1**	**1 437**
Fee and commission income	42	40	45	0	127
Fee and commission expenses	-26	-1	-6	0	-33
Value change and gain/loss on foreign exchange and securities	10	1	-1	0	10
Other operating income	9	2	17	0	27
Other operating expenses	-9	-6	-14	0	-29
Gross margin	**740**	**376**	**422**	**0**	**1 538**
Salaries and personnel expenses	-146	-88	-77	0	-311
Administrative expenses	-162	-107	-75	0	-343
Depreciation and amortization	-51	-4	-12	0	-67
Net operating income	**381**	**176**	**259**	**0**	**817**
Other income and costs	-1	-34	-1	0	-36
Impairment losses on other assets	-	-	-	0	-
Impairment losses on loan, guarantees etc.	302	64	-21	0	345
Profit before taxes	**683**	**206**	**237**	**0**	**1 125**
Income tax expense	-195	-48	-44	-1	-288
Profit after tax	**488**	**158**	**192**	**0**	**838**

	YTD 2018				
	Norway	Sweden	Denmark	Eliminations	Total
Total interest income	1 855	769	854	-	3 478
Total interest expenses	-425	-68	-101	-	-594
Net interest income	**1 430**	**701**	**754**	**-**	**2 884**
Fee and commission income	83	84	86	-	253
Fee and commission expenses	-39	-3	-11	-	-53
Value change and gain/loss on foreign exchange and securities	29	-1	10	-	38
Other operating income	13	4	30	-	47
Other operating expenses	-20	-12	-26	-	-58
Gross margin	**1 496**	**772**	**843**	**-**	**3 111**
Salaries and personnel expenses	-262	-180	-150	-	-592
Administrative expenses	-326	-201	-139	-	-666
Depreciation and amortization	-66	-8	-19	-	-93
Net operating income	**842**	**382**	**536**	**-**	**1 760**
Other income and costs	-2	-34	-1	-	-37
Impairment losses on other assets	-	-	-	-	-
Impairment losses on loan, guarantees etc.	134	2	-87	-	49
Profit before taxes	**974**	**350**	**448**	**-**	**1 772**
Income tax expense	-282	-81	-91	-	-455
Profit after tax	**692**	**269**	**356**	**-**	**1 317**

Cash and receivables on central banks	65	-	-	-	65
Deposits with and receivables on financial institutions	521	717	100	-	1 338
Total gross loans to customers	58 367	32 299	29 731	-	120 397
Write-downs	-1 882	-669	-511	-	-3 061
Commercial papers and bonds	4 292	2 175	1 456	-	7 923
Financial derivatives	74	-	-	-	74
Investments in subsidiaries	1 235	-	-	-	1 235
Other assets	18 796	1 577	1 720	-9 865	12 228
Total assets	**81 468**	**36 099**	**32 496**	**-9 865**	**140 199**
Debt to credit institutions	8 448	15 955	16 152	-9 841	30 715
Deposits from customers	22 855	14 407	15 387	-	52 649
Debt established by issuing securities	27 435	4 509	27	-	31 970
Financial derivatives	37	-	-	-	37
Other liabilities	2 167	1 276	905	59	4 408
Equity	20 444	-48	24	-	20 420
Total liabilities and equity	**81 386**	**36 099**	**32 496**	**-9 782**	**140 199**

