Santander Consumer Bank

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First quarter report 2018

Santander Consumer Bank Nordic Group
and Santander Consumer Bank AS

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Introduction

The first quarter of 2018 shows continued sustainable growth in loans, auto and leisure financing, unsecured financing and in deposits – all in spite of increased competition.

I am especially proud that we managed to increase the number of cars we finance even though the new and used cars market went down. The auto market is rapidly evolving, and we will continually launch new products and services to keep our position as market leader as the auto business changes into a mobility industry.

Going forward, we will invest heavily in tech and innovation. Our digital strategy states that we want to lead the field – delivering better services to our customers, helping our partners sell even more, and day-by-day making our own processes more efficient.

Michael Hvidsten, CEO

First quarter report 2018

Highlights

- Net interest income increased with 6% and gross margin with 7% compared to the first quarter of 2017.
- Lending rose 13% compared to the same period in 2017 strongly driven by growth in the auto business.
- Profit before tax was 744 MM NOK, reflecting a decrease of 18% compared to the same period last year, the reduction mainly driven by the impairment losses on loans steming from implementing IFRS 9.
- Implementation of IFRS 9 introduces a new methodology to calculate impairment losses on loans. Although the initial impact of IFRS 9 implementation on loan loss reserves has been deducted from CET1 capital, the new methodology has resulted in increased impairment losses on loans in Q1 2018 compared to Q1 2017.
- New Sales Finance deal signed with Elgiganten Denmark.
- Deposit volumes increased by 19% compared to the first quarter of 2017, and continues to be the largest funding source of the Group.

Key figures Santander Consumer Bank Group

All amounts in millions of NOK	**Q1 2018**	**Q1 2017****	**2017**	**2016**
Net interest income	**1 696**	**1 593**	**6 607**	**6 276**
*Growth**	*6 %*	*3 %*	*5 %*	*27 %*
Profit before tax	**744**	**911**	**3 995**	**3 250**
*Growth**	*-18 %*	*28 %*	*23 %*	*67 %*
Profit after tax	**557**	**695**	**3 055**	**2 442**
*Growth**	*-21 %*	*33 %*	*25 %*	*62 %*
Total assets	**164 339**	**144 131**	**159 100**	**142 729**
*Growth**	*14 %*	*6 %*	*11 %*	*5 %*
Net Loans to customers	**140 979**	**125 462**	**140 793**	**121 698**
*Growth**	*12 %*	*9 %*	*16 %*	*7 %*
Customer deposits	**52 244**	**43 885**	**50 617**	**40 971**
*Growth**	*19 %*	*10 %*	*24 %*	*10 %*

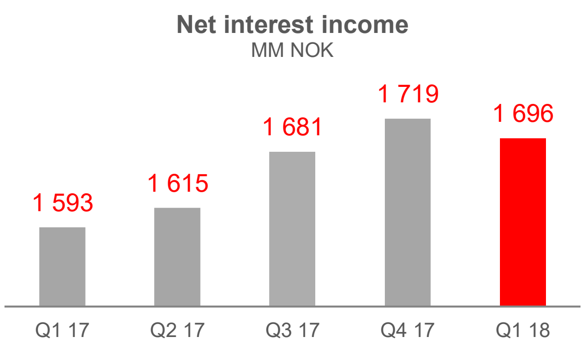
** Year on year.*
*** In the Q1 2017 figures interest expenses of 43 MM NOK related to additional Tier 1 capital has been reclassified to diviedend. Please see accounting principles in 2017 annual report for further details.*

Financial Performance for the first quarter of 2018

Results

The Group's profit before tax was 744 MM NOK in the first quarter of 2018, a decrease of 18% compared to Q1 2017. The decrease in result was driven by an increase in impairment losses on loans, mainly due to the new methodology to calculate impairment losses in IFRS 9.

Net interest income increased by 103 MM NOK compared with Q1 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 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 31 MM NOK from the first quarter of 2017. The decrease was driven by a combination of lower levels of insurance income, due mainly to the cancellation of the Single Premium insurance product in Norway during 2017.

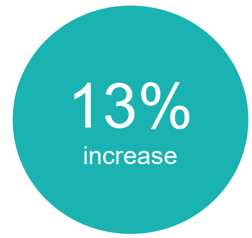
Operating expenses for the period was 712 MM NOK, up from 685 MM NOK in the first quarter of 2017. The change is mainly due to increased salary and personnel expenses and reflects a higher activity level throughout the Nordic region in Q1 2018 compared to Q1 2017. The higher activity level is mainly related to new products and regulatory projects which have led to a higher number of full time employees during the first quarter of 2018 compared to the same period last year.

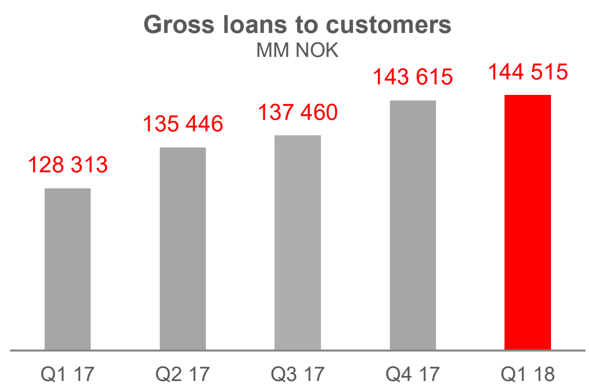
Net impairment losses on loans increased from 108 MM NOK in the first quarter of 2017 to 372 MM NOK in the first quarter of 2018. The increase is an effect of the new methodology in calculating impairment losses on loans in IFRS 9 that was implemented 1 January 2018. As the impairment losses on loans in Q1 2017 of 108 MM NOK is calculating according to IAS 39 the impairment losses for these two periods are not directly comparable. This is further explained in the credit risk section in Risk Management below.

Loans and Deposits Performance

Loans to Customers

The Groups gross outstanding loans to customers came to 144.5 Bn NOK at Q1 2018. This is an increase of 13% (16 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.





Auto and Leisure Financing

The Group managed to increase sales in a falling auto market.

Total new car sales in the Nordic region was 245.656 units in the first quarter of 2018, a decrease of 3.5% compared to the first quarter of 2017. Finland is showing a growth at 3.3%, Sweden is down by 2.2%, Denmark down by 5.9% and Norway down by 8.5% compared to the same period last year.

The total Nordic market for new and used cars ended at 922.417 units per March 2018, a reduction of 2.9%. In this market SCB has financed 71.659 cars, which represents an increase of 3.7% compared to the same period last year.

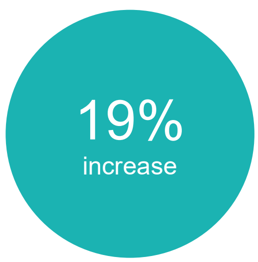
The market is showing a clear trend with reduced demand for diesel and increased demand for hybrid and EV cars. Flexible mobility solutions, bundled with car related services and with a residual value guaranty is increasing in popularity. To increase residual value capabilities the Group has entered into a partnership with LeasePlan in Sweden and Norway.

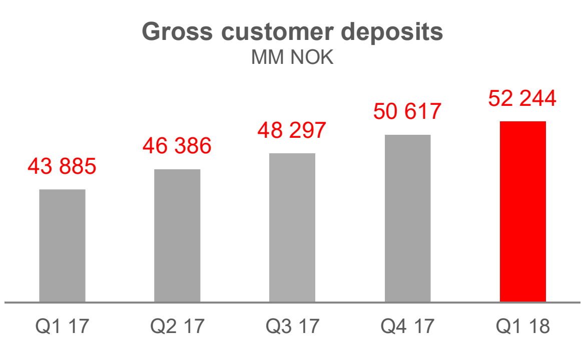
The auto industry is facing substantial changes in the coming years, which will have impact for the industry and for auto financing. We have done a deep analysis of the emerging auto trends, identified potentially impact on the industry and defined our strategic response to these. The work will be our guidelines for developing our auto business.

Unsecured Financing
The unsecured portfolio in the Nordics delivered an outstanding volume of 33 214 MM NOK in Q1 2018, which is an increase of 5% compared to Q1 2017. The loan product is the strongest volume contributor. Denmark is showing the strongest growth. The market dynamics in Norway has changed with the new guidelines on unsecured lending from Norwegian FSA. Santander values being a responsible lender and has successively implemented the guidelines in all areas, with a minor part of web based sales remaining to be implemented in June 2018.

The market in the Nordics is highly competitive with increased customer preference towards price comparisons sites/brokers. The Group is working with many of the major brokers to reach customers in numerous acquisition channels. The Group has strengthen the position within Sales Finance, by signing a number of strategically important Sales Finance deals during the period. To mention one, Denmark recently announced the co-operation with Elgiganten Denmark, which is building upon the current successful cooperation with Elkjøp in Norway. The positive development of the business is expected to continue in Q2.

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 first 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 52 244 MM NOK per March 2018, representing an increase of 8 359 MM NOK (19%) compared to March 2017.





Risk Management

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

Credit Risk
The Group's Credit Risk profile at Q1 2018 remains stable for the secured and unsecured portfolio respectively compared to Q1 2017 despite continuing loan growth. The consolidated Non-Performing Loans (NPL) Ratio ended at 2.08% in Q1 2018 compared to 2.06% in Q1 2017.

The loan loss reserves has increased significantly from 2 851 MM NOK per Q1 2017 to 3 536 MM NOK per Q1 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. On January 1 2018 the Group increased the loan loss reserves with 601 MM NOK due to the implementation of IFRS 9 (See note 2 for further information regarding IFRS 9).

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 March 2018, the Group's LCR was 119.47%. The NSFR as of December 2017 was 95.87%. 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 Q1 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

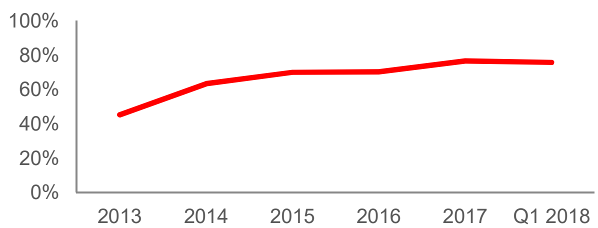
open currency exposure as of end of Q1 2018 was 935 MM NOK equivalent for SEK, DKK and EUR exposures (See note 6).

Funding

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 76% year-to-date, with parent funding providing the remaining 24%.

76%
self funding total

Self-funding ratio
Per cent



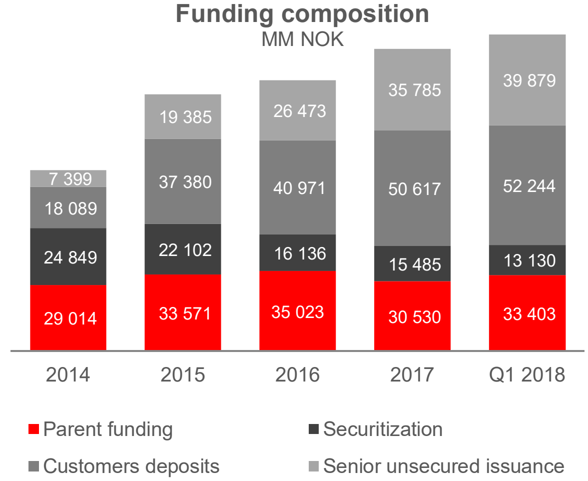
Customer deposits is the largest source of funding, comprising 38% of total funding per March 2018. The total outstanding volume sums to 52 244 MM NOK across the three Nordic markets where the Group is present. Deposit volumes have increased 19 % from March 2017, with expectations of continued significant importance.

