

Second Quarter Report 2019

Santander Consumer Bank Nordic Group
and Santander Consumer Bank AS

Letter from CEO

We close the second quarter with a healthy growth of our business and satisfactory profitability, despite the tough markets in all the four countries where we operate. We do experience that the development of fintechs and market competition continue. To stay ahead of the game we see the need for undertaking internal restructuring, transforming us into a more agile company across the Nordics.

In addition to this, the regulators both in the Nordics and internationally issue new regulations, which affect our playing field. For us, playing by the rules has always been a given, as we are fully committed to responsible banking. To maintain our trustworthiness and esteem among customers we are working harder than ever to secure compliance.

Global trends are manifesting themselves in our region: Auto is becoming a mobility market, featuring new concepts on distribution and mobility solutions. Unsecured is becoming more regulated, and tech dependent. Accordingly, SCB is investing in new products and services in order to meet the changes in market and demands.



A handwritten signature in black ink, appearing to read 'Michael Hvidsten'.

Michael Hvidsten, CEO

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Second quarter report 2019

Highlights

- Net interest income increased with 3% and gross margin with 3%, compared to the second quarter of 2018.
- Lending rose 10% compared to the same period in 2018, strongly driven by growth in the auto business.
- Deposit volumes increased by 17%, compared to the second quarter of 2018, and continues to be the largest funding source of the Group.
- The Group's Profit before tax in Q2 2019 was 1 514 MM NOK, an increase of 16% compared to the same period in 2018. Profit before tax year to date was 2 314 MM NOK compared to 2 046 MM NOK per Q2 2018.
- Car sales down by 14.6% and increased competition with pressure on the margin compared to Q2 2018.
- New concepts on distribution and mobility solutions is entering the market.

Key figures Santander Consumer Bank Group

<i>All amounts in millions of NOK</i>	Q2 2019	Q2 2018	YTD Q2 2019	YTD Q2 2018	2018
Net interest income	1 771	1 716	3 541	3 412	6 919
<i>Growth*</i>	3 %	6 %	4 %	6 %	5 %
Profit before tax	1 514	1 303	2 314	2 046	4 134
<i>Growth*</i>	16 %	5 %	13 %	-5 %	3 %
Profit after tax	1 160	980	1 762	1 537	3 139
<i>Growth*</i>	18 %	1 %	15 %	-7 %	3 %
Total assets	174 358	159 994	174 358	159 994	176 108
<i>Growth*</i>	9 %	6 %	9 %	6 %	11 %
Net Loans to customers	159 048	144 035	159 048	144 035	159 284
<i>Growth*</i>	10 %	9 %	10 %	9 %	10 %
Customer deposits	61 826	52 649	61 826	52 649	54 645
<i>Growth*</i>	17 %	14 %	17 %	14 %	8 %

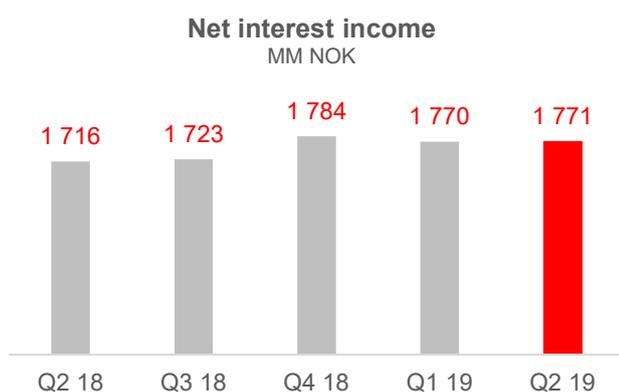
* Year on year.

Financial Performance for the second quarter of 2019

Results

The Group's profit before tax in the second quarter of 2019 was 1 514 MM NOK, an increase of 16% compared to the second quarter last year. These results were driven by an increase in net interest income, decrease in operating expenses and lower impairment losses compared to the second quarter of 2018. Profit before tax year to date was 2 314 MM NOK compared to 2 046 MM NOK per Q2 2018.

Net interest income increased by 54 MM NOK compared with Q2 2018, up 3%. Higher lending volumes resulted in an increase in interest income with 108 MM NOK while higher cost of funding increased the interest expenses with 54 MM NOK. In addition, lower lending margins, mainly due to a shift towards more secured financing in the portfolio product mix, had a negative effect on net interest income.



Net fee and commission income decreased by 9 MM NOK from the second quarter of 2018.

Operating expenses for the period was 807 MM NOK, compared with 847 MM NOK in the second quarter of 2018. The decrease in Q2 2019 is mainly driven by lower IT costs and less use of consultants than in Q2 2018.

Other income and costs decreased by 20 MM NOK from Q2 2018, thanks largely to reduced loss allowances on off-balance exposures.

Net impairment losses on loans in the period shows a gain of 460 MM NOK, an increase of 98 MNOK compared to the same period last year. In the second quarter the Bank sold portfolios of Non Performing Loans and written off loans, resulting in a net gain of approximately 875 MM NOK. See note 13 for further information.

Loans and Deposits Performance

Loans to Customers

The Group's gross outstanding loans to customers were 162.4 Bn NOK at Q2 2019. This is an increase of 8% (11.4 Bn NOK) compared to Q2 2018. The growth is driven by good market conditions with sharper focus on financing as a tool to improve car sales and customer loyalty.



Gross loans to customers

MM NOK



Auto and Leisure Financing

Total new car sales (PC & LCV) in the Nordic region reached 493,123 units during the first quarter of 2019, a decrease of 14.6% compared to the same period in 2018.

Norway and Denmark are still showing growth, while Sweden and Finland are experiencing a reduction in car sales. Sweden is subject to the largest slump, down 28%. The main driver behind this is changes to car taxation (Bonus Malus) implemented in Sweden in July 2018. This led to a substantial spike in car sales during first half of last year.

The used car market is equivalent to approximately three times the new car sales and saw an increase of 4%, ending up at 1,518,641 units.

Under these circumstances, the Group has financed 134,323 new and used cars, down 12.4% compared to the same period in 2018. Present outstanding volume is 128.3 bn NOK, an increase of 11% compared to last year.

Intensified competition and pressure on margins are affecting the performance and is expected to impact the market negatively going forward. Balancing growth and profitability is thus a key priority for the bank.

Santander Consumer Bank

Dealer profitability is under pressure, and will lead to more dealer consolidations.

Several ongoing initiatives aim to digitalize the customer journey, moving from mono channels, i.e. dealers, to an omni-distribution channel, where customers can choose between visiting a dealer and just ordering a car online. Changes in mobility preferences – from owning to accessing a car or transportation – is another main trend, where we encounter several players. In the auto industry, and also outside, alternative mobility solutions are being tested.

Santander has considerable experience in online sales alongside partners, initially in Norway, but now also expanding into Sweden together with Kia.

The subscription-based mobility solution, SHFT, offering an “all inclusive” deal, provides the customer with the flexibility to swap cars based on his or her needs. This concept has been tested and has now entered the next phase of scaling up, by onboarding dealer groups, in Norway to begin with.

The practice of bundling of services with loans and leasing contracts is gaining ground. In order to meet this need Santander launched a partnership with Zurich Insurance concerning car insurance in Sweden. Similar agreements are in place with IF for Finland, Denmark and Norway.