	Q2 2017				
	Norway	**Sweden**	**Denmark**	**Eliminations**	**Total**
Total interest income	907	382	381	-	1 670
Total interest expenses	-215	-40	-40	-	-296
Net interest income	**692**	**342**	**341**	-	**1 375**
Fee and commission income	61	43	42	-	146
Fee and commission expenses	-8	-2	-5	-	-15
Value change and gain/loss on foreign exchange and securities	-1	1	2	-	3
Other operating income*	-6	-2	-7	-	-16
Other operating expenses**	0	-2	8	-	7
Gross margin	**738**	**380**	**381**	-	**1 499**
Salaries and personnel expenses	-153	-73	-64	-	-290
Administration expenses	-147	-107	-61	-	-315
Depreciation and amortization	-11	-4	-8	-	-23
Net operating income	**427**	**195**	**248**	-	**871**
Other income and costs	-8	0	-1	-	-8
Impairment losses on other assets	-	-	-	-	-
Impairment losses on loan, guarantees etc.	149	51	1	-	201
Profit before taxes	**568**	**247**	**249**	-	**1 063**
Income tax expense	-128	-55	-60	-	-244
Profit after tax	**440**	**192**	**188**	-	**820**

	YTD Q2 2017				
	Norway	**Sweden**	**Denmark**	**Eliminations**	**Total**
Total interest income	1 800	760	746	-	3 306
Total interest expenses	-406	-79	-81	-	-566
Net interest income	**1 393**	**681**	**665**	-	**2 739**
Fee and commission income	143	86	73	-	302
Fee and commission expenses	-18	-4	-9	-	-31
Value change and gain/loss on foreign exchange and securities	-23	3	-3	-	-23
Other operating income*	-	-	0	-	0
Other operating expenses**	-8	-8	1	-	-14
Gross margin	**1 487**	**758**	**728**	-	**2 973**
Salaries and personnel expenses	-251	-163	-125	-	-539
Administration expenses	-331	-209	-116	-	-656
Depreciation and amortization	-22	-10	-15	-	-47
Net operating income	**883**	**377**	**472**	-	**1 732**
Other income and costs	-8	0	-1	-	-9
Impairment losses on other assets	-	-	-	-	-
Impairment losses on loan, guarantees etc.	110	24	-31	-	103
Profit before taxes	**985**	**401**	**440**	-	**1 826**
Income tax expense	-236	-93	-102	-	-430
Profit after tax	**749**	**308**	**339**	-	**1 396**

Cash and receivables on central banks	60	-	-	-	60
Deposits with and receivables on financial institutions	1 347	223	2	-	1 572
Total gross loans to customers	54 258	31 766	27 624	-	113 648
Write-downs	-1 723	-572	-396	-	-2 691
Commercial papers and bonds	6 104	2 977	990	-	10 071
Financial derivatives	331	-	-	-	331
Investments in subsidiaries	1 263	-	-	-	1 263
Other assets	21 829	1645	1538	-12 114	12 898
Total assets	**83 469**	**36 039**	**29 758**	**-12 114**	**137 153**
Debt to credit institutions	14 168	15 373	16 315	-12 316	33 540
Deposits from customers	20 120	13 782	12 484	-	46 386
Debt established by issuing securities	29 070	5 321	-11	-	34 379
Financial derivatives	256	-	-	-	256
Other liabilities	1 575	1 462	838	203	4 078
Equity	18 281	101	133	-	18 514
Total liabilities and equity	**83 469**	**36 039**	**29 758**	**-12 113**	**137 153**

Note 9 - Net interest income

All amounts in millions of NOK

	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Interest and similar income on loans to and receivables from credit institutions	96	136	202	271	513
Interest and similar income on loans to and receivables from customers	1 614	1 495	3 223	2 946	6 126
Interest and similar income on comm. paper, bonds and other securities	26	40	53	88	142
Total interest income	**1 736**	**1 670**	**3 478**	**3 306**	**6 781**
Interest and similar expenses on debt to credit institutions	-39	-44	-80	-93	-174
Interest and similar expenses on deposits from and debt to customers	-169	-146	-334	-281	-603
Interest and similar expenses on issued securities	-77	-95	-154	-172	-325
Interest on subordinated loan capital*	-11	-8	-22	-17	-37
Other interest expenses and similar expenses	-2	-2	-3	-4	-11
Total interest expense	**-299**	**-296**	**-594**	**-566**	**-1 150**
Net interest income	**1 437**	**1 375**	**2 884**	**2 739**	**5 630**

* Additional Tier 1 capital of 2 250 MM NOK has been reclassified from Subordinated loan capital to equity in 2017. Interest expenses for Q2 2017 of 42 MM NOK and YTD Q2 2017 of 85 MM NOK are consequently presented in equity. Please see Accounting principles in 2017 annual report for further details.