Senior unsecured issuance has also increased in importance and comprises 29% of our funding, compared to 27% Q1 2017. In addition to robust markets, issuance has been supported by the attainment of our stand-alone rating from 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. Moreover, the change in securitization law in Norway in 2016 has resulted in the substitution of asset-backed funding with senior unsecured issuance.

Senior unsecured issuance in Q1 2018 includes 500 MM EUR in the Euro market, 1000 MM SEK in the Swedish market, and 850 MM NOK in the Norwegian market. The Norwegian volume includes 200 MM NOK issued as certificates of deposits.

Total outstanding bond and certificate issuance equals 39 879 MM NOK per March 2018, increased by 6 908 MM NOK (21%) from a year earlier. The average remaining term to maturity is approximately 1.82 years. This level has been somewhat increased from year-end due to the Group's issuance calendar typically centered on the first half of the year, combined with an increase in issuance with a five-year maturity.

Funding composition
MM NOK



The Group has not accessed the asset-backed securities market year-to-date 2018 in Scandinavia, primarily due to the above-mentioned change in securitization law. 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 13 130 MM NOK, or 9% of the Group's funding. The Group 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 lays down a general framework for securitisation and creates a specific framework for simple, transparent, and standardised securitizations.

Loans and drawing rights from the parent bank and companies within Grupo Santander provide any remaining funding needs. These loans are priced at market rates, denominated in the local Nordic currencies, and are currently concentrated in the shorter-end maturities. The Group expects 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 bank is supervised by the Norwegian FSA and has to comply with the capital requirements for banks in Norway. The bank has to comply with the capital requirements both at group level (SCB Group) and at stand-alone level (SCB AS). The bank had per March 2018 a strong capital adequacy position.

In January 2018, the bank implemented the accounting standard IFRS 9, which resulted in an increase in the loan loss reserves of 601 MM NOK for SCB Group and 498 MM NOK for SCB AS. The net increase after adjustment for tax of 457 MM NOK for SCB Group and 374 MM NOK for SCB AS, due to the implementation of IFRS9, has been deducted from the CET1 capital per first quarter. The impact of IFRS 9 is a reduction in the CET1 capital ratio of 34 bps for SCB Group and 29 bps for SCB AS as of Q1 2018.

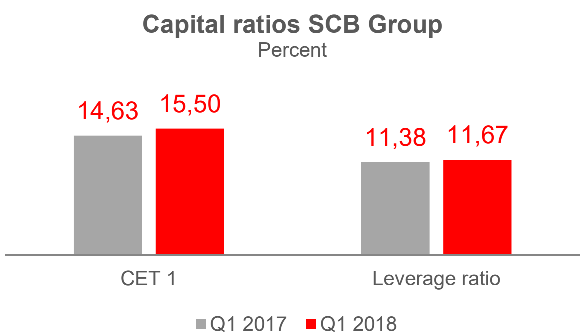
In December 2017, the Norwegian Ministry of Finance issued guidelines on transition requirements for the implementation of IFRS 9. The guidelines allow a choice of two approaches to the recognition of the impact on adoption of the standard on regulatory capital:

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

The bank has notified Finanstilsynet that we will adopt the first alternative using the transitional rule. The transitional rules allows a 95% reversal of the capital impact in 2018.

Going forward, the bank will publish capital ratios both with and without transitional rules. The CET1-ratio per end of first quarter allowing for phase-in of IFRS 9 impact was 15.50% for SCB Group and 15.63% for SCB AS. The CET1-ratio per end of first quarter with the full IFRS 9 impact was 15.16% for SCB Group and 15.35% for SCB AS. For Tier1-ratio, Tier2-ratio and leverage ratios please see Note 7 “Capital adequacy”.

In December 2017, Finanstilsynet published the Pillar 2 requirement for the bank for 2018 of 2.3%, which was a slight increase of the requirement in 2017 of 2.2%. The Pillar 2 requirement must be met with CET1-capital.



The leverage ratio (LR) is the relationship between the bank’s core capital and its total assets. LR is calculated by dividing Tier 1 capital by total assets (on- and off-balance). The required leverage ratio for the bank is 5%. Per March 2018 SCB Group had a leverage ratio of 11,67%.

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

Regulatory Changes

There are several regulatory initiatives in the financial sector, and the bank works continuously to ensure compliance. The constitutional challenge in Norway regarding implementation of the EU supervisory regime has been solved, and although there are no longer any formal obstacles preventing EU financial legal acts to be included in the EEA agreement and Norwegian law, there is still a significant “back log” of EU legal acts pending national implementation. Further, the digital revolution is expected to potentially change the traditional banking business and customer behavior, for example the EU’s revised Payment Services Directive, PSD2, opens up to giving technology companies and other players that do not offer bank accounts, direct access to banks’ payment infrastructure and the opportunity to aggregate account information and debit accounts on behalf of customers.

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

Digital Transformation

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

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

1. **Disruption regulations** – determining our strategic response to new legislation such as PSD2

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

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

Future Prospects

The Group has future proofed the existing strategy. Important focus areas are mobility, sales finance channels and digital strategy. The strategic initiatives will continue with investments in innovation, in employees and in launching new products.

Regarding mobility, the auto industry is undergoing a change in terms of customer behavior, connectivity and digitalization. In addition, with the current evolution with EV and hybrid cars and uncertainty related to possible regulations on diesel and petrol cars, the need for a flexible product mix is becoming even more important. The revised auto strategy covers these changes, and our ambitions are to keep our position as market leader.

We have recently won several major sales finance deals within the Nordic countries. The unsecured portfolio expects to keep benefiting from this, and we will strive to close even more agreements going forward.

The Group's focus on funding and liquidity remains on securing a diverse and robust supply. Customer deposits, senior unsecured bonds, securitization and intra group funding form the main funding pillars. Hence, the bank is working on being a frequent issuer in the capital markets, and expanding the product mix related to deposits in the countries where the Group is present.

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

Lysaker, 14th May 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	YTD Q1 2018	YTD Q1 2017	Financial year 2017
Total interest income		2 036	1 895	7 850
Total interest expenses		-340	-302	-1 243
Net interest income	9	**1 696**	**1 593**	**6 607**
Fee and commission income		131	156	553
Fee and commission expenses		-26	-21	-111
Value change and gain/loss on foreign exchange and securities		30	-24	-32
Other operating income		49	47	194
Other operating expenses		-52	-46	-222
Gross margin		**1 828**	**1 705**	**6 989**
Salaries and personnel expenses		-315	-282	-1 125
Administrative expenses		-369	-377	-1 587
Depreciation and amortisation		-28	-26	-106
Net operating income		**1 116**	**1 020**	**4 171**
Other income and costs		-1	-1	-63
Impairment losses on other assets		0	0	0
Impairment losses on loan, guarantees etc.	3, 4, 5	-372	-108	-113
Profit before tax		**744**	**911**	**3 995**
Income tax expense		-187	-216	-941
Profit after tax		**557**	**695**	**3 055**
Allocation of profit after tax				
Transferred to other earned equity		515	653	2 885
Transferred to additional Tier 1 capital		42	43	170
Total allocations		**557**	**695**	**3 055**
Profit after tax		**557**	**695**	**3 055**
Items not to be recycled to profit and loss				
Actuarial gain/loss on post employment benefit obligations		-	-	-25
Items to be recycled to profit and loss				
Net exchange differences on translating foreign operations		-37	26	213
Value change of assets available for sale		-	3	3
Net gains on investments in equity instruments designated at FVOCI		-	-	-
Cash flow hedge		-19	25	69
Net investment hedge		16	-8	-74
Other comprehensive income for the period net of tax		**-40**	**46**	**186**
Total comprehensive income for the period		**517**	**741**	**3 241**

Balance Sheet - Santander Consumer Bank Group

All amounts in millions of NOK	Note	Q1 2018	Q1 2017	Financial year 2017
Assets				
Cash and receivables on central banks	10	65	60	65
Deposits with and receivables on financial institutions	10	7 292	2 905	3 226
Loans to customers	3, 4, 5, 10, 12	140 979	125 462	140 793
Commercial papers and bonds	10, 11	8 387	9 206	6 859
Financial derivatives	10, 11	147	289	237
Consignment		4 095	3 112	4 355
Repossessed assets		45	14	12
Other ownership interests	10, 11	23	18	23
Intangible assets		1 069	981	1 100
Deferred tax assets		270	239	228
Fixed assets		594	522	555
Other assets		1 373	1 322	1 645
Total assets		**164 339**	**144 131**	**159 100**
Liabilities				
Debt to credit institutions	10, 14	33 654	29 853	31 020
Deposits from customers		52 244	43 885	50 617
Debt established by issuing securities	10, 13	53 009	47 250	51 270
Financial derivatives	10, 11	99	235	175
Tax payable		-	115	88
Other financial liabilities		262	90	344
Deferred tax		824	712	915
Pension liabilities		84	210	88
Other liabilities		1 607	1 696	1 651
Subordinated loan capital	10, 14	1 709	1 304	1 753
Total liabilities		**143 491**	**125 349**	**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		7 992	6 095	8 274
OCI items		62	-107	111
Total equity		**20 848**	**18 782**	**21 179**
Total liabilities and equity		**164 339**	**144 131**	**159 100**

Cash Flow - Santander Consumer Bank Group

All amounts in millions of NOK	Note	YTD Q1 2018	YTD Q1 2017	Financial year 2017
Cash flow from operations				
Profit before tax		744	911	3 995
Adjustments for:				
- Depreciation, amortisation and impairment on fixed and intangible assets		52	49	206
- Net interest income	9	-1 696	-1 593	-6 607
- Value change and gain/loss on foreign exchange and securities		-30	24	32
- Dividends on financial assets at FVOCI		-	-	-
Changes in:				
- Loans to customers	12	-900	-3 764	-19 095
- Consignment and operational lease		217	112	-1 159
- Repossessed assets		-32	-9	-7
- Other assets		97	21	-896
- Deposits from customers		1 627	2 915	9 647
- Other liabilities and provisions		-787	-1 045	-324
Interests received		1 909	1 895	7 850
Dividends received		-	-	-
Interests paid		-313	-302	-1 243
Net income taxes paid		-163	-183	-953
Net cash flow from operations		**723**	**-969**	**-8 554**
Cash flow from investments				
Purchase of bonds		-3 268	-137	-5 896
Proceeds from matured bonds		2 173	1 875	10 334
Purchase of fixed and intangible assets		-26	-11	-177
Proceeds from sale of fixed and intangible assets		4	-	25
Net cash flow from investments		**-1 118**	**1 727**	**4 286**
Cash flow from financing				
Proceeds from issued securities		6 604	7 020	18 457
Repayments of issued securities		-4 456	-2 380	-9 795
Change in loans and deposits from credit institutions		2 634	-5 166	-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		-42	-43	-170
Net cash flow from financing		**4 390**	**-1 768**	**3 712**
Exchange gains / (losses) on cash and cash equivalents		**70**	17	**-110**
Net change in cash and cash equivalents		4 066	-993	-666
Cash and cash equivalents at the beginning of the period		3 291	3 958	3 957
Cash and cash equivalents at the end of the period		**7 357**	**2 965**	**3 291**

Statement of changes in equity - Santander Consumer Bank Nordic Group

Q1 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**	**21 180**
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	-	-	42	515	-	-	-	-	-	557
OCI movements (net of tax)	-	-	-	-	-37	-	-19	16	-	-40
Interest payments additional Tier 1 capital	-	-	-42	-	-	-	-	-	-	-42
Tax on interest payment additional Tier 1 capital	-	-	-	10	-	-	-	-	-	10
Share dividend	-	-	-	-350	-	-	-	-	-	-350
Balance at 31 March 2018	**9 652**	**891**	**2 250**	**7 992**	**141**	**23**	**2**	**-34**	**-70**	**20 848**

* See accounting principles for further details.