Unsecured Financing

The second quarter closed with an unsecured product portfolio of 34 898 MM NOK. Denmark was the biggest contributor in absolute terms (+14%) while Finland saw the highest growth in % (+26%). Consumer loans continue to be the primary product in all four Nordic countries and represent the majority of the outstanding volumes.

The Nordic consumer loan market continues to be highly competitive, with both traditional players, as well as new competitors entering the market. We continue to adapt and align our business with the regulatory landscape in which we operate, which is of key importance both to our business and to customers. Brokers continue to play a significant role in the consumer loan markets. In Finland, broker presence and customer preferences for using them are increasing, whereas, in Denmark, brokers have only recently entered the market. We are monitoring this development. Highly competitive on price, the market share of the loan volumes deriving from broker co-operations has slightly increased, compared to Q2 2018.

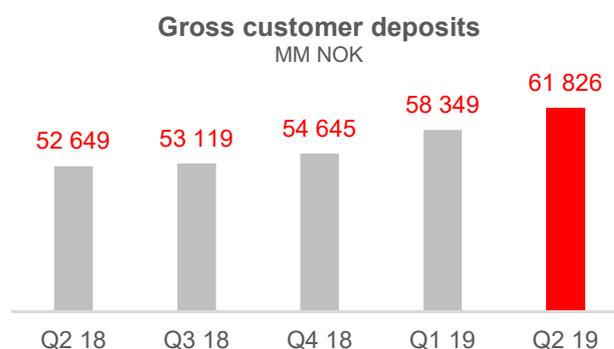
The ecosystem of mobile payment solutions is constantly evolving, with new and global entrants on the scene, and preexisting ones expanding their geographic presence and range of services across the Nordics. In 2019, we are continuing to expand our choice of mobile payment services, improve our payment capabilities and strengthen our value proposition in the Nordics, in order to maintain a competitive position. After our successful launch of Apple Pay in Norway and Denmark in 2018, earlier this year we also brought Fitbit Pay to the Norwegian market. This move is part of our digital business strategy, enhancing our edge in competition with larger banks as well as new entrants, and providing a relevant, secure and value-driven offering.

Within the Sales Finance business, we are continuously enriching our commercial offering, in order to be the preferred commercial partner for merchants in the mid-to-high ticket segment for products and services across the Nordic markets. We are proud to have re-signed Humac in Denmark earlier this year. In the second quarter, we continue to onboard merchants in the e-commerce space, which we see as a key area, as more and more merchants prefer to relate to one finance provider, both in the online and point-of-sale channel.

As we are well underway in the year of PSD II (with technical requirements going live in September 2019), a focus area for Santander is to work with key partners, FinTechs and the market to develop new products and services that solve customer pain points and address tangible needs. Being compliant with PSD II is a given for Santander, and viewed as a ticket to play. With PSD II comes enhanced security standards, and technical interfaces allowing us as a bank to work with the market in “going beyond banking” – delivering banking-related services sought after by Nordic consumers. In Q2 it gave us great pleasure to launch developer portals, and in doing commencing work with market participants to receive feedback and further enhance our PSD II offering.

Deposits

Customer deposits are the largest funding source of the Group and it continues to be a strategic priority to grow in this area. Deposit-taking capabilities have been developed in Norway, Sweden and Denmark over the last years. The focus in the second quarter of 2019 has been on optimizing the existing portfolio and developing new products, while also searching for new opportunities and fulfilling upcoming legal requirements. Total outstanding volumes is 61 826 MM NOK per June 2019, representing an increase of 9 177 MM NOK (17%), compared to June 2018.



Risk Management

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

Credit Risk

The Group's Credit Risk profile in Q2 2019 remains stable for the total portfolio, with only a marginal change in risk profile compared to Q2 2018, in line with business strategy. The consolidated Non-Performing Loans (NPL) Ratio ended at 2.00% in Q2 2019, compared to 2.13% in Q2 2018.

The loan loss reserves have decreased in proportion with decrease in Non-performing portfolio, from 3 600 MM NOK per Q2 2018 to 3 413 MM NOK per Q2 2019. The total reserves as of Q2 2019 of 3 413 MM NOK include 3 329 MM NOK related to loans to customers and 84 MM NOK connected to off-balance exposures. See note 3, 4 and 5 for further information.

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 Group's ability to survive in stressful conditions. The Group has a healthy liquidity position, managed at Nordic level to ensure efficient use of liquidity across the Group. As of June 2019, the Group's LCR was 175.45%. The latest available NSFR as of March 2019 was 100.90 %. 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 (NIM) sensitivity and Market Value of Equity (MVE) sensitivity to account for the impact of various shifts in the underlying market rates over NIM and MVE. Both metrics were within appropriate limits for all currencies at the end of Q2 2019.

Foreign Currency Risk

The Group operates in countries with various currencies and is exposed to currency risk from these operations. The Group's strategy is to have a composition of the balance sheet that minimizes currency risk by ensuring that the assets and liabilities are denominated in the same currency. When the Group raises funding through the international debt markets, FX derivatives are used to swap liquidity to the currency when funds are needed and to offset the position created. The total open currency exposure as of end of Q2 2019 was

1 576 MM NOK equivalent for consolidated SEK, DKK and EUR exposures.

Funding

Maintaining a diversified funding platform is a strategic priority for the Group, as it enables flexibility, optimization of the cost of funds, and reduces reliance on support from the parent bank. Over the past six years, the Group has developed deposit products across three of its four markets, it has been active in the Norwegian and Swedish domestic bond markets, as well as in the Euro-market, and it has issued securitization transactions with assets from all four Nordic countries. Intragroup funding provides a buffer where strategically helpful, particularly in the short-term. The Group aims to maintain a consistent self-funding strategy, however there will be some variation due to seasonal fluctuations and timing of transactions. Self-funding sources totaled 77% per Q2 2019, with parent funding providing the remaining 23%.

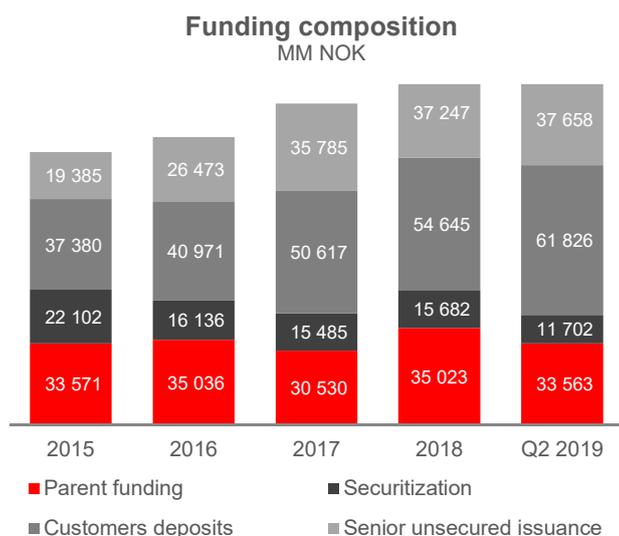


Customer deposits are the largest source of funding, comprising 43% of total funding per June 2019. The total outstanding volume sums to 61 826 MM NOK across the three Nordic markets where the Group is present. Deposit volumes have increased 13% (7 181 MM NOK) from year end 2018, with expectations of continued significant importance.