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

To credit institutions	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Interest expenses	-39	-44	-80	-93	-174
Average loan	32 128	39 360	32 128	39 360	34 233
Average nominal interest rate	**0,48 %**	**0,45 %**	**0,50 %**	**0,47 %**	**0,51 %**

To customers	Q1 2018	Q1 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Interest expenses	-169	-146	-334	-281	-603
Average deposit	49 517	43 061	49 517	43 061	45 794
Average nominal interest rate	**1,37 %**	**1,36 %**	**1,35 %**	**1,30 %**	**1,32 %**

To bondholders	Q1 2018	Q1 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Interest expenses	-77	-95	-154	-172	-325
Average issued notes and bonds	33 175	27 247	33 175	27 247	31 129
Average nominal interest rate	**0,93 %**	**1,39 %**	**0,93 %**	**1,26 %**	**1,04 %**

Subordinated loan capital*	Q1 2018	Q1 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Interest expenses	-11	-8	-22	-17	-37
Average subordinated loan capital	1 507	1 430	1 507	1 430	1 525
Average nominal interest rate	**2,99 %**	**2,36 %**	**2,96 %**	**1,70 %**	**2,43 %**

Total of tables above:	Q1 2018	Q1 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Interest expenses	-297	-294	-591	-562	-1 139
Loan	116 327	111 097	116 327	111 097	112 681
Average nominal interest rate	**1,02 %**	**1,06 %**	**1,02 %**	**1,01 %**	**1,01 %**

Note 10 - Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 30 June 2018	Financial assets at fair value through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Cash and receivables on central banks	-	-	65	65
Deposits with and receivables on financial institutions	-	-	1 338	1 338
Loans to customers	-	-	117 336	117 336
Commercial papers and bonds	-	-	7 923	7 923
Financial derivatives	74	-	-	-
Loans to subsidiaries and SPV's	-	-	1 235	1 235
Other ownership interests	-	26	-	26
Total financial assets	**74**	**26**	**127 897**	**127 922**

Non financial assets	12 276
Total assets	**140 199**

Classification of financial liabilities 30 June 2018	Financial assets at fair value through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	30 715	30 715
Deposits from customers	-	-	52 649	52 649
Debt established by issuing securities	-	-	31 970	31 970
Financial derivatives	37	-	-	37
Other financial liabilities	-	-	269	269
Subordinated loan capital	-	-	1 686	1 686
Total financial liabilities	**37**	**-**	**117 290**	**117 327**

Non financial liabilities and equity	22 872
Total liabilities and equity	**140 199**

2017

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

Classification of financial assets 31 December 2017	Financial assets at fair value through P&L	Available for sale financial assets at fair value	Held to maturity investments	Loans and receivables	Book value
Cash and receivables on central banks	-	-	-	65	65
Deposits with and receivables on financial institutions	-	-	-	1 351	1 351
Loans to customers	-	-	-	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**

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

Note 11 - Valuation Hierarchy

All amounts in millions of NOK

Financial instruments measured at fair value			**Quoted market price Level 1**	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
Financial assets						
Name	*Type*	Notional				
Bilkreditt 6 Fixed	Cross Currency Swap	MM EUR 34	-	47	-	47
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 117	-	27	-	27
Total financial trading derivatives			**-**	**74**	**-**	**74**
Name	*Type*					
VISA	Equity		-	26	-	26
Total other ownership interests			**-**	**26**	**-**	**26**
Total Assets			**-**	**100**	**-**	**100**
Financial liabilities						
Name	*Type*	Notional				
Bilkreditt 6 Pass Through	Cross Currency Swap	MM EUR 10	-	13	-	13
Bilkreditt 7 Pass Through	Cross Currency Swap	MM EUR 102	-	24	-	24
Total financial derivatives			**-**	**37**	**-**	**37**
Total Liabilities			**-**	**37**	**-**	**37**
Derivatives designated for hedge accounting - assets						
Name	*Type*	Notional				
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	11	-	11
DK EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	2	-	2
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	78	-	78
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	2	-	2
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	41	-	41
Total derivatives designated for hedging - assets*			**-**	**133**	**-**	**133**