Total shares registered as at March 31, 2018, was 965 241 842.

Restricted capital as at March 31, 2018, was 9 652 MMNOK and unrestricted capital was 11 196 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 NMOK. 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.

Santander Consumer Bank

Profit and Loss - Santander Consumer Bank AS

All amounts in millions of NOK	Note	YTD Q1 2018	YTD Q1 2017	Financial year 2017
Total interest income		1 742	1 635	6 781
Total interest expenses		-295	-270	-1 150
Net interest income	9	**1 447**	**1 365**	**5 630**
Fee and commission income		126	156	545
Fee and commission expenses		-20	-16	-86
Value change and gain/loss on foreign exchange and securities		28	-25	-33
Other operating income		20	16	312
Other operating expenses		-29	-21	-120
Gross margin		**1 573**	**1 475**	**6 248**
Salaries and personnel expenses		-281	-249	-1 002
Administrative expenses		-323	-341	-1 418
Depreciation and amortisation		-26	-23	-95
Net operating income		**944**	**862**	**3 733**
Other income and costs		-1	-1	-59
Impairment losses on other assets		0	0	0
Impairment losses on loan, guarantees etc.	3, 4, 5	-296	-98	-40
Profit before tax		**647**	**763**	**3 634**
Income tax expense		-167	-187	-820
Profit after tax		**479**	**576**	**2 814**

Allocation of profit after tax			
Transferred to other earned equity	438	534	2 644
Transferred to additional Tier 1 capital	42	43	170
Total allocations	**479**	**576**	**2 814**

Profit after tax	**479**	**576**	**2 814**
Items not to be recycled to profit and loss			
Actuarial gain/loss on post employment benefit obligations	-	-	-25
Items to be recycled to profit and loss			
Net exchange differences on translating foreign operations	3	1	11
Value change of assets available for sale	-	4	5
Net gains on investments in equity instruments designated at FVOCI	-	-	-
Cash flow hedge	-18	11	52
Other comprehensive income for the period net of tax	**-15**	**16**	**43**
Total comprehensive income for the period	**464**	**592**	**2 857**

Balance Sheet - Santander Consumer Bank AS

All amounts in millions of NOK	Note	Q1 2018	Q1 2017	Financial year 2017
Assets				
Cash and receivables on central banks	10	65	60	65
Deposits with and receivables on financial institutions	10	5 588	812	1 351
Loans to customers	3, 4, 5, 10, 12	115 697	106 222	116 484
Commercial papers and bonds	10, 11	7 148	10 718	8 475
Financial derivatives	10, 11	144	283	232
Consignment		1 784	1 434	1 788
Repossessed assets		43	8	6
Loans to subsidiaries and SPV's	10, 14	11 619	8 624	9 050
Investments in subsidiaries		1 256	1 190	1 277
Other ownership interests	10, 11	23	18	23
Intangible assets		650	595	677
Deferred tax assets		51	68	27
Fixed assets		239	211	222
Other assets		1 343	1 196	1 449
Total assets		**145 651**	**131 440**	**141 126**
Liabilities				
Debt to credit institutions	10, 14	29 693	32 790	30 045
Deposits from customers		52 244	43 885	50 617
Debt established by issuing securities	10, 13	39 879	32 971	35 785
Financial derivatives	10, 11	98	232	172
Tax payable		-	95	84
Other financial liabilities		259	89	342
Deferred tax		835	702	931
Pension liabilities		84	210	88
Other liabilities		1 222	1 394	1 380
Subordinated loan capital	10, 14	1 709	1 304	1 753
Total liabilities		**126 022**	**113 674**	**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		6 889	5 108	7 164
OCI items		-53	-135	-30
Total equity		**19 629**	**17 766**	**19 928**
Total liabilities and equity		**145 651**	**131 440**	**141 126**

Cash Flow - Santander Consumer Bank AS

All amounts in millions of NOK	Note	YTD Q1 2018	YTD Q1 2017	Financial year 2017
Cash flow from operations				
Profit before tax		647	763	3 634
Adjustments for:				
- Depreciation, amortisation and impairment on fixed and intangible assets		29	25	105
- Net interest income	9	-1 447	-1 365	-5 630
- Value change and gain/loss on foreign exchange and securities		-28	25	33
- Dividends on financial assets at FVOCI		-	-	-241
Changes in:				
- Loans to customers	12	203	-2 489	-12 751
- Consignment and operational lease		-18	-100	-459
- Repossessed assets		-37	-3	-1
- Other assets		105	-57	-1 060
- Deposits from customers		1 627	2 915	9 647
- Other liabilities and provisions		-687	-932	205
Interests received		1 664	1 635	6 781
Dividends received		-	-	241
Interests paid		-276	-270	-1 150
Net income taxes paid		-127	-159	-832
Net cash flow from operations		**1 654**	**-12**	**-1 479**
Cash flow from investments				
Purchase of bonds		-543	-	-2 809
Proceeds from matured bonds		1 673	1 834	6 164
Purchase of fixed and intangible assets		-24	-9	-159
Proceeds from sale of fixed and intangible assets		1	-	17
Net cash flow from investments		**1 106**	**1 825**	**3 213**
Cash flow from financing				
Proceeds from issued securities		6 604	7 020	11 795
Repayments of issued securities		-1 850	-522	-2 483
Change in loans to and deposits from credit institutions		-2 922	-7 760	-10 218
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		-42	-43	-170
Net cash flow from financing		**1 440**	**-2 505**	**-1 856**
Exchange gains / (losses) on cash and cash equivalents		**36**	**5**	**-21**
Net change in cash and cash equivalents		4 237	-687	-144
Cash and cash equivalents at the beginning of the period		1 416	1 559	1 560
Cash and cash equivalents at the end of the period		**5 653**	**872**	**1 416**

Statement of changes in equity - Santander Consumer Bank AS

Q1 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	-	-	42	438	-	-	-	-	479
OCI movements (net of tax)	-	-	-	0	3	-	-18	-	-15
Interest payments additional Tier 1 capital	-	-	-42	0	-	-	-	-	-42
Tax on interest payment additional Tier 1 capital	-	-	-	10	-	-	-	-	10
Share dividend	-	-	-	-350	-	-	-	-	-350
Balance at 31 March 2018	**9 652**	**891**	**2 250**	**6 889**	**-9**	**23**	**2**	**-70**	**19 629**

* See accounting principles for further details

Total shares registered as at March 31, 2018, was 965 241 842

Restricted capital as at March 31, 2018, was 9 652 MM NOK and unrestricted capital was 9 976 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 10 276 MM NOK. The split between restricted and unrestricted capital is in accordance with the Norwegian limited companies act.

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

Lysaker, 14th May 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 (as listed in note 14) 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 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.

This is the first set of the Group's financial statements where IFRS 9 have been applied. Changes to significant accounting policies are described in Note 2.

These interim financial statements were authorised by the Board of Directors on 14th May 2018.

Note 2 - Accounting policies

The Group's accounting policies are consistent with those of the previous financial year as described in the 2017 annual report except as described below.

1. Significant accounting policies

1.1 Changes in accounting policies

The Group has adopted IFRS 9 *Financial Instruments* as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statement. The Group did not early adopt any of IFRS 9 in previous periods.

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

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

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

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Furhter details of specific IFRS 9 accounting policies applied in the current period (previous IAS 39 accounting policies applied in comparative period are described in annual report for 2017) are described in more detail on section 1.2 below.

The Group has also adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018, but this standard do not have a material effect on the Group's financial statement. See note 2.2.2 in 2017 annual report for further details.

(a) Classification and measurment of financial instruments

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

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

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

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

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

Please refer to 1.2.1.1 (i) for more detailed information regarding the new classification requirements of IFRS 9.

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

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

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

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

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

(B) Reclassification from retired categories with no change in measurement

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

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

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

All amounts in millions NOK

Reclassifications to amortized cost	Q1 2018
From available for sale (IAS 39 classification) - Item (A) above	
Fair value as at 31 March 2018	8 367
Fair value gain/(loss) that would have been reconised during the quarter if the financial asset had not been reclassified	-21

(c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

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

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

Further information on the measurement of the impairment allowance under IFRS 9 can be found in section 1.2.1.1 (ii).

1.2 Summary of significant accounting policies (IFRS 9)

1.2.1 Financial assets and liabilities

Measurement methods

Amortized cost and effective interest rate

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and feed and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired (see definition in section 1.2.11 (ii)) at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.
When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit of loss.

Interest income

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

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

Initial recognition and measurement

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

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortized costs and investments in debt instruments measured at FVOCI, as described in section 1.2.1.1 (ii), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

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

1.2.1.1 Financial assets

(i) Classification and subsequent measurement

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

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

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

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

Classification and subsequent measurement of debt instruments depend on:

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

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

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interests ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by an expected credit loss allowance recognised and measured as described in section 1.2.1.1 (ii). Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

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

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

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

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

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

Equity instruments

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

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

(ii) Impairment

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

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

Expected credit loss measurement

IFRS 9 outline a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:
A financial instrument that is not credit-impaired on initial recognition is classified in 'stage 1' and has its credit risk continuously monitored by the Group.

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

Further explanation is also provided on how the Group determines appropriate groupings when ECL is measured on a collective basis. See below.
The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

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

Significant increase in credit risk (SICR)

Credit rating being one of the risk characteristics as suggested in the guideline, in the Group, admission and behavior scores which can be directly translated to corresponding PD are used as key factors to identify any credit risk deterioration event. Current method in the Group compares credit admission score at origination with the monthly updated behavior score (PIT) and based on empirical data test results, 10% score drop is considered as significant change in credit risk. There is no absolute threshold applied to assess significant increase in credit risk. To strengthen the IRFS9 compliance on identification of significant increase in credit risk, Group is in the final phase of implementing a new SICR logic in which residual lifetime PD at reporting date will be compared twith the residual PD at initial recognition date and using a combination of relative and an absolute threshold assessment to be made if the credit risk has increased significantly since initial recognition.
Further, along with financial assets assessed to have increased credit risk, financial assets falling under either of the categories mentioned below are classified as Stage 2.