Senior unsecured issuance and certificates comprises 26% of our funding per Q2 2019. Senior unsecured issuance and certificates year-to-date Q2 2019 includes 2 000 MM EUR in the Euro market, 6 555 MM SEK in the Swedish market, 1 250 MM DKK in the Danish market and 8 601 MM NOK in the Norwegian market. In addition, we are present in the certificates of deposits market in Norway and Sweden, with 900 MM NOK and 1 107 MM SEK currently outstanding.

Total outstanding bond and certificate issuance equals 37 658 MM NOK per June 2019, an increase of 411 MM NOK (1.1%) from end of 2018. The weighted average remaining term to maturity, excluding certificate issuances, is 1.81 years. This number fluctuates slightly, and typically remains around 2 years.

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



The Group has not accessed the asset-backed securities market year-to-date 2019. Securitization issuance in Norway has been paused due to the change in Norwegian law. Securitizing the Finnish portfolio, however, remains as a source of funding, since SCF OY is not impacted by the change in law. The loss of funding from the Norwegian securitization program has caused total outstanding securitization volumes across the Group to trend downwards, currently equaling 11 702 MM NOK, or 8% of the Group's funding.

The Group looks to utilize its securitization capabilities more frequently going forward, once Norwegian legislation is harmonized with the new Securitization Regulation (Regulation (EU) 2017/2402), together with the amendment to the Capital Requirements Regulation (Regulation (EU) 2017/2401). The new Securitization Regulation establishes a standardized framework for securitization and creates a specific framework for simple, transparent, and standardized securitizations. The Norwegian Ministry of Finance released in June a consultation paper on the adoption of the new regulations. The deadline for responses to the consultation paper is September 2019.

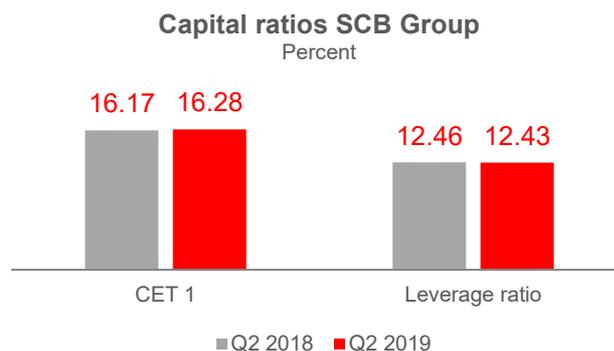
Loans and drawing rights from the parent bank and companies within Grupo Santander provide any remaining funding needs. These loans are priced at market rates, denominated in the local Nordic currencies, and are currently concentrated in the shorter-end maturities.

The Group expects parent funding to decrease slightly over time, even as it continues as an important buffer in our overall funding strategy.

Solvency and Capital Adequacy

The Group is supervised by the Norwegian FSA and has to comply with the capital requirements for banks in Norway. The Group has to comply with the capital requirements both at group level (the Group) and at stand-alone level (SCB AS). The Group had per June 2019 a strong capital adequacy position well above regulatory requirements. The figures presented below include profit after tax attributable to the first half of 2019, assuming a dividend payout ratio of 50%.

Following implementation of IFRS 9 in 2018, the Group publishes capital ratios both using the transitional rules for IFRS 9 impact (2019 allows for an 85% reversal of the capital impact) and capital ratios showing the full impact of IFRS 9 implementation. The capital ratios using the transitional rules (phase-in), are the official ratios that have to meet minimum capital adequacy requirements. The CET1-ratio per end of second quarter 2019, allowing for phase-in of IFRS 9 impact, was 16.28% for the Group and 17.16% for SCB AS. The CET1-ratio per end of second quarter 2019 with the full IFRS 9 impact was 16.01% for the Group and 16.92% for SCB AS.



The required leverage ratio for the Group is 5%. Per end of second quarter 2019, the Group had a leverage ratio, allowing for phase-in of IFRS 9 impact, of 12.43%, while SCB AS established a leverage ratio of 13.63%.

For further details regarding Capital Adequacy, please see Note 7 "Capital adequacy" for details on capital composition, risk weighted exposure and capital ratios per June 2019.

Regulatory Changes

There are several regulatory initiatives in the financial sector, mainly EU driven, but also from a local national perspective, and the Group works continuously to ensure compliance and strives to take an active role also in the public debate and in legislative processes related to Norwegian banks. The EU Risk Reduction Measures Package was published in the Official Journal in June, and most of the new rules will start applying in EU mid-2021. The Norwegian Ministry of Finance has issued a proposal for Norwegian legislation implementing the EU Securitization Regulation on consultation with deadline 23 September. The Norwegian Financial Supervisory Authority's Guidelines on Prudent Lending for Consumer Loans has been transposed into a Regulation that entered into force in February, with a deadline to comply by 15 May, and from July, Norwegian banks was obligated to feed certain information to a national Debt Registry, all expected to further enhance consumer protection within the area of consumer credits.

Late 2018 the Bank uncovered and reported to the Norwegian FSA that there was weaknesses in the electronic control of transactions. This weakness resulted in several transactions not being monitored in line with the requirements of the Money laundry Act

(Hvitvaskingsloven). There has been a close dialogue between the Bank and the Norwegian FSA since the incident was reported. Based on the dialogue and review the Norwegian FSA has decided to fine the Bank with 9 MM NOK for the breach of the money laundry act. The Bank's focus is to be compliant with all relevant regulations as we are fully committed to responsible banking. We are strengthening our work within compliance and internal control to make sure we stay compliant with regulations and to maintain our trustworthiness as a Bank.

Digital Transformation

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

In 2017, the Santander Group launched its Digital Transformation Program as a key component of its overall innovation and digitalization strategy, laying out the Group's strategy for becoming a truly digital organization. To achieve its digital ambitions, the Group is focused 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. In support of this initiative, in Q1 2019, the bank mobilized a One IT program.

In Q2 2019 the new Nordic IT Management structure was set and a transformation of the whole IT organization was initiated. Balancing the organizational changes and ensuring that ongoing activities and operational risk is within agreed parameters is of high importance to the new Nordic IT organization in the time to come.

With the new organization in place, the digitalization and optimization initiatives, initiated in Q1 2019, is gaining speed and the first pilots of the future customer experience are being launched in the next few months.



Future Prospects

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

The Nordic car markets are showing a clear trend with reduced demand for diesel and petrol fueled cars and boosted popularity for EV and hybrids. Going forward, this will represent a challenge for the auto industry, in terms of reduced prices for used fossil fueled cars, as well as lowered income from associated services. The related residual value risk of used cars is a concern, and the Group is, through strategic partnerships with third parties, offering to handle the residual value risk for the dealers.

Regarding unsecured lending, the growth in e-commerce and retail finance offers opportunities in goods financing, both at point of sale and online. New entrants have emerged from outside the traditional finance company sector and further players are expected. Technology will play an even more important role ahead. The competitive pressures in direct unsecured lending remain, with several new bank start-ups focusing on high-margin lending, with considerable risk appetite. Additionally, loan brokers are gaining ground across the Nordics. The introduction of rules and legislations, as well as media attention will counterbalance and possibly moderate some of the excesses introduced by the new players.