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

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

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

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

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

Q2 2017

All amounts in millions of NOK

Financial instruments measured at fair value			**Quoted market price Level 1**	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
Financial assets						
Name	*Type*	Notional				
Bilkreditt 4 Fixed	Cross Currency Swap	MM EUR 14	-	22	-	22
Bilkreditt 5 Fixed	Cross Currency Swap	MM EUR 37	-	47	-	47
Bilkreditt 6 Fixed	Cross Currency Swap	MM EUR 138	-	197	-	197
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 229	-	64	-	64
Total financial trading derivatives			**-**	**331**	**-**	**331**
Name	*Type*					
Government bonds and Treasury Bills	Bonds		1 060	-	-	1 060
Covered Bonds	Bonds		5 727	-	-	5 727
Total commercial papers and bonds *			**6 787**	**-**	**-**	**6 787**
Name	*Type*					
VISA	Equity		-	20	-	20
Total other ownership interests			-	**20**	-	**20**
Total Assets			**6 787**	**351**	**-**	**7 138**

Financial liabilities

Name	*Type*	*Notional*				
Bilkreditt 4 Pass Through	Cross Currency Swap	MM EUR 3	-	5	-	5
Bilkreditt 5 Pass Through	Cross Currency Swap	MM EUR 24	-	30	-	30
Bilkreditt 6 Pass Through	Cross Currency Swap	MM EUR 112	-	160	-	160
Bilkreditt 7 Pass Through	Cross Currency Swap	MM EUR 220	-	62	-	62
Total financial derivatives			**-**	**256**	**-**	**256**
Total Liabilities			**-**	**256**	**-**	**256**

Derivatives designated for hedge accounting - assets

Name	*Type*	*Notional*				
EMTN SEK	Interest Rate Swap	MM SEK 500	-	2	-	2
Total derivatives designated for hedging - assets**			**-**	**2**	**-**	**2**

Derivatives designated for hedge accounting - liabilities

Name	*Type*	*Notional*				
EMTN MEUR 100	Cross Currency Swap	MM EUR 100		6		6
EMTN MEUR 350	Cross Currency Swap	MM EUR 350	-	8	-	8
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	14	-	14
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	1	-	1
EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	3	-	3
EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	5	-	5
Total derivatives designated for hedging - liabilities**			**-**	**38**	**-**	**38**

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

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

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

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

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

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

Note 12 - Loans to customers

All amounts in millions of NOK	YTD Q2 2018
Credit Card	6 595
Unsecured loans	23 496
Auto loans	90 307
- Installment loans	*72 547*
- Financial leasing	*17 759*
Total gross loans to customers	**120 397**
- Loan loss allowance - Stage 1	-934
- Loan loss allowance - Stage 2	-399
- Loan loss allowance - Stage 3	-1 728
Total net loans to customers	**117 336**

2017

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

All amounts in millions of NOK	YTD Q2 2017	FY 2017
Credit Card	6 222	6 603
Unsecured loans	23 851	24 678
Auto loans	83 575	87 628
- Installment loans	*67 197*	*70 480*
- Financial leasing	*16 378*	*17 147*
Total gross loans to customers	**113 648**	**118 909**
- Specific loan reserves	-1 577	-1 495
- Generic loan reserves	-1 114	-930
Total net loans to customers	**110 957**	**116 484**