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

Definition of default and credit-impaired assets

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

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

Measuring ECL – explanation of inputs, assumptions and estimation techniques

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

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

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

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

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

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

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

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

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

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

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and idetified the key economic variables impactiong credit risk and expected credit losses for each portfolio. The macro economic variables found impacting credit risk and ECL are GDP, Unemplyment rate and Housing Price Index.

Grouping of instruments for losses measured on a collective basis

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

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

(iii) Modification of loans

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

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

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

(iv) Derecognition other than on a modification

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

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

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

(v) Write-off policy

The Group write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) insolvency of the borrower and (ii) realization of the collateral where the Group's recovery method is foreclosing on collateral is such that there is no reasonable expectation of recovery in full.
The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the period ended 31 March 2018 was MNOK 4 991. The Group still seeks to recover amounts it is legally owed in full, but which have been partly written off due to no reasonable expectation of full recovery.

1.2.1.2 Financial liabilities

(i) Classification and subsequent measurement

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

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

(ii) Derecognition

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

1.2.2 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantee contracts issued by a group entity are initially measured at their fair values and subsequently measured at the higher of:

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

1.2.3 Derivatives and hedging activities

The Group has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.
The Group has not provided comparative information for periods before the date of initial application of IFRS 9 for the new disclosures introduced by IFRS 9 as a consequential amendment to IFRS 7, as permitted by IFRS 7 paragraph 44Z.
Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.
The group designates certain derivatives as either:
a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
c) hedges of a net investment in a foreign operation (net investment hedge).

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

2. 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 recognised. The gross carrying amount of financial assets below also represetns the Group's maximum exposure to credit risk on these assets.

	Q1 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	125 982	6 960	-	-	132 942
Standard monitoring	4 903	3 282	-	-	8 185
Special monitoring	5	282	-	-	287
Default	-	-	3 100	-	3 100
Gross carrying amount	**130 890**	**10 524**	**3 100**	**-**	**144 515**
Loss allowance	(1 143)	(533)	(1 860)	-	(3 536)
Carrying amount	**129 747**	**9 991**	**1 241**	**-**	**140 979**

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	8 388	-	-	-	8 388
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	**8 388**	**-**	**-**	**-**	**8 388**
Loss allowance	(1)	-	-	-	(1)
Carrying amount	**8 387**	**-**	**-**	**-**	**8 387**

Maximum exposure to credit risk - Financial intrumentsd 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	147

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		
	Q1 2018	**Q1 2017**	**FY 2017**	**Q1 2018**	**Q1 2017**	**FY 2017**
Current - not past due date	132 942	119 294	132 664	-1 156	-1 034	-908
Current - past due date	8 473	6 380	8 039	-520	-251	-306
Total impaired loans	3 100	2 639	2 912	-1 860	-1 566	-1 608
Total gross loans to customers	**149 053**	**128 313**	**143 615**	**-3 536**	**-2 851**	**-2 822**

	Balance			Loss reserves		
Ageing of past due but not impaired loans	**Q1 2018**	**Q1 2017**	**FY 2017**	**Q1 2018**	**Q1 2017**	**FY 2017**
1 - 29 days	6 632	5 236	6 485	-257	-105	-131
30 - 59 days	1 128	839	1 162	-154	-77	-95
60 - 89 days	429	305	392	-109	-69	-80
Total loans due but not impaired	**8 473**	**6 380**	**8 039**	**-520**	**-251**	**-306**

	Balance			Loss reserves		
Ageing of impaired loans	**Q1 2018**	**Q1 2017**	**FY 2017**	**Q1 2018**	**Q1 2017**	**FY 2017**
90 - 119 days	262	214	242	-138	-77	-82
120 - 149 days	215	169	185	-115	-72	-77
150 - 179 days	168	140	154	-95	-70	-75
180 + days	888	947	798	-587	-681	-551
Economic doubtful*	1 567	1 170	1 532	-925	-666	-823
Total impaired loans	**3 100**	**2 639**	**2 912**	**-1 860**	**-1 566**	**-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 recognised as at 1 January 2018					
Transfer from Stage 1 to Stage 2	-49	220	-	-	171
Transfer from Stage 1 to Stage 3	-17	-	165	-	148
Transfer from Stage 2 to Stage 1	19	-98	-	-	-79
Transfer from Stage 2 to Stage 3	-	-130	281	-	151
Transfer from Stage 3 to Stage 2	-	10	-65	-	-55
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	151	21	35	-	207
Changes to assumptions and methodologies	-69	-0	47	-	-22
Financial asstes that have been derecognised	-63	-30	-41	-	-135
Write-offs	-	-	-270	-	-270
Loss allowance as at 31 March 2018	**1 144**	**533**	**1 860**	**-**	**3 536**

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 recognised 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 derecognised	-	-	-	-	-
Write-offs	-	-	-	-	-
Loss allowance as at 31 March 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	**Q1 2017**	**FY 2017**
Specific loan reserves 01.01.	1 555	1 555
+/- Fx rate adjustment opening balance	4	28
Reclassification between specific and generic loan reserves	-	39
+ Specific loan reserves for the period	4	-17
= Specific loan reserves period end	**1 563**	**1 605**
Generic loan reserves		
Generic loan reserves 01.01	1 371	1 371
+/- Fx rate adjustment opening balance	8	56
Release of reserves related to bad debt sale	-	-
Reclassification between specific and generic loan reserves	-	-39
+/- Generic loan reserves for the year	-91	-172
= Generic loan reserves period end	**1 288**	**1 216**
Total Loan Reserves in Balance Sheet	**2 851**	**2 822**

Loan losses expenses	**YTD Q1 2017**	**FY 2017**
Change in loan reserves provision	87	189
+/- Fx rate adjustment opening balance	-1	3
+ Total realized losses	-362	-1 567
- Recoveries on previously realized losses	168	662
- Gain on sold portfolios	-	601
= Loan losses in the period	**-108**	**-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

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) %	**Q1 2018**	**Q1 2017**	**Q4 2017**
Liquidity Coverage Ratio (LCR) Total	119	113	148
Liquidity Coverage Ratio (LCR) NOK	109	145	125
Liquidity Coverage Ratio (LCR) SEK	144	82	128
Liquidity Coverage Ratio (LCR) DKK	110	-	283
Liquidity Coverage Ratio (LCR) EUR	127	119	198

Note 7 - Capital adequacy

All amounts in millions of NOK

	Q1 2018	Q1 2017	FY 2017
Balance sheet equity			
Paid in equity	9 652	9 652	9 652
Share premium	891	891	891
Other equity	7 992	6 066	8 274
Tier 1 Capital	2 250	2 250	2 250
Other reserves	62	-107	111
Total Equity	**20 848**	**18 753**	**21 179**
Common Equity Tier 1 Capital			
(-) Profit not eligible as capital	-557	-663	-350
Cash-flow hedge adjustment	-2	-	-21
IRB Expected Loss - Reserves	-335	-316	-361
Goodwill	-687	-655	-700
Other intangible assets	-300	-250	-317
Deferred tax assets	-	-	-
Adjustment Prudent Valuation (AVA)	-9	-10	-7
Tier 1 Capital	-2 250	-2 250	-2 250
Total common Equity Tier 1 Capital (with full IFRS9 impact)	**16 708**	**14 609**	**17 172**
Capital adjustment according to IFRS9 Transitional rules	434	-	-
Total common Equity Tier 1 Capital (after IFRS9 transitional rules)	**17 143**	**14 609**	**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)	**18 958**	**16 859**	**19 422**
Total Tier 1 Capital (after IFRS9 transitional rules)	**19 393**	**16 859**	**19 422**
Total Capital			
Paid up subordinated loans	1 706	1 291	1 711
Subordinated loans not eligible	-	-80	-
Total Capital (with full IFRS9 impact)	**20 664**	**18 070**	**21 133**
Total Capital (after IFRS9 transitional rules)	**21 098**	**18 070**	**21 133**
Risk exposure on Standard Approach			
Regional governments or local authorities	78	64	78
Institutions	771	1 258	978
Corporates	5 061	6 267	5 528
Retail Standard Approach	51 427	46 658	51 402
Exposures in default SA	865	940	1 051
Covered bonds	411	807	420
Other Exposures	7 304	5 797	7 414
Total Risk exposure amount on Standard Approach	**65 918**	**61 791**	**66 871**
Risk exposure on Internal Rating Based Approach			
Retail Other	31 347	27 077	31 032
Total Risk exposure amount on Internal Rating Based Approach	**31 347**	**27 077**	**31 032**
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**97 265**	**88 868**	**97 903**

Foreign exchange (zero if under threshold)	935	900	852
Risk exposure amount for position, foreign exchange and commodities risks	**935**	**900**	**852**
Basic indicator approach	11 896	9 835	11 896
Risk exposure amount for operational risk	**11 896**	**9 835**	**11 896**
Standardized method	106	232	165
Risk exposure amount for credit valuation adjustment	**106**	**232**	**165**
Total risk exposure amount (with full IFRS9 impact)	**110 201**	**99 836**	**110 815**
Risk Exposure adjustment according to IFRS9 Transitional rules	380	-	-
Total risk exposure amount (after IFRS9 transitional rules)	**110 580**	**99 836**	**110 815**
Total exposure for Leverage Ratio			
Derivatives: Add-on under market-to-market method	**738**	**1 360**	**734**
Off-balance sheet items with 10% CCF	**2 263**	**1 519**	**1 686**
Off-balance sheet items with 20% CCF	**367**	**1 612**	**269**
Off-balance sheet items with 50% CCF	**37**	**48**	**41**
Adjusted On balance sheet exposure	**162 226**	**143 603**	**158 452**
Total exposure for Leverage Ratio (with full IFRS9 impact)	**165 631**	**148 142**	**161 182**
Exposure adjustment according to IFRS9 Transitional rules	571	-	-
Total exposure for Leverage Ratio (after IFRS9 transitional rules)	**166 202**	**148 142**	**161 182**
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 %	1,01 %	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 %**	**13,21 %**	**13,34 %**
Minimum Regulatory Capital			
Minimum Core Equity	4 959	4 492	4 987
Pillar 2 Requirement	2 535	2 196	2 438
Countercyclical Buffer (combined)	1 256	1 008	1 119
Conservation Buffer	2 755	2 496	2 770
Systemic Risk Buffer	3 306	2 995	3 324
Minimum Regulatory Capital amount (full IFRS9 impact)	**14 811**	**13 188**	**14 639**
Surplus of Core Equity Tier 1 capital (full IFRS9 impact)	1 897	1 421	2 533
Minimum Regulatory Capital amount (after IFRS9 transitional rules)	**14 862**	**13 188**	**14 639**
Surplus of Core Equity Tier 1 capital (after IFRS9 transitional rules)	2 281	1 421	2 533
Common equity tier 1 capital ratio (full IFRS9 impact)	**15,16 %**	**14,63 %**	**15,50 %**
Common equity tier 1 capital ratio (after IFRS9 transitional rules)	**15,50 %**	**14,63 %**	**15,50 %**
CET1 regulatory requirements	13,44 %	13,21 %	13,21 %
Tier 1 capital ratio (full IFRS9 impact)	**17,20 %**	**16,89 %**	**17,53 %**
Tier 1 capital ratio (after IFRS9 transitional rules)	**17,54 %**	**16,89 %**	**17,53 %**
Tire 1 regulatory requirements	14,94 %	14,71 %	14,71 %
Total capital ratio (full IFRS9 impact)	**18,75 %**	**18,10 %**	**19,07 %**
Total capital ratio (after IFRS9 transitional rules)	**19,08 %**	**18,10 %**	**19,07 %**
Total capital regulatory requirements	16,94 %	16,71 %	16,71 %