Customer deposits is the single most important funding source for the Group, and is expected to grow even more in the future. Hence, one should expect further impending diversification in terms of products and markets.

In general, the Group is well positioned for future challenges. In addition to securing the needed commercial execution and needed investments, the Group continues to work on Pan-Nordic technology and infrastructure architecture, to secure competitiveness in the years ahead.



Lysaker, 14 August 2019

The Board of Directors of Santander Consumer Bank

<hr/> <p>Erik Kongelf (Chairman)</p>	<hr/> <p>Bruno Montalvo Wilmot (Deputy Chairman)</p>	<hr/> <p>Javier Anton</p>
<hr/> <p>Frederico José Maria Ysart Alvarez de Toledo</p>	<hr/> <p>Niels Christian Aall</p>	<hr/> <p>Henning Strøm</p>
<hr/> <p>Øyvind Ertzaas (Employee Representative)</p>	<hr/> <p>Arja Pynnönen (Employee Representative)</p>	<hr/> <p>Michael Hvidsten (Chief Executive Officer)</p>

Profit and Loss - Santander Consumer Bank Nordic Group

<i>All amounts in millions of NOK</i>	Note	Q2 2019	Q2 2018	YTD Q2 2019	YTD Q2 2018	FY 2018
Total interest income		2 127	2 019	4 237	4 055	8 158
Total interest expenses		-356	-303	-697	-643	-1 239
Net interest income	9	1 771	1 716	3 541	3 412	6 919
Fee and commission income		144	134	304	266	561
Fee and commission expenses		-56	-38	-96	-64	-132
Value change and gain/loss on foreign exchange and securities		8	10	28	40	27
Other operating income		62	57	121	106	216
Other operating expenses		-51	-57	-101	-109	-208
Gross margin		1 876	1 823	3 796	3 651	7 384
Salaries and personnel expenses		-365	-366	-703	-681	-1 339
Administrative expenses		-391	-410	-794	-779	-1 744
Depreciation and amortisation		-51	-71	-100	-99	-162
Net operating income		1 070	976	2 199	2 092	4 139
Other income and costs		-16	-36	16	-36	-189
Impairment losses on loan, guarantees etc.	3, 4, 5, 13	460	362	99	-9	184
Profit before tax		1 514	1 303	2 314	2 046	4 134
Income tax expense		-354	-323	-552	-510	-995
Profit after tax		1 160	980	1 762	1 537	3 139
Allocation of profit after tax						
Transferred to other earned equity		1 126	938	1 694	1 453	2 969
Transferred to additional Tier 1 capital	16	34	42	68	84	170
Total allocations		1 160	980	1 762	1 537	3 139
Profit after tax						
		1 160	980	1 762	1 537	3 139
<i>Items not to be recycled to profit and loss</i>						
Actuarial gain/loss on post employment benefit obligations		-34	-15	-34	-15	-37
<i>Items to be recycled to profit and loss</i>						
Net exchange differences on translating foreign operations		7	-43	-85	-79	48
Measured at FVTOCI		0	3	0	3	3
Cash flow hedge		16	-5	13	-24	-41
Net investment hedge		-31	16	0	32	-11
Other comprehensive income for the period net of tax		-42	-43	-106	-83	-37
Total comprehensive income for the period		1 118	937	1 656	1 454	3 102

Balance Sheet - Santander Consumer Bank Nordic Group

<i>All amounts in millions of NOK</i>	Note	Q2 2019	Q2 2018	FY 2018
Assets				
Cash and receivables on central banks	10	65	65	65
Deposits with and receivables on financial institutions	10	3 587	2 594	2 982
Loans to customers	3, 4, 5, 10, 12	159 048	147 424	159 284
Commercial papers and bonds	10, 11	7 719	6 629	10 363
Financial derivatives	10, 11	48	78	64
Repossessed assets		20	12	12
Other ownership interests	10, 11	26	26	26
Intangible assets		1 050	1 018	1 093
Deferred tax assets		-	250	-
Fixed assets		1 090	641	691
Other assets		1 704	1 258	1 528
Total assets		174 358	159 994	176 108
Liabilities				
Debt to credit institutions	10, 15	33 777	37 711	40 253
Deposits from customers		61 826	52 649	54 645
Debt established by issuing securities	10, 14	49 360	43 126	52 929
Financial derivatives	10, 11	32	39	45
Tax payable		323	476	140
Other financial liabilities		436	272	345
Deferred tax		575	476	259
Pension liabilities		161	97	126
Other liabilities		2 237	1 709	2 298
Subordinated loan capital	10, 15	1 692	1 686	1 731
Total liabilities		150 418	138 241	152 772
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		11 188	8 940	10 478
OCl items		-42	19	65
Total equity		23 940	21 753	23 336
Total liabilities and equity		174 358	159 994	176 108

Cash Flow - Santander Consumer Bank Nordic Group

<i>All amounts in millions of NOK</i>	Note	Q2 2019	Q2 2018	YTD Q2 2019	YTD Q2 2018	FY 2018
Cash flow from operations						
Profit before tax		1 514	1 303	2 314	2 046	4 134
Adjustments for:						
- Depreciation, amortisation and impairment on fixed and intangible assets		81	97	158	149	266
- Net interest income	9	-1 771	-1 716	-3 541	-3 412	-6 919
- Value change and gain/loss on foreign exchange and securities		-8	-10	-28	-40	-27
- Dividends on financial assets at FVOCI		-	-	-	-	-
Changes in:						
- Loans to customers	12	-1 388	-3 120	-3 097	-4 020	-14 711
- Operational lease		-41	655	-109	871	-151
- Repossessed assets		-6	33	-8	1	1
- Other assets		301	91	65	188	116
- Deposits from customers		3 477	405	7 180	2 032	4 028
- Other liabilities and provisions		1 303	432	1 024	-355	751
Interests received		2 046	2 144	4 267	4 053	8 158
Dividends received		-	-	-	-	-
Interests paid		-246	-379	-686	-692	-1 216
Net income taxes paid		-283	-86	-500	-249	-1 008
Net cash flow from operations		4 980	-152	7 040	571	-6 579
Cash flow from investments						
Purchase of bonds		-2 556	-2 548	-4 842	-5 816	-13 924
Proceeds from matured bonds		4 003	4 150	7 132	6 323	10 397
Purchase of fixed and intangible assets		19	96	-73	70	-156
Proceeds from sale of fixed and intangible assets		2	-7	4	-3	9
Net cash flow from investments		1 468	1 691	2 221	574	-3 674
Cash flow from financing						
Proceeds from issued securities		2 841	1 415	10 147	8 018	12 169
Repayments of issued securities		-5 147	-11 703	-12 306	-16 159	-10 834
Change in loans and deposits from credit institutions		-4 570	4 057	-5 278	6 691	9 202
Proceeds from issue of subordinated loans	15	-	-	-	-	-
Repayment of subordinated loans	15	-	-	-	-	-22
Dividend payments		-	-	-1 000	-350	-350
Interest payments on additional Tier 1 capital	16	-34	-42	-68	-84	-170
Net cash flow from financing		-6 910	-6 273	-8 505	-1 883	9 995
Exchange gains / (losses) on cash and cash equivalents		-143	36	-75	106	14
Net change in cash and cash equivalents		-605	-4 698	680	-632	-244
Cash and cash equivalents at the beginning of the period		4 400	7 357	3 047	3 291	3 291
Cash and cash equivalents at the end of the period		3 653	2 659	3 653	2 659	3 047