Note 13 - Issued securities

All amounts in millions of NOK

	Q2 2018	Q2 2017	FY 2017
Issued certificates	852	-	901
Senior unsecured issued securities	31 119	34 379	34 884
Asset backed issued securities	-	-	-
Total issued securities	**31 970**	**34 379**	**35 785**

Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in January to a value of NOK 300 MM.
Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exchange in January to a value of NOK 200 MM.
Santander Consumer Bank AS issued bonds on the Irish stock exchange in January to a value of SEK 500 MM (NOK 488 MM)
Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in February to a value of NOK 350 MM.
Santander Consumer Bank AS issued bonds on the Irish stock exchange in March to a value of SEK 500 MM (NOK 473 MM)
Santander Consumer Bank AS issued bonds on the Irish stock exchange in March to a value of EUR 500 MM (NOK 4 830 MM)
Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exchange in April to a value of NOK 250 MM.
Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exchange in May to a value of NOK 200 MM.
Santander Consumer Bank AS issued bonds on the Irish stock exchange in May to a value of SEK 500 MM (NOK 464 MM)
Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in May to a value of NOK 300 MM.
Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exchange in June to a value of NOK 200 MM.

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

Note 14 - Receivables and liabilities to related parties

Amounts in millions of NOK

Debt to related parties:	Q2 2018	Accrued interest Q2 2018	Q2 2017	Accrued interest Q2 2017	FY 2017	Accrued interest FY 2017
Santander Benelux	255	1	566	2	582	2
Santander Consumer Finance S.A.	23 423	6	22 368	12	20 433	6
Debt to SPV on future cash flow of securitized loans	6 837	0	10 398	0	8 705	-
Total	**30 515**	**7**	**33 332**	**14**	**29 720**	**8**

Balance sheet line: "Subordinated loan capital" - Bonds						
MNOK 80, maturity October 2017, 3 months NIBOR +1.75%						
(Santander Consumer Finance S.A)	-	-	80	0	-	-
MNOK 250, maturity March 2025, 3 months NIBOR +2.2575%						
(Santander Consumer Finance S.A)	250	0	250	0	250	-
MNOK 250, maturity July 2025, 3 months NIBOR +3.135%						
(Santander Consumer Finance S.A)	250	2	250	2	250	2
MSEK 750, maturity December 2024, 3 months STIBOR +2.2825%						
(Santander Consumer Finance S.A)	682	0	745	0	750	-
MNOK 500, maturity September 2027, 3 months NIBOR + 1,66%						
(Santander Consumer Finance S.A)	500	1	-	-	500	-
Total	**1 682**	**4**	**1 325**	**2**	**1 750**	**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 in 2017 annual report for further details.

Receivables on related parties:	Q2 2018	Accrued interest Q2 2018	Q2 2017	Accrued interest Q2 2017	FY 2017	Accrued interest FY 2017
Balance sheet line: "Commercial papers and bonds"						
B and C notes issued by SPVs	2 045	1	3 284	1	2 712	1
Balance sheet line :"Loans to subsidiaries and SPV's"						
Loan to subsidiary (Santander Consumer Bank OY)	8 322	23	8 374	19	8 608	45
Subordinated loan to SPVs	251	0	558	-	404	-

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

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

Note 15 - Transaction with related parties

All amounts in millions of NOK

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

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

The following transactions were carried out with related parties:

	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Interest income	67	155	186	309	588
Interest expenses	-20	-191	-114	-377	-704
Interest payments additional Tier 1 capital	-42	-42	-84	-85	-170
Fees	21	18	24	41	57
Other	19	37	0	37	37
Net transactions	**45**	**-23**	**13**	**-75**	**-193**

Santander Consumer Bank AS had transactions with the following related parties per 30 June 2018:

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

SPV:
Bilkreditt 5 Ltd.
Bilkreditt 6 Ltd.
Bilkreditt 7 Ltd.
SV Autofinans Warehousing 1 Ltd.