Leverage ratio (full IFRS9 impact)	**11,45 %**	**11,38 %**	**12,05 %**
Leverage ratio (after IFRS9 transitional rules)	**11,67 %**	**11,38 %**	**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	-
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)	-599
- 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)	0,34 %

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

Product segmentation per country (gross lending before expected losses)

	31 March 2018					
	Unsecured loans	**Secured loans**	**Financial lease**	**Operational lease**	**Consignment**	**Total**
Norway	11 503	35 931	9 990	-	-	**57 425**
Sweden	13 411	13 995	4 642	-	1 439	**33 487**
Denmark	5 705	20 851	2 677	183	345	**29 761**
Finland	2 594	21 375	1 840	340	2 310	**28 460**
Total	**33 214**	**92 152**	**19 149**	**523**	**4 095**	**149 132**

	31 March 2017					
	Unsecured loans	**Secured loans**	**Financial lease**	**Operational lease**	**Consignment**	**Total**
Norway	10 853	33 287	9 076	-	-	**53 216**
Sweden	13 234	12 167	4 400	-	1 152	**30 952**
Denmark	5 083	18 448	2 162	155	283	**26 132**
Finland	2 395	15 778	1 430	295	1 678	**21 577**
Total	**31 565**	**79 680**	**17 069**	**451**	**3 112**	**131 877**

P&L and Balance sheet per country

	31 March 2018					
	Norway	**Sweden**	**Denmark**	**Finland**	**Eliminations**	**Total Group**
Total interest income	943	402	421	276	-7	2 036
Total interest expenses	-216	-36	-50	-33	-6	-340
Net interest income	**727**	**366**	**371**	**244**	**-13**	**1 696**
Fee and commission income	38	39	41	14	0	131
Fee and commission expenses	-14	-2	-5	-5	0	-26
Value change and gain/loss on foreign exchange and securities	19	-2	11	2	0	30
Other operating income*	4	2	13	29	0	49
Other operating expenses**	-11	-6	-12	-23	0	-52
Gross margin	**764**	**397**	**421**	**260**	**-13**	**1 828**
Salaries and personnel expenses	-116	-92	-73	-43	8	-315
Administrative expenses	-164	-94	-64	-50	4	-369
Depreciation and amortisation	-15	-4	-7	-2	0	-28
Net operating income	**468**	**207**	**277**	**164**	**0**	**1 116**
Other income and costs	-1	0	0	0	0	-1
Impairment losses on other assets	0	0	0	0	0	0
Impairment losses on loan, guarantees etc.	-175	-63	-66	-68	0	-372
Profit before taxes	**291**	**144**	**211**	**97**	**0**	**744**
Income tax expense	-87	-33	-47	-19	0	-187
Profit after tax	**204**	**111**	**164**	**78**	**0**	**557**
Cash and receivables on central banks	65	-	-	-	-	65
Deposits with and receivables on financial institutions	1 336	897	4 020	1 039	-	7 292
Total gross loans to customers	57 425	32 048	29 233	25 809	-	144 515
Write-downs	-1 831	-666	-510	-528	-	-3 536
Commercial papers and bonds	2 058	1 741	1 287	3 300	-	8 387
Financial derivatives	144	-	-	3	-	147
Investments in subsidiaries	1 256	-	-	-	-1 256	-
Other assets	27 511	1 819	1 723	2 893	-26 477	7 469
Total assets	**86 707**	**35 839**	**35 752**	**32 517**	**-26 477**	**164 339**
Debt to credit institutions	6 454	10 423	19 856	22 652	-25 731	33 654
Deposits from customers	22 316	14 883	15 045	-	-	52 244
Debt established by issuing securities	36 262	9 328	10	7 410	-	53 009
Financial derivatives	98	-	-	1	-	99
Other liabilities	1 952	1 236	812	387	99	4 486
Equity	19 626	-29	30	2 066	-845	20 848
Total liabilities and equity	**86 707**	**35 839**	**35 752**	**32 517**	**-26 477**	**164 339**

	31 March 2017					
	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Total interest income	928	385	365	228	-11	1 895
Total interest expenses	-210	-39	-41	-28	17	-302
Net interest income	**718**	**346**	**324**	**200**	**5**	**1 593**
Fee and commission income	74	37	32	13	-	156
Fee and commission expenses	-11	-2	-4	-4	-	-21
Value change and gain/loss on foreign exchange and securities	-22	2	-5	0	0	-24
Other operating income	6	2	7	31	0	47
Other operating expenses	-8	-6	-8	-24	-	-46
Gross margin	**758**	**380**	**347**	**215**	**6**	**1 705**
Salaries and personnel expenses	-98	-90	-61	-30	-4	-282
Administration expenses	-185	-102	-55	-33	-2	-377
Depreciation and amortisation	-11	-5	-7	-2	0	-26
Net operating income	**464**	**183**	**224**	**150**	**0**	**1 020**
Other income and costs	-1	0	0	0	-	-1
Impairment losses on other assets	-	-	-	-	-	-
Impairment losses on loan, guarantees etc.	-46	-28	-33	-2	-	-108
Profit before taxes	**417**	**155**	**192**	**148**	**0**	**911**
Income tax expense	-107	-38	-41	-30	-	-216
Profit after tax	**310**	**117**	**150**	**119**	**0**	**695**
Cash and receivables on central banks	60	-	-	-	-	60
Deposits with and receivables on financial institutions	1 365	746	68	726	-	2 905
Total gross loans to customers	53 216	29 800	25 694	19 604	-	128 314
Write-downs	-1 681	-437	-369	-364	-	-2 852
Commercial papers and bonds	3 797	2 390	1 263	1 757	-	9 206
Financial derivatives	283	-	-	6	-	289
Investments in subsidiaries	1 208	-	-	-	-1 208	-
Other assets	20 686	1 338	1 446	2 175	-19 437	6 208
Total assets	**78 933**	**33 837**	**28 101**	**23 904**	**-20 679**	**144 131**
Debt to credit institutions	7 505	10 378	15 831	15 955	-19 816	29 853
Deposits from customers	19 764	12 658	11 463	0	-	43 885
Debt established by issuing securities	32 097	9 349	-11	5 815	-	47 250
Financial derivatives	232	-	-	3	-	235
Other liabilities	1 805	1 361	676	291	-8	4 126
Equity	17 530	91	141	1 840	-820	18 782
Total liabilities and equity	**78 933**	**33 837**	**28 101**	**23 904**	**-20 645**	**144 131**

Note 9 - Net interest income

All amounts in millions of NOK

	Q1 2018	Q1 2017	FY 2017
Interest and similar income on loans to and receivables from credit institutions	30	21	80
Interest and similar income on loans to and receivables from customers	1 984	1 835	7 670
Interest and similar income on comm. paper, bonds and other securities	22	39	100
Total interest income	**2 036**	**1 895**	**7 850**
Interest and similar expenses on debt to credit institutions	-55	-60	-205
Interest and similar expenses on deposits from and debt to customers	-165	-135	-603
Interest and similar expenses on issued securities	-87	-100	-391
Interest on subordinated loan capital*	-11	-8	-37
Other interest expenses and similar expenses	-22	1	-7
Total interest expense	**-340**	**-302**	**-1 243**
Net interest income	**1 696**	**1 593**	**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 Q1 2017 of 43 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.

All amounts in millions of NOK

To credit institutions	**Q1 2018**	**Q1 2017**	**FY 2017**
Interest expenses	-55	-60	-205
Average loan	32 337	32 436	33 019
Average nominal interest rate	**0,68 %**	**0,74 %**	**0,62 %**

To customers	**Q1 2018**	**Q1 2017**	**FY 2017**
Interest expenses	-165	-135	-603
Average deposit	51 430	42 428	45 794
Average nominal interest rate	**1,29 %**	**1,27 %**	**1,32 %**

To bondholders	**Q1 2018**	**Q1 2017**	**FY 2017**
Interest expenses	-87	-100	-391
Average issued notes and bonds	52 140	44 930	46 940
Average nominal interest rate	**0,66 %**	**0,89 %**	**0,83 %**

Subordinated loan capital*	**Q1 2018**	**Q1 2017**	**FY 2017**
Interest expenses	-11	-8	-37
Average subordinated loan capital	1 731	1 315	1 525
Average nominal interest rate	**2,48 %**	**2,53 %**	**2,44 %**

Total of tables above:	**Q1 2018**	**Q1 2017**	**FY 2017**
Interest expenses	-318	-303	-1 236
Loan	137 638	121 108	127 278
Average nominal interest rate	**0,92 %**	**1,00 %**	**0,97 %**

Note 10 – Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 31 March 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	-	-	7 292	7 292
Loans to customers	-	-	140 979	140 979
Commercial papers and bonds	-	-	8 387	8 387
Financial derivatives	147	-	-	147
Other ownership interests	-	23	-	23
Total financial assets	**147**	**23**	**-**	**156 893**
			Non financial assets	7 446
			Total assets	**164 339**

Classification of financial liabilities 31 March 2018	Financial assets at fair value through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	33 654	33 654
Deposits from customers	-	-	52 244	52 244
Debt established by issuing securities	-	-	53 009	53 009
Financial derivatives	99	-	-	99
Other financial liabilities	-	-	262	262
Subordinated loan capital	-	-	1 709	1 709
Total financial liabilities	**99**	**-**	**140 878**	**140 976**
			Non financial liabilities and equity	23 362
			Total liabilities and equity	**164 339**