Statement of changes in equity - Santander Consumer Bank Nordic Group

Q2 2019

<i>All amounts in millions of NOK</i>	Share capital	Share capital premium	Additional Tier 1 capital	Other Equity	Translation differences from foreign currencies	Measured at FVTOCI	Cash flow hedge	Net investment hedge	Actuarial gain/loss	Total
Balance at 31 March 2019	9 652	891	2 250	10 055	133	26	-23	-30	-106	22 848
Profit for the period	-	-	34	1 126	-	-	-	-	-	1 160
OCI movements (net of tax)	-	-	-	-	7	-	16	-31	-34	-42
Interest payments additional Tier 1 capital	-	-	-34	-	-	-	-	-	-	-34
Tax on interest payment additional Tier 1 capital	-	-	-	8	-	-	-	-	-	8
Dividend	-	-	-	0	-	-	-	-	-	-
Balance at 30 June 2019	9 652	891	2 250	11 189	140	26	-7	-61	-140	23 940

YTD Q2 2019

<i>All amounts in millions of NOK</i>	Share capital	Share capital premium	Additional Tier 1 capital	Other Equity	Translation differences from foreign currencies	Measured at FVTOCI	Cash flow hedge	Net investment hedge	Actuarial gain/loss	Total
Balance at 1 January 2019	9 652	891	2 250	10 478	225	26	-20	-61	-106	23 336
Profit for the period	-	-	68	1 694	-	-	-	-	-	1 762
OCI movements (net of tax)	-	-	-	-	-85	-	13	0	-34	-106
Interest payments additional Tier 1 capital	-	-	-68	-	-	-	-	-	-	-68
Tax on interest payment additional Tier 1 capital	-	-	-	17	-	-	-	-	-	17
Dividend	-	-	-	-1 000	-	-	-	-	-	-1 000
Balance at 30 June 2019	9 652	891	2 250	11 189	140	26	-7	-61	-140	23 940

Total shares registered as at June 30, 2019, was 965 241 842, each with a par value of 10 NOK.

Restricted capital as at June 30, 2019, was 9 652 MM NOK. The split between restricted and unrestricted capital is in accordance with the Norwegian limited companies act.

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

Financial Year 2018

<i>All amounts in millions of NOK</i>	Share capital	Share capital premium	Additional Tier 1 capital	Other Equity	Translation differences from foreign currencies	Measured at FVTOCI	Cash flow hedge	Net investment hedge	Actuarial gain/loss	Total
Balance at 1 January 2018	9 652	891	2 250	8 274	178	32	21	-50	-70	21 180
Changes in initial application of IFRS 9	-	-	-	-601	-	-12	-	-	-	-614
Changes in initial application of IFRS 9 - tax	-	-	-	144	-	3	-	-	-	147
Restated balance at 1 January 2018	9 652	891	2 250	7 817	177	23	21	-50	-70	20 712
Profit for the period	-	-	170	2 969	-	-	-	-	-	3 139
OCI movements (net of tax)	-	-	-	-	48	3	-41	-11	-37	-37
Interest payments additional Tier 1 capital	-	-	-170	-	-	-	-	-	-	-170
Tax on interest payment additional Tier 1 capital	-	-	-	42	-	-	-	-	-	42
Dividend	-	-	-	-350	-	-	-	-	-	-350
Balance at 31 December 2018	9 652	891	2 250	10 478	225	26	-20	-61	-106	23 336

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

Restricted capital as at December 31, 2018, was 9 652 MM NOK and unrestricted capital was 13 684 MM NOK. The split between restricted and unrestricted capital is in accordance with the Norwegian limited companies act.

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

Profit and Loss - Santander Consumer Bank AS

<i>All amounts in millions of NOK</i>	Note	Q2 2019	Q2 2018	YTD Q2 2019	YTD Q2 2018	FY 2018
Total interest income		1 842	1 736	3 676	3 478	7 004
Total interest expenses		-335	-299	-662	-594	-1 161
Net interest income	9	1 507	1 437	3 014	2 884	5 844
Fee and commission income		132	127	283	253	532
Fee and commission expenses		-49	-33	-83	-53	-109
Value change and gain/loss on foreign exchange and securities		2	9	21	38	22
Other operating income		32	28	62	47	96
Other operating expenses		-25	-29	-48	-58	-105
Gross margin		1 599	1 538	3 249	3 111	6 280
Salaries and personnel expenses		-326	-311	-635	-592	-1 328
Administrative expenses		-309	-343	-640	-666	-1 301
Depreciation and amortisation		-45	-67	-89	-93	-149
Net operating income		919	817	1 886	1 760	3 501
Other income and costs		-6	-36	27	-37	-190
Impairment losses on loan, guarantees etc.	3, 4, 5, 13	448	345	44	49	159
Profit before tax		1 361	1 125	1 956	1 772	3 469
Income tax expense		-324	-287	-481	-455	-862
Profit after tax		1 037	838	1 475	1 317	2 607
Allocation of profit after tax						
Transferred to other earned equity		1 003	796	1 407	1 234	2 437
Transferred to additional Tier 1 capital	16	34	42	68	84	170
Total allocations		1 037	838	1 475	1 317	2 607
Profit after tax		1 037	838	1 475	1 317	2 607
<i>Items not to be recycled to profit and loss</i>						
Actuarial gain/loss on post employment benefit obligations		-34	-15	-34	-15	-37
<i>Items to be recycled to profit and loss</i>						
Net exchange differences on translating foreign operations		-3	1	-7	4	2
Measured at FVTOCI		-	3	0	3	3
Cash flow hedge		0	-4	3	-22	-35
Other comprehensive income for the period net of tax		-37	-16	-38	-31	-66
Total comprehensive income for the period		1 000	822	1 437	1 287	2 541

Balance Sheet - Santander Consumer Bank AS

<i>All amounts in millions of NOK</i>	Note	Q2 2019	Q2 2018	FY 2018
Assets				
Cash and receivables on central banks	10	65	65	65
Deposits with and receivables on financial institutions	10	2 323	1 338	1 216
Loans to customers	3, 4, 5, 10, 12	124 867	118 769	125 624
Commercial papers and bonds	10, 11	8 021	7 923	8 025
Financial derivatives	10, 11	17	74	50
Repossessed assets		10	9	7
Loans to subsidiaries and SPV's	10, 15	9 758	8 592	8 872
Investments in subsidiaries		1 258	1 235	1 292
Other ownership interests	10, 11	26	26	26
Intangible assets		627	606	653
Deferred tax assets		-	56	-
Fixed assets		645	244	256
Other assets		1 638	1 263	1 314
Total assets		149 256	140 199	147 400
Liabilities				
Debt to credit institutions	10, 15	22 617	30 715	29 269
Deposits from customers		61 826	52 649	54 645
Debt established by issuing securities	10, 14	37 658	31 970	37 247
Financial derivatives	10, 11	10	37	38
Tax payable		323	476	140
Other financial liabilities		419	269	343
Deferred tax		725	482	468
Pension liabilities		161	97	126
Other liabilities		1 832	1 397	1 784
Subordinated loan capital	10, 15	1 692	1 686	1 731
Total liabilities		127 261	119 779	125 790
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		9 344	7 695	8 920
OCI items		-143	-69	-105
Total equity		21 995	20 420	21 609
Total liabilities and equity		149 256	140 199	147 400

Cash Flow - Santander Consumer Bank AS

<i>All amounts in millions of NOK</i>	Note	Q2 2019	Q2 2018	YTD Q2 2019	YTD Q2 2018	FY 2018
Cash flow from operations						
Profit before tax		1 361	1 125	1 956	1 772	3 469
Adjustments for:						
- Depreciation, amortisation and impairment on fixed and intangible assets		51	70	98	99	162
- Net interest income	9	-1 507	-1 437	-3 014	-2 884	-5 844
- Value change and gain/loss on foreign exchange and securities		-2	-9	-21	-38	-22
- Dividends on financial assets at FVOCI		-	-	-	-	-
Changes in:						
- Loans to customers	12	-1 195	-1 691	-1 985	-1 488	-8 645
- Operational lease		-51	342	-111	324	-45
- Repossessed assets		-0	34	-4	-3	1
- Other assets		-645	281	-324	386	134
- Deposits from customers		3 477	405	7 180	2 032	4 028
- Other liabilities and provisions		-467	598	232	-89	512
Interests received		1 839	1 818	3 709	3 482	7 021
Dividends received		-	-	-	-	-
Interests paid		-292	-379	-679	-655	-1 176
Net income taxes paid		-249	-52	-433	-179	-876
Net cash flow from operations		2 320	1 104	6 605	2 758	-1 281
Cash flow from investments						
Purchase of bonds		-2 556	-2 214	-4 551	-2 757	-6 875
Proceeds from matured bonds		2 657	1 337	4 273	3 009	5 200
Purchase of fixed and intangible assets		-14	-30	-55	-54	-132
Proceeds from sale of fixed and intangible assets		1	0	3	1	4
Net cash flow from investments		88	-907	-330	199	-1 804
Cash flow from financing						
Proceeds from issued securities		6 251	1 415	10 147	8 018	12 154
Repayments of issued securities		-3 891	-9 778	-8 854	-11 628	-10 833
Change in loans to and deposits from credit institutions		-4 747	3 592	-5 313	670	2 133
Proceeds from issue of subordinated loans	15	-	-	-	-	-
Repayment of subordinated loans	15	-	-	-	-	-
Dividend payments		-	350	-1 000	-	-350
Interest payments on additional Tier 1 capital	16	-34	-42	-68	-84	-170
Net cash flow from financing		-2 421	-4 464	-5 088	-3 024	2 933
Exchange gains / (losses) on cash and cash equivalents		-71	17	-40	53	17
Net change in cash and cash equivalents		-84	-4 250	1 147	-13	-135
Cash and cash equivalents at the beginning of the period		2 542	5 653	1 281	1 416	1 416
Cash and cash equivalents at the end of the period		2 388	1 403	2 388	1 403	1 281

Statement of changes in equity - Santander Consumer Bank AS

Q2 2019

<i>All amounts in millions of NOK</i>	Share capital	Share capital premium	Additional Tier 1 capital	Other Equity	Translation differences from foreign currencies	Measured at FVTOCI	Cash flow hedge	Actuarial gain/loss	Total
Balance at 31 March 2019	9 652	891	2 250	8 333	-14	26	-12	-106	21 021
Profit for the period	-	-	34	1 003	-	-	-	-	1 037
OCI movements (net of tax)	-	-	-	-	-3	-	-	-34	-37
Interest payments additional Tier 1 capital	-	-	-34	-	-	-	-	-	-34
Tax on interest payment additional Tier 1 capital	-	-	-	8	-	-	-	-	8
Dividend	-	-	-	-	-	-	-	-	-
Balance at 30 June 2019	9 652	891	2 250	9 344	-17	26	-12	-140	21 995

YTD Q2 2019

<i>All amounts in millions of NOK</i>	Share capital	Share capital premium	Additional Tier 1 capital	Other Equity	Translation differences from foreign currencies	Measured at FVTOCI	Cash flow hedge	Actuarial gain/loss	Total
Balance at 1 January 2019	9 652	891	2 250	8 920	-10	26	-15	-106	21 609
Profit for the period	-	-	68	1 407	-	-	-	-	1 475
OCI movements (net of tax)	-	-	-	-	-7	-	3	-34	-38
Interest payments additional Tier 1 capital	-	-	68	-	-	-	-	-	-68
Tax on interest payment additional Tier 1 capital	-	-	-	17	-	-	-	-	17
Dividend	-	-	-	-1 000	-	-	-	-	-1 000
Balance at 30 June 2019	9 652	891	2 250	9 344	-17	26	-12	-140	21 995

Total shares registered as at June 30, 2019, was 965 241 842, each with a par value of 10 NOK.

Restricted capital as at June 30, 2019, was 9 652 MM NOK. The split between restricted and unrestricted capital is in accordance with the Norwegian limited companies act.

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

Financial Year 2018

<i>All amounts in millions of NOK</i>	Share capital	Share capital premium	Additional Tier 1 capital	Other Equity	Translation differences from foreign currencies	Measured at FVTOCI	Cash flow hedge gain/loss	Actuarial	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	-	- 11	-	-	-509
Changes in initial application of IFRS 9 - tax	-	-	-	124	-	3	-	-	127
Restated balance at 1 January 2018	9 652	891	2 250	6 791	-12	23	20	-70	19 546
Profit for the period	-	-	170	2 437	-	-	-	-	2 607
OCI movements (net of tax)	-	-	-	-	2	3	-35	-37	-66
Interest payments additional Tier 1 capital	-	-	-170	-	-	-	-	-	-170
Tax on interest payment additional Tier 1 capital	-	-	-	42	-	-	-	-	42
Dividend	-	-	-	-350	-	-	-	-	-350
Balance at 31 December 2018	9 652	891	2 250	8 920	-10	26	15	-107	21 609

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

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

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

Lysaker, 14 August 2019

The Board of Directors of Santander Consumer Bank

Erik Kongelf
(Chairman)

Bruno Montalvo Wilmot
(Deputy Chairman)