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 liabilities and equity	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 57	-	88	-	88
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 142	-	56	-	56
KIMI5 Fixed	Interest Rate Swap	MM EUR 214	-	1	-	1
KIMI4 Pass Through	Interest Rate Swap	MM EUR 30	-	0	-	0
KIMI6 Pass Through	Interest Rate Swap	MM EUR 518	-	2	-	2
KIMI6 Fixed	Interest Rate Swap	MM EUR 499	-	0	-	0
Total financial trading derivatives			**-**	**147**	**-**	**147**
Name	***Type***					
VISA	Equity		-	23	-	23
Total other ownership interests			**-**	**23**	**-**	**23**
Total Assets			**-**	**170**	**-**	**170**
Financial liabilities						
Name	***Type***	**Notional**				
Bilkreditt 6 Pass Through	Cross Currency Swap	MM EUR 31	-	47	-	47
Bilkreditt 7 Pass Through	Cross Currency Swap	MM EUR 127	-	51	-	51
KIMI5 Pass Through	Interest Rate Swap	MM EUR 218	-	0	-	0
KIMI4 Front swap	Interest Rate Swap	MM EUR 30	-	0	-	0
KIMI4 Fixed	Interest Rate Swap	MM EUR 39	-	0	-	0
Total financial derivatives			**-**	**99**	**-**	**99**
Total Liabilities			**-**	**99**	**-**	**99**
Derivatives designated for hedge accounting - assets						
Name	***Type***	**Notional**				
Bilkreditt 6	Cross Currency Swap	MM EUR 31	-	47	-	47
Bilkreditt 7	Cross Currency Swap	MM EUR 127	-	51	-	51
EMTN MEUR 350	Cross Currency Swap	MM EUR 350	-	12	-	12
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	13	-	13
DK EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	1	-	1
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	64	-	64
EMTN SEK	Interest Rate Swap	MM SEK 500	-	1	-	1
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	4	-	4
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	22	-	22
Total dervatives designated for hedging - assets*			**-**	**215**	**-**	**215**

Derivatives designated for hedge accounting - liabilities

Name	*Type*	Notional				
KIMI5	Interest Rate Swap	MM EUR 218	-	1	-	1
KIMI6	Interest Rate Swap	MM EUR 518	-	4	-	4
EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	2	-	2
Total dervatives designated for hedging - liabilities*			**-**	**6**	**-**	**6**

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.

Q1 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 27	-	31	-	31
Bilkreditt 5 Fixed	Cross Currency Swap	MM EUR 54	-	46	-	46
Bilkreditt 6 Fixed	Cross Currency Swap	MM EUR 172	-	176	-	176
Bilkreditt 7 Pass Through	Cross Currency Swap	MM EUR 256	-	30	-	30
KIMI5 Fixed	Interest Rate Swap	MM EUR 425	-	4	-	4
KIMI4 Pass Through	Interest Rate Swap	MM EUR 126	-	2	-	2
Total financial trading derivatives			**-**	**289**	**-**	**289**
Name	***Type***					
Government bonds and Treasury Bills	Bonds		1 137	-	-	1 137
Covered Bonds	Bonds		8 069	-	-	8 069
Total commercial papers and bonds *			**9 206**	**-**	**-**	**9 206**
Total Assets			**9 206**	**289**	**-**	**9 495**

Financial liabilities

Name	*Type*	*Notional*				
Bilkreditt 4 Pass Through	Cross Currency Swap	MM EUR 15	-	17	-	17
Bilkreditt 5 Pass Through	Cross Currency Swap	MM EUR 40	-	34	-	34
Bilkreditt 6 Pass Through	Cross Currency Swap	MM EUR 145	-	150	-	150
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 263	-	31	-	31
KIMI5 Pass Through	Interest Rate Swap	MM EUR 441	-	1	-	1
KIMI4 Fixed	Interest Rate Swap	MM EUR 124		2		2
Total financial derivatives			**-**	**235**	**-**	**235**
Total Liabilities			**-**	**235**	**-**	**235**

Derivatives designated for hedge accounting - assets

Name	*Type*	*Notional*				
Bilkreditt 4 Front	Cross Currency Swap	MM EUR 15	-	17	-	17
Bilkreditt 5 Front	Cross Currency Swap	MM EUR 40	-	34	-	34
Bilkreditt 6 Front	Cross Currency Swap	MM EUR 145	-	150	-	150
EMTN SEK	Interest Rate Swap	MM SEK 1 500	-	3	-	3
EMTN MEUR 350	Cross Currency Swap	MM EUR 350	-	10	-	10
Total dervatives designated for hedging - assets*			**-**	**214**	**-**	**214**

Derivatives designated for hedge accounting - liabilities

Name	*Type*	*Notional*				
Bilkreditt 7 Front	Cross Currency Swap	MM EUR 256	-	30	-	30
EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	6	-	6
EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	6	-	6
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	14	-	14
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	10	-	10
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	5	-	5
KIMI4 Front	Interest Rate Swap	MM EUR 126	-	2	-	2
KIMI5 Front	Interest Rate Swap	MM EUR 441	-	1	-	1
Total dervatives designated for hedging - liabilities*			**-**	**74**	**-**	**74**

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	**Q1 / YTD 2018**
Credit Card	6 653
Unsecured loans	26 561
Auto loans	111 301
- Installment loans	*92 152*
- Financial leasing	*19 149*
Total gross loans to customers	**144 515**
- Loan loss allowance - Stage 1	-1 143
- Loan loss allowance - Stage 2	-533
- Loan loss allowance - Stage 3	-1 860
Total net loans to customers	**140 979**

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	**Q1 / YTD 2017**	**Financial year 2017**
Credit Card	6 296	6 606
Unsecured loans	25 269	27 323
Auto loans	96 749	109 686
- Installment loans	*79 680*	*90 802*
- Financial leasing	*17 069*	*18 884*
Total gross loans to customers	**128 314**	**143 615**
- Specific loan reserves	-1 563	-1 605
- Generic loan reserves	-1 288	-1 216
Total net loans to customers	**125 462**	**140 793**

Note 13 - Issued securities

All amounts in millions of NOK

	Q1 2018	Q1 2017	FY 2017
Issued certificates	853	-	901
Senior unsecured issued securities	39 027	32 971	34 884
Asset backed issued securities	13 130	14 278	15 485
Total issued securities	**53 009**	**47 250**	**51 270**

Santander Consumer Bank AS issued bonds on the Oslo Stock exhchange in January to a value of NOK 300 MM.
Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exhchange 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 exhchange 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)

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:	**2018**	**Accrued interest Q1 2018**	**Q1 2017**	**Accrued interest Q1 2017**	**FY 2017**	**Accrued interest FY 2017**
Santander Benelux	571	2	789	3	582	2
Santander Consumer Finance S.A.	32 822	8	28 776	11	29 939	8
Total	**33 393**	**10**	**29 565**	**14**	**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)	706	0	721	0	750	-
MNOK 500, maturity September 2027, 3 months NIBOR + 1,66% (Santander Consumer Finance S.A)	500	1	-	-	500	1
Total	**1 706**	**3**	**1 301**	**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:

	YTD Q1 2018	YTD Q1 2017	Financial year 2017
Interest income	9	12	39
Interest expenses	-37	-61	-201
Interest payments additional Tier 1 capital	-41	-43	-174
Fees	3	23	57
Other	-	-	-4
Net transactions	**-66**	**-69**	**-284**

Santander Consumer Bank Group had transactions with the following related parties per 31 March 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

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.

This is the first set of the Santander Consumer Bank AS's financial statements where IFRS 9 have been applied. Changes to significant accounting policies are described in Note 2.

These interim financial statements were authorised by the Board of Directors on 14th May 2018.

Note 2 - Accounting policies

The Santander Consumer Banks AS's accounting policies are consistent with those of the previous financial year as described in the 2017 annual report except as described in note 2 in the Group notes above.

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 recognised. carrying amount of financial assets below also represetns the Group's maximum exposure to credit risk on these assets.

	Q1 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	103 953	5 463	-	-	109 416
Standard monitoring	3 708	2 444	-	-	6 153
Special monitoring	1	256	-	-	257
Default	-	-	2 881	-	2 881
Gross carrying amount	**107 662**	**8 164**	**2 881**	**-**	**118 706**
Loss allowance	-854	-401	-1 752	-	-3 008
Carrying amount	**106 807**	**7 763**	**1 128**	**-**	**115 697**

Loans not past due: 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				
Commersial papers and bonds	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	Purchased credit-impaired	**Total**
Credit grade					
Investment grade	7 149	-	-	-	7 149
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	**7 149**	**-**	**-**	**-**	**7 149**
Loss allowance	-1	-	-	-	-1
Carrying amount	**7 148**	**-**	**-**	**-**	**7 148**

Maximum exposure to credit risk - Financial intrumentsd 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	144

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		
	Q1 2018	**Q1 2017**	**FY 2017**	**Q1 2018**	**Q1 2017**	**FY 2017**
Current - not past due date	109 416	101 343	110 337	-840	-799	-673
Current - past due date	6 409	4 880	5 864	-415	-209	-257
Total impaired loans	2 881	2 487	2 708	-1 752	-1 479	-1 495
Total gross loans to customers	**118 706**	**108 710**	**118 909**	**-3 008**	**-2 488**	**-2 425**

	Balance			Loss reserves		
Ageing of past due but not impaired loans	**Q1 2018**	**Q1 2017**	**FY 2017**	**Q1 2018**	**Q1 2017**	**FY 2017**
1 - 29 days	5 094	3 925	4 556	-192	-83	-106
30 - 59 days	940	688	969	-129	-66	-82
60 - 89 days	375	267	339	-95	-61	-70
Total loans due but not impaired	**6 409**	**4 880**	**5 864**	**-415**	**-209**	**-257**

	Balance			Loss reserves		
Ageing of impaired loans	**Q1 2018**	**Q1 2017**	**FY 2017**	**Q1 2018**	**Q1 2017**	**FY 2017**
90 - 119 days	229	193	215	-125	-69	-72
120 - 149 days	198	155	166	-106	-66	-70
150 - 179 days	154	131	144	-87	-66	-70
180 + days	887	946	797	-586	-680	-550
Economic doubtful*	1 412	1 062	1 386	-848	-599	-733
Total impaired loans	**2 881**	**2 487**	**2 708**	**-1 752**	**-1 479**	**-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 - 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	**908**	**406**	**1 607**	**-**	**2 920**
Changes due to financial instruments recognised as at 1 January 2018					
Transfer from Stage 1 to Stage 2	-38	184	-	-	146
Transfer from Stage 1 to Stage 3	-38	184	-	-	146
Transfer from Stage 2 to Stage 1	16	-86	-	-	-70
Transfer from Stage 2 to Stage 3	-	-116	250	-	134
Transfer from Stage 3 to Stage 2	-	9	-	-	9
Transfer from Stage 3 to Stage 1	-	-	-61	-	-61
New financial assets originated or purchased	116	17	33	-	166
Changes to assumptions and methodologies	-79	11	47	-	-21
Financial asstes that have been derecognised	-52	-23	-38	-	-113
Write-offs	-	-	-237	-	-237
Loss allowance as at 31 March 2018	**854**	**401**	**1 752**	**-**	**3 008**

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 recognised 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 derecognised	-	-	-	-	-
Write-offs	-	-	-	-	-
Loss allowance as at 31 March 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	**Q1 2017**	**FY 2017**
Specific loan reserves 01.01.	1 475	1 475
+/- Fx rate adjustment opening balance	3	22
Reclassification between specific and generic loan reserves	-	39
+ Specific loan reserves for the period	1	-41
= Specific loan reserves period end	**1 479**	**1 495**
Generic loan reserves		
Generic loan reserves 01.01	1 064	1 064
+/- Fx rate adjustment opening balance	5	30
Release of reserves related to bad debt sale	-	-
Reclassification between specific and generic loan reserves	-	-39
+/- Generic loan reserves for the year	-60	-125
= Generic loan reserves period end	**1 009**	**930**
Total Loan Reserves in Balance Sheet	**2 488**	**2 425**

Loan losses expenses	**YTD Q1 2017**	**FY 2017**
Change in loan reserves provision	59	-166
+/- Fx rate adjustment opening balance	-	-5
+ Total realized losses	-314	1 363
- Recoveries on previously realized losses	157	-607
- Gain on sold portfolios	-	-545
= Loan losses in the period	**-98**	**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) %	**Q1 2018**	**Q1 2017**	**Q4 2017**
Liquidity Coverage Ratio (LCR) Total	114	94	135
Liquidity Coverage Ratio (LCR) NOK	109	145	125
Liquidity Coverage Ratio (LCR) SEK	144	82	128
Liquidity Coverage Ratio (LCR) DKK	110	-	283
Liquidity Coverage Ratio (LCR) EUR	-	-	-

Note 7 - Capital adequacy

All amounts in millions of NOK

	Q1 2018	Q1 2017	FY 2017
Balance sheet equity			
Paid in equity	9 652	9 652	9 652
Share premium	891	891	891
Other equity	6 889	5 079	7 164
Tier 1 Capital	2 250	2 250	2 250
Other reserves	-54	-135	-30
Total Equity	**19 629**	**17 737**	**19 928**
Common Equity Tier 1 Capital			
(-) Profit not eligible as capital	-479	-545	-350
Cash-flow hedge adjustment	-2	0	-20
IRB Expected Loss - Reserves	-223	-179	-250
Goodwill	-288	-276	-294
Other intangible assets	-281	-242	-299
Deferred tax assets	-	-	-
Adjustment Prudent Valuation (AVA)	-5	-8	-6
Tier 1 Capital	-2 250	-2 250	-2 250
Total common Equity Tier 1 Capital (with full IFRS9 impact)	**16 101**	**14 238**	**16 458**
Capital adjustment according to IFRS9 Transitional rules	355	0	0
Total common Equity Tier 1 Capital (after IFRS9 transitional rules)	**16 456**	**14 238**	**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)	**18 351**	**16 488**	**18 708**
Total Tier 1 Capital (after IFRS9 transitional rules)	**18 706**	**16 488**	**18 708**
Total Capital			
Paid up subordinated loans	1 706	1 291	1 711
Subordinated loans not eligible	-	-80	-
Total Capital (with full IFRS9 impact)	**20 057**	**17 699**	**20 419**
Total Capital (after IFRS9 transitional rules)	**20 412**	**17 699**	**20 419**
Risk exposure on Standard Approach			
Regional governments or local authorities	78	64	78
Institutions	357	612	585
Corporates	8 283	11 097	9 505
Retail Standard Approach	46 184	42 001	46 214
Exposures in default SA	798	900	999
Covered bonds	388	631	388
Other Exposures	15 453	11 347	12 560
Total Risk exposure amount on Standard Approach	**71 540**	**66 652**	**70 330**
Risk exposure on Internal Rating Based Approach			
Retail Other	21 729	19 731	21 920
Total Risk exposure amount on Internal Rating Based Approach	**21 729**	**19 731**	**21 920**
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**93 269**	**86 383**	**92 250**

Foreign exchange (zero if under threshold)	940	-	-
Risk exposure amount for position, foreign exchange and commodities risks	**940**	**-**	**-**
Basic indicator approach	10 607	8 718	10 607
Risk exposure amount for operational risk	**10 607**	**8 718**	**10 607**
Standardized method	106	230	165
Risk exposure amount for credit valuation adjustment	**106**	**230**	**165**
Total risk exposure amount (with full IFRS9 impact)	**104 921**	**95 331**	**103 021**
Risk Exposure adjustment according to IFRS9 Transitional rules	354	-	-
Total risk exposure amount (after IFRS9 transitional rules)	**105 274**	**95 331**	**103 021**
Total exposure for Leverage Ratio			
Derivatives: Add-on under market-to-market method	**546**	**894**	**532**
Off-balance sheet items with 10% CCF	**2 113**	**1 611**	**1 927**
Off-balance sheet items with 20% CCF	**350**	**1 032**	**257**
Off-balance sheet items with 50% CCF	**37**	**48**	**41**
Adjusted On balance sheet exposure	**144 397**	**131 010**	**140 661**
Total exposure for Leverage Ratio (with full IFRS9 impact)	**147 443**	**134 595**	**143 419**
Exposure adjustment according to IFRS9 Transitional rules	473	-	-
Total exposure for Leverage Ratio (after IFRS9 transitional rules)	**147 915**	**134 595**	**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)	1,46 %	1,24 %	1,49 %
Conservation Buffer	2,50 %	2,50 %	2,50 %
Systemic Risk Buffer	3,00 %	3,00 %	3,00 %
Minimum Regulatory Capital ratio (CET1)	**13,76 %**	**13,44 %**	**13,69 %**
Minimum Regulatory Capital			
Minimum Core Equity	4 721	4 290	4 636
Pillar 2 Requirement	2 413	2 097	2 266
Countercyclical Buffer (combined)	1 563	1 182	1 174
Conservation Buffer	2 623	2 383	2 576
Systemic Risk Buffer	3 148	2 860	3 091
Minimum Regulatory Capital amount (full IFRS9 impact)	**14 469**	**12 812**	**13 743**
Surplus of Core Equity Tier 1 capital (full IFRS9 impact)	1 632	1 425	2 715
Minimum Regulatory Capital amount (after IFRS9 transitional rules)	**14 521**	**12 812**	**13 743**
Surplus of Core Equity Tier 1 capital (after IFRS9 transitional rules)	2 014	1 425	2 715
Common equity tier 1 capital ratio (full IFRS9 impact)	**15,35 %**	**14,94 %**	**15,98 %**
Common equity tier 1 capital ratio (after IFRS9 transitional rules)	**15,63 %**	**14,94 %**	**15,98 %**
CET1 regulatory requirements	13,79 %	13,44 %	13,44 %
Tier 1 capital ratio (full IFRS9 impact)	**17,49 %**	**17,30 %**	**18,16 %**
Tier 1 capital ratio (after IFRS9 transitional rules)	**17,77 %**	**17,30 %**	**18,16 %**
Tire 1 regulatory requirements	15,29 %	14,94 %	14,94 %
Total capital ratio (full IFRS9 impact)	**19,12 %**	**18,57 %**	**19,82 %**
Total capital ratio (after IFRS9 transitional rules)	**19,39 %**	**18,57 %**	**19,82 %**
Total capital regulatory requirements	17,29 %	16,94 %	16,94 %

Leverage ratio (full IFRS9 impact)	**12,45 %**	**12,25 %**	**13,04 %**
Leverage ratio (after IFRS9 transitional rules)	**12,65 %**	**12,25 %**	**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	0
Tax impact from increased loss reserves	124
Deferred tax assets impact on capital	0
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)	0
Initial IFRS9 net impact on Risk Exposure Amount	-372
Base amount for IFRS9 transitional rule on Risk Exposure Amount	372
Transition %	95 %
Risk Exposure adjustment due to Transitional rule	**354**
Impact from Transitional rules on capital ratios (same impact for Tier 1 and 2)	0,29 %

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 Discolsure 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)

	31 March 2018					
	Unsecured loans	**Secured loans**	**Financial lease**	**Operational lease**	**Consignment**	**Total**
Norway	11 503	35 931	9 990	-	-	**57 424**
Sweden	13 411	13 995	4 642	-	1 439	**32 048**
Denmark	5 705	20 851	2 677	181	345	**29 759**
Total	**30 620**	**70 777**	**17 309**	**181**	**1 784**	**119 231**

	31 March 2017					
	Unsecured loans	**Secured loans**	**Financial lease**	**Operational lease**	**Consignment**	**Total**
Norway	10 853	33 287	9 076	-	-	**53 216**
Sweden	13 234	12 167	4 400	-	1 152	**30 952**
Denmark	5 083	18 448	2 162	155	283	**26 132**
Total	**29 170**	**63 901**	**15 639**	**155**	**1 434**	**110 300**

Balance sheet and P&L per country

	31 March 2018				
	Norway	Sweden	Denmark	Eliminations	Total
Total interest income	926	393	421	2	1 742
Total interest expenses	-209	-34	-50	-2	-295
Net interest income	**716**	**359**	**371**	**-**	**1 447**
Fee and commission income	41	44	41	-	126
Fee and commission expenses	-13	-2	-5	-	-20
Value change and gain/loss on foreign exchange and securities	19	-2	11	-	28
Other operating income	4	2	13	-	20
Other operating expenses	-11	-6	-12	-	-29
Gross margin	**756**	**396**	**421**	**-**	**1 573**
Salaries and personnel expenses	-116	-92	-73	-	-281
Administration expenses	-164	-94	-64	-	-323
Depreciation and amortisation	-15	-4	-7	-	-26
Net operating income	**461**	**206**	**277**	**-**	**944**
Other income and costs	-1	0	0	-	-1
Impairment losses on other assets	-	-	-	-	-
Impairment losses on loan, guarantees etc.	-168	-62	-66	-	-296
Profit before taxes	**291**	**144**	**211**	**-**	**647**
Income tax expense	-87	-33	-47	-	-167
Profit after tax	**204**	**111**	**164**	**-**	**479**
Cash and receivables on central banks	65	-	-	-	65
Deposits with and receivables on financial institutions	915	653	4 020	-	5 588
Total gross loans to customers	57 425	32 048	29 233	-	118 706
Write-downs	-1 831	-666	-510	-	-3 008
Commercial papers and bonds	3 628	2 233	1 287	-	7 148
Financial derivatives	144	-	-	-	144
Investments in subsidiaries	1 256	-	-	-	1 256
Other assets	26 406	1 880	1 723	-14 256	15 753
Total assets	**88 007**	**36 148**	**35 752**	**-14 256**	**145 651**
Debt to credit institutions	9 280	14 924	19 856	-14 367	29 693
Deposits from customers	22 316	14 883	15 045	-	52 244
Debt established by issuing securities	34 733	5 136	10	-	39 879
Financial derivatives	98	-	-	-	98
Other liabilities	1 952	1 234	812	111	4 109
Equity	19 628	-29	30	-	19 629
Total liabilities and equity	**88 007**	**36 148**	**35 752**	**-14 256**	**145 651**