Javier Anton

Frederico José Maria Ysart
Alvarez de Toledo

Niels Christian Aall

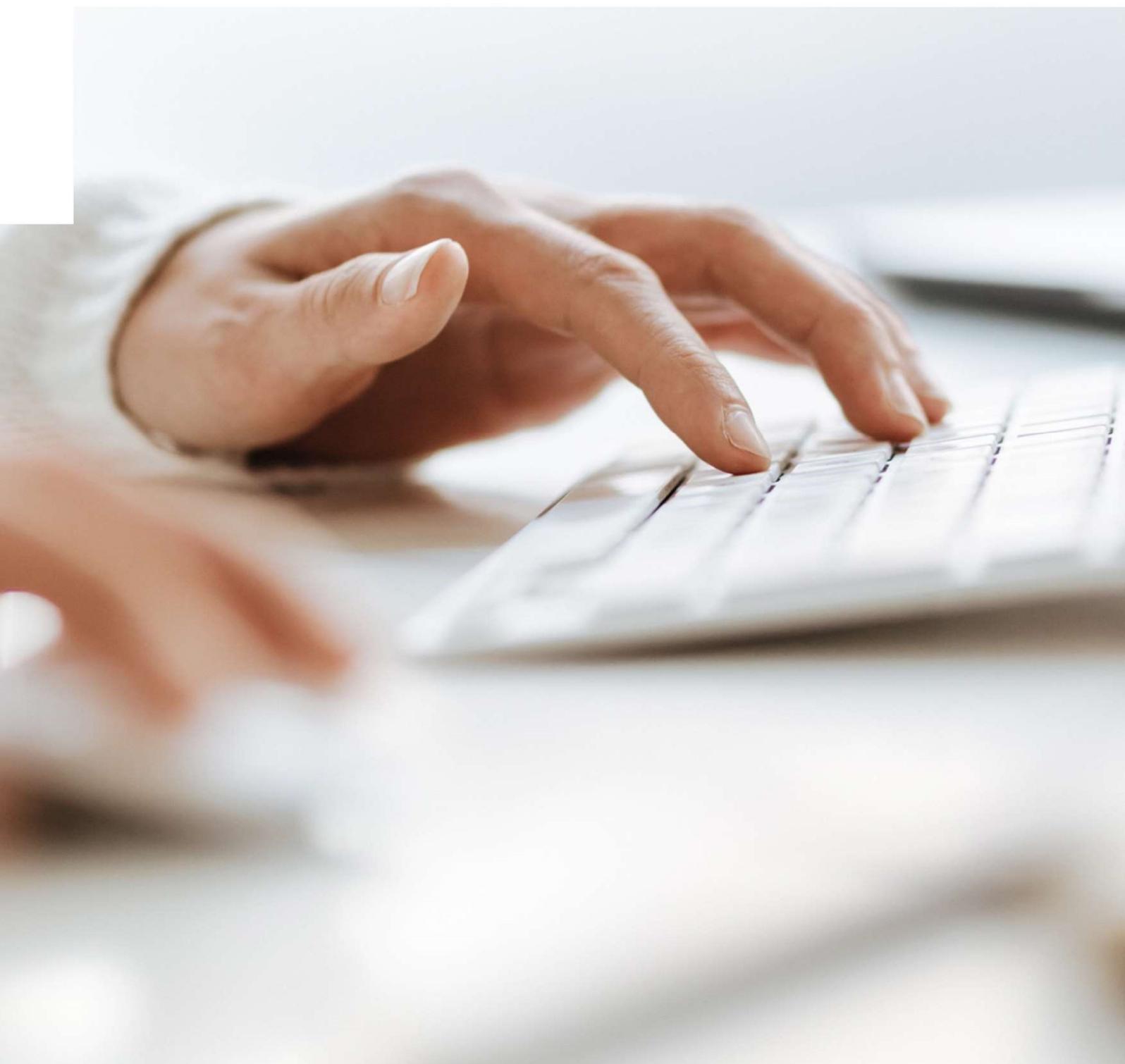
Henning Strøm

Øyvind Ertzaas
(Employee Representative)

Arja Pynnönen
(Employee Representative)

Michael Hvidsten
(Chief Executive Officer)

Group notes



Note 1 - Basis of preparation

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

The Santander Consumer Bank interim accounts for the second quarter of 2019 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 2018.

The annual report for 2018 may be obtained by contacting Santander Consumer Bank AS, Strandveien 18, Lysaker – or by visiting www.santander.no.

These interim financial statements were authorised by the Board of Directors the 14th of August 2019.

Note 2 - Accounting principles

The Group's accounting policies are consistent with those of the previous financial year as described in the 2018 annual report except as described below.

Managements estimates and critical accounting judgements

The preparation of the interim financial statements requires the use of evaluations, estimates and assumptions that affect the application of the accounting principles and amounts recognized as assets and liabilities, income and expenses. The important assessments underlying the application of the Group's accounting policies and the main sources of uncertainty are the same for the interim financial statements as for the consolidated financial statements for 2018, except for the critical judgements in determining the lease term following the implementation of IFRS 16.

Critical judgements in determining the lease term

From 1 January 2019 the Group has implemented the new leasing standard IFRS 16. For all leases, except for short-term leases and leases of low value, a lease liability and a corresponding right-of-use asset is recognized in the consolidated statement of financial position.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Periods after a termination option are included in the lease term unless it is reasonably certain that the option will be exercised.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group.

Note 3 - Credit risk exposure

All amounts in millions of NOK

Maximum exposure to credit risk - Financial instruments subject to impairment

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

Unsecured loans	Q2 2019			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade				
Loans not past due date	29 829	848	-	30 677
Standard monitoring	963	1 290	-	2 253
Special monitoring	-	181	-	181
Default	-	-	1 787	1 787
Gross carrying amount	30 792	2 319	1 787	34 898
Loss allowance	-479	-325	-1 036	-1 840
Carrying amount	30 312	1 995	751	33 058
Loss allowance (offbalance exposures)	48	15	21	84

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

Standard monitoring: Exposures in early arrears.

Special monitoring: Exposures under special monitoring.

Default: Defaulted loans.

Secured loans	Q2 2019			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade				
Loans not past due date	118 235	2 117	-	120 352
Standard monitoring	3 575	1 786	-	5 360
Special monitoring	6	293	2	301
Default	-	-	1 466	1 466
Gross carrying amount	121 816	4 195	1 468	127 479
Loss allowance	-553	-197	-739	-1 489
Carrying amount	121 263	3 998	729	125 990

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

Standard monitoring: Exposures in early arrears.

Special monitoring: Exposures under special monitoring.

Default: Defaulted loans.

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

Commerical papers and bonds	Q2 2019			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade				
Investment grade	7 720	-	-	7 720
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross carrying amount	7 720	-	-	7 720
Loss allowance	-1	-	-	-1
Carrying amount	7 719	-	-	7 719

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

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

	Maximum exposure to credit risk
Financial derivatives	48

Q2 2018

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

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

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

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

	Maximum exposure to credit risk
Financial derivatives	78

Note 4 - Risk classification

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

<i>All amounts in millions of NOK</i>	Balance			Loss reserves		
	Q2 2019	Q2 2018	FY 2018	Q2 2019	Q2 2018	FY 2018
Current - not past due date	151 469	136 628	150 742	-1 090	-1 275	-1 029
Current - past due date	7 655	7 785	8 741	-442	-481	-574
Total impaired loans	3 253	3 221	3 319	-1 798	-1 844	-1 915
Total gross loans to customers	162 377	147 635	162 802	-3 329	-3 600	-3 518

<i>Ageing of past due but not impaired loans</i>	Balance			Loss reserves		
	Q2 2019	Q2 2018	FY 2018	Q2 2019	Q2 2018	FY 2018
1 - 29 days	6 065	5 845	7 129	-185	-241	-286
30 - 59 days	1 154	1 045	1 174	-152	-147	-177
60 - 89 days	436	372	437	-105	-92	-112
Total loans due but not impaired	7 655	7 262	8 741	-442	-481	-574