	31 March 2017				
	Norway	**Sweden**	**Denmark**	**Eliminations**	**Total**
Total interest income	892	378	365	-	1 635
Total interest expenses	-190	-39	-41	-	-270
Net interest income	**702**	**339**	**324**	-	**1 365**
Fee and commission income	82	43	32	-	156
Fee and commission expenses	-10	-2	-4	-	-16
Value change and gain/loss on foreign exchange and securities	-23	2	-5	-	-25
Other operating income*	6	2	7	-	16
Other operating expenses**	-8	-6	-8	-	-21
Gross margin	**749**	**379**	**347**	-	**1 475**
Salaries and personnel expenses	-98	-90	-61	-	-249
Administration expenses	-184	-102	-55	-	-341
Depreciation and amortisation	-11	-5	-7	-	-23
Net operating income	**456**	**182**	**224**	-	**862**
Other income and costs	-1	0	0	-	-1
Impairment losses on other assets	0	0	0	-	0
Impairment losses on loan, guarantees etc.	-38	-27	-33	-	-98
Profit before taxes	**417**	**155**	**192**	-	**763**
Income tax expense	-108	-38	-41	-	-187
Profit after tax	**309**	**117**	**150**	-	**576**

Cash and receivables on central banks	60	-	-	-	60
Deposits with and receivables on financial institutions	296	448	68	-	812
Total gross loans to customers	53 216	29 800	25 694	-	108 710
Write-downs	-1 681	-437	-369	-	2 488
Commercial papers and bonds	6 563	2 892	1 263	-	10 718
Financial derivatives	283	-	-	-	283
Investments in subsidiaries	1 208	-	-	-	1 208
Other assets	21 091	1 403	1 446	-11 803	12 137
Total assets	**81 036**	**34 106**	**28 101**	**-11 803**	**131 440**
Debt to credit institutions	13 813	14 933	15 831	-11 787	32 790
Deposits from customers	19 764	12 658	11 463	-	43 885
Debt established by issuing securities	27 918	5 064	-11	-	32 971
Financial derivatives	232	-	-	-	232
Other liabilities	1 774	1 360	676	-15	3 795
Equity	17 535	91	141	-	17 766
Total liabilities and equity	**81 036**	**34 106**	**28 101**	**-11 803**	**131 440**

Note 9 - Net interest income

All amounts in millions of NOK

	Q1 2018	Q1 2017	FY 2017
Interest and similar income on loans to and receivables from credit institutions	106	135	513
Interest and similar income on loans to and receivables from customers	1 610	1 452	6 126
Interest and similar income on comm. paper, bonds and other securities	27	48	142
Total interest income	**1 742**	**1 635**	**6 781**
Interest and similar expenses on debt to credit institutions	-41	-48	-174
Interest and similar expenses on deposits from and debt to customers	-165	-135	-603
Interest and similar expenses on issued securities	-77	-78	-325
Interest on subordinated loan capital*	-11	-8	-37
Other interest expenses and similar expenses	-1	-2	-11
Total interest expense	**-295**	**-270**	**-1 150**
Net interest income	**1 447**	**1 365**	**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 Q1 2017 of 43 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.

All amounts in millions of NOK

To credit institutions	**Q1 2018**	**Q1 2017**	**FY 2017**
Interest expenses	-41	-48	-174
Average loan	29 869	35 605	34 233
Average nominal interest rate	**0,54 %**	**0,54 %**	**0,51 %**

To customers	**Q1 2018**	**Q1 2017**	**FY 2017**
Interest expenses	-165	-135	-603
Average deposit	51 430	42 428	45 794
Average nominal interest rate	**1,29 %**	**1,27 %**	**1,32 %**

To bondholders	**Q1 2018**	**Q1 2017**	**FY 2017**
Interest expenses	-77	-78	-325
Average issued notes and bonds	37 832	29 722	31 129
Average nominal interest rate	**0,82 %**	**1,05 %**	**1,04 %**

Subordinated loan capital*	**Q1 2018**	**Q1 2017**	**FY 2017**
Interest expenses	-11	-8	-37
Average subordinated loan capital	1 731	1 963	1 525
Average nominal interest rate	**2,48 %**	**1,70 %**	**2,43 %**

Total of tables above:	**Q1 2018**	**Q1 2017**	**FY 2017**
Interest expenses	-294	-269	-1 139
Loan	120 863	109 718	112 681
Average nominal interest rate	**0,97 %**	**0,98 %**	**1,01 %**

Note 10 – Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 31 March 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	-	-	5 588	5 588
Loans to customers	-	-	115 697	115 697
Commercial papers and bonds	-	-	7 148	7 148
Financial derivatives	144	-	-	144
Loans to subsidiaries and SPV's	-	-	11 619	11 619
Other ownership interests	-	23	-	23
Total financial assets	**144**	**23**	**140 118**	**140 284**
			Non financial assets	5 367
			Total assets	**145 651**

Classification of financial liabilities 31 March 2018	Financial assets at fair value through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	29 693	29 693
Deposits from customers	-	-	52 244	52 244
Debt established by issuing securities	-	-	39 879	39 879
Financial derivatives	98	-	-	98
Other financial liabilities	-	-	259	259
Subordinated loan capital	-	-	1 709	1 709
Total financial liabilities	**98**	**-**	**123 784**	**123 882**
			Non financial liabilities and equity	21 770
			Total liabilities and equity	**145 651**

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 57	-	88	-	88
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 142	-	56	-	56
Total financial trading derivatives			**-**	**144**	**-**	**144**
Name	*Type*					
VISA	Equity		-	23	-	23
Total other ownership interests			**-**	**23**	**-**	**23**
Total Assets			**-**	**167**	**-**	**167**
Financial liabilities						
Name	*Type*	Notional				
Bilkreditt 6 Pass Through	Cross Currency Swap	MM EUR 31	-	47	-	47
Bilkreditt 7 Pass Through	Cross Currency Swap	MM EUR 127	-	51	-	51
Total financial derivatives			**-**	**98**	**-**	**98**
Total Liabilities			**-**	**98**	**-**	**98**
Derivatives designated for hedge accounting - assets						
Name	*Type*	Notional				
EMTN MEUR 350	Cross Currency Swap	MM EUR 350	-	12	-	12
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	13	-	13
DK EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	1	-	1
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	64	-	64
EMTN SEK	Interest Rate Swap	MM SEK 500	-	1	-	1
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	4	-	4
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	22	-	22
Total dervatives designated for hedging - assets*			**-**	**117**	**-**	**117**

Derivatives designated for hedge accounting - liabilities

Name	*Type*	Notional				
EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	-2	-	-2
Total dervatives designated for hedging - liabilities*			**-**	**-2**	**-**	**-2**

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.

Q1 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 27	-	31	-	31
Bilkreditt 5 Fixed	Cross Currency Swap	MM EUR 54	-	46	-	46
Bilkreditt 6 Fixed	Cross Currency Swap	MM EUR 172	-	176	-	176
Bilkreditt 7 Pass Through	Cross Currency Swap	MM EUR 256	-	30	-	30
Total financial trading derivatives			**-**	**283**	**-**	**283**
Name	*Type*					
Government bonds and Treasury Bills	Bonds		1 137	-	-	1 137
Covered Bonds	Bonds		6 312	-	-	6 312
Total commercial papers and bonds *			**7 450**	**-**	**-**	**7 450**
Total Assets			**7 450**	**283**	**-**	**7 733**
Financial liabilities						
Name	*Type*	*Notional*				
Bilkreditt 4 Pass Through	Cross Currency Swap	MM EUR 15	-	17	-	17
Bilkreditt 5 Pass Through	Cross Currency Swap	MM EUR 40	-	34	-	34
Bilkreditt 6 Pass Through	Cross Currency Swap	MM EUR 145	-	150	-	150
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 263	-	31	-	31
Total financial derivatives			**-**	**232**	**-**	**232**

Total Liabilities			**-**	**232**	**-**	**232**

Derivatives designated for hedge accounting - assets

Name	*Type*	*Notional*				
EMTN SEK	Interest Rate Swap	MM SEK 1 500	-	3	-	3
EMTN MEUR 350	Cross Currency Swap	MM EUR 350	-	10	-	10
Total dervatives designated for hedging - assets**			**-**	**13**	**-**	**13**

Derivatives designated for hedge accounting - liabilities

Name	*Type*	*Notional*				
EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	6	-	6
EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	6	-	6
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	5	-	5
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	14	-	14
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	10	-	10
Total dervatives designated for hedging - liabilities**			**-**	**41**	**-**	**41**

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	**Q1 / YTD 2018**
Credit Card	6 649
Unsecured loans	23 970
Auto loans	88 086
- Installment loans	*70 777*
- Financial leasing	*17 309*
Total gross loans to customers	**118 706**
- Loan loss allowance - Stage 1	-854
- Loan loss allowance - Stage 2	-401
- Loan loss allowance - Stage 3	-1 752
Total net loans to customers	**115 697**

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	**Q1 / YTD 2017**	**Financial year 2017**
Credit Card	6 294	6 603
Unsecured loans	22 876	24 678
Auto loans	79 540	87 628
- Installment loans	*63 901*	*70 480*
- Financial leasing	*15 639*	*17 147*
Total gross loans to customers	**108 710**	**118 909**
- Specific loan reserves	-1 479	-1 495
- Generic loan reserves	-1 009	-930
Total net loans to customers	**106 222**	**116 484**

Note 13 - Issued securities

All amounts in millions of NOK

	Q1 2018	Q1 2017	FY 2017
Issued certificates	853	-	901
Senior unsecured issued securities	39 026	32 971	34 884
Asset backed issued securities	-	-	-
Total issued securities	**39 879**	**32 971**	**35 785**

Santander Consumer Bank AS issued bonds on the Oslo Stock exhchange in January to a value of NOK 300 MM.
Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exhchange 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 exhchange 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)

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:	Q1 2018	Accrued interest Q1 2018	Q1 2017	Accrued interest Q1 2017	FY 2017	Accrued interest FY 2017
Santander Benelux	571	2	789	3	582	2
Santander Consumer Finance S.A.	21 538	6	20 855	10	20 433	6
Debt to SPV on future cash flow of securitized loans	7 400	-	11 070	-	8 705	-
Total	**29 509**	**8**	**32 714**	**12**	**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)	706	0	721	0	750	-
MNOK 500, maturity September 2027, 3 months NIBOR + 1,66% (Santander Consumer Finance S.A)	500	1	-	-	500	-
Total	**1 706**	**3**	**1 301**	**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.

Receivables on related parties:	Q1 2018	Accrued interest Q1 2018	Q1 2017	Accrued interest Q1 2017	FY 2017	Accrued interest FY 2017
Balance sheet line: "Commercial papers and bonds"						
B and C notes issued by SPVs	2 061	1	3 268	1	2 712	1
Balance sheet line :"Loans to subsidiaries and SPV's"						
Loan to subsidiary (Santander Consumer Bank OY)	11 369	25	8 022	21	8 608	45
Subordinated loan to SPVs	253	0	594	-	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:

	YTD Q1 2018	YTD Q1 2017	Financial year 2017
Interest income	119	154	588
Interest expenses	-94	-187	-700
Interest payments additional Tier 1 capital	-41	-43	-174
Fees	3	23	57
Other	-19	-1	37
Net transactions	**-32**	**-52**	**-193**

Santander Consumer Bank AS had transactions with the following related parties per 31 March 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

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

Our purpose is to help people and businesses prosper.
Our culture is based on the belief that everything we do should be

Simple | Personal | Fair