<i>Ageing of impaired loans</i>	Balance			Loss reserves		
	Q2 2019	Q2 2018	FY 2018	Q2 2019	Q2 2018	FY 2018
90 - 119 days	301	264	273	-138	-130	-142
120 - 149 days	233	199	222	-114	-102	-112
150 - 179 days	212	182	184	-105	-98	-96
180 + days	1 028	904	1 110	-599	-583	-709
Economic doubtful*	1 479	1 673	1 530	-842	-931	-855
Total impaired loans	3 253	3 221	3 319	-1 798	-1 844	-1 915

* 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:

Unsecured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2019	505	310	1 205	2 019
Transfers:	-	-	-	-
Transfer from Stage 1 to Stage 2	-143	524	-	381
Transfer from Stage 1 to Stage 3	-5	-	78	73
Transfer from Stage 2 to Stage 3	-	-374	599	225
Transfer from Stage 2 to Stage 1	56	-332	-	-277
Transfer from Stage 3 to Stage 2	-	23	-128	-104
Transfer from Stage 3 to Stage 1	0	-	-	-
Assets remaining in same Stage	64	135	-149	50
Methodological changes	-21	59	-81	-43
Financial assets derecognised that are not write-offs	-34	-14	-75	-122
of which 'account that have closed in the period'	-34	-14	-75	-122
of which 'foreclosed'	-	-	-	-
of which 'sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	-	-	-391	-391
New financial assets originated or purchased	73	-	-	73
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-15	7	-22	-43
Loss allowance as at 30 June 2019	479	325	1 036	1 840

Secured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2019	535	281	683	1 499
Transfers:	-	-	-	-
Transfer from Stage 1 to Stage 2	-89	268	-	180
Transfer from Stage 1 to Stage 3	-11	-	142	131
Transfer from Stage 2 to Stage 3	-	-117	299	182
Transfer from Stage 2 to Stage 1	34	-160	-	-126
Transfer from Stage 3 to Stage 2	-	23	-150	-127
Transfer from Stage 3 to Stage 1	0	-	-1	-1
Assets remaining in same Stage	2	34	49	86
Methodological changes	7	-100	9	-84
Financial assets derecognised that are not write-offs	-74	-29	-76	-180
of which 'account that have closed in the period'	-74	-29	-76	-180
of which 'foreclosed'	-	-	-	-
of which 'sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	-	-	-207	-207
New financial assets originated or purchased	161	-	-	161
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-11	-4	-9	-24
Loss allowance as at 30 June 2019	553	197	739	1 489

Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2019	1	-	-	1
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	1	-	-	1
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	-	-	-	-
<i>of which 'account that have closed in the period'</i>	-	-	-	-
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-	-	-	-
Loss allowance as at 30 June 2019	1	-	-	1

Off balance exposure	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2019	82	14	27	122
Transfers:				
Transfer from Stage 1 to Stage 2	-6	23	-	17
Transfer from Stage 1 to Stage 3	-	-	6	6
Transfer from Stage 2 to Stage 3	-	-5	10	6
Transfer from Stage 2 to Stage 1	4	-24	-	-20
Transfer from Stage 3 to Stage 2	-	3	-15	-11
Transfer from Stage 3 to Stage 1	0	-	0	0
Assets remaining in same Stage	-3	3	5	5
Methodological changes	-38	1	-5	-42
Financial assets derecognised that are not write-offs	-4	-1	-7	-12
<i>of which 'account that have closed in the period'</i>	-4	-1	-7	-12
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	15	-	-	15
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-2	-	-	-2
Loss allowance as at 30 June 2019	48	15	21	84

Q2 2018

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	Total
Loss allowance as at 1 January 2018	1 171	542	1 709	3 421
Transfers:				
Transfer from Stage 1 to Stage 2	-53	243	-	190
Transfer from Stage 1 to Stage 3	-22	-	382	360
Transfer from Stage 2 to Stage 3	22	-112	-	-90
Transfer from Stage 2 to Stage 1	-	-81	248	167
Transfer from Stage 3 to Stage 2	-	11	-90	-79
Transfer from Stage 3 to Stage 1	-	-	-5	-5
Assets remaining in same Stage	-	-	-	-
Methodological changes	-66	-13	23	-56
Financial assets derecognised that are not write-offs	-119	-51	-149	-319
<i>of which 'account that have closed in the period'</i>	-119	-51	-149	-319
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-9	-69	-358	-436
New financial assets originated or purchased	293	70	85	448
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-	-	-	-
Loss allowance as at 30 June 2018	1 215	539	1 844	3 600

Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2018	2	-	-	2
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	-1	-	-	-1
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	-	-	-	-
<i>of which 'account that have closed in the period'</i>	-	-	-	-
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-	-	-	-
Loss allowance as at 30 June 2018	1	-	-	1

Note 6 - Liquidity coverage ratio

All amounts in millions of NOK

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

Liquidity Coverage Ratio (LCR) %	Q2 2019	Q2 2018	Q4 2018
Liquidity Coverage Ratio (LCR) Total	175	132	134
Liquidity Coverage Ratio (LCR) NOK	143	109	88
Liquidity Coverage Ratio (LCR) SEK	156	133	129
Liquidity Coverage Ratio (LCR) DKK	180	145	219
Liquidity Coverage Ratio (LCR) EUR	249	270	142

Note 7 - Capital adequacy

All amounts in millions of NOK

	Q2 2019	Q2 2018	FY 2018
Balance sheet equity			
Paid in equity	9 652	9 652	9 652
Share premium	891	891	891
Other equity	11 188	8 941	10 478
Tier 1 Capital	2 250	2 250	2 250
Other reserves	-42	18	65
Total Equity	23 940	21 753	23 336
Common Equity Tier 1 Capital			
(-) Profit not eligible as capital	-881	-538	-1 000
Cash-flow hedge adjustment	-	-	-
IRB Expected Loss - Reserves	-425	-341	-327
Goodwill	-686	-675	-705
Other intangible assets	-281	-263	-302
Deferred tax assets	-	-	-
Adjustment Prudent Valuation (AVA)	-8	-7	-10
Tier 1 Capital	-2 250	-2 250	-2 250
Total common Equity Tier 1 Capital (with full IFRS9 impact)	19 409	17 679	18 741
Capital adjustment according to IFRS9 Transitional rules	389	434	434
Total common Equity Tier 1 Capital (with IFRS9 transitional rules)	19 798	18 113	19 175
Tier 1 Capital			
Paid in Tier 1 capital instruments	2 250	2 250	2 250
Total Tier 1 Capital (with full IFRS9 impact)	21 659	19 929	20 991
Total Tier 1 Capital (after IFRS9 transitional rules)	22 048	20 363	21 425
Total Capital			
Paid up subordinated loans	1 688	1 682	1 711
Subordinated loans not eligible	-	-	-
Total Capital (with full IFRS9 impact)	23 347	21 611	22 702
Total Capital (with IFRS9 transitional rules)	23 736	22 046	23 136
Risk exposure on Standard Approach			
Regional governments or local authorities	67	78	73
Institutions	708	738	836
Corporates	8 963	4 962	9 156
Retail Standard Approach	55 763	52 230	56 206
Exposures in default SA	1 326	933	999
Covered bonds	410	439	466
Other Exposures	3 704	6 595	3 490
Total Risk exposure amount on Standard Approach	70 941	65 976	71 226
Risk exposure on Internal Rating Based Approach			
Retail Other	35 485	32 659	35 571
Total Risk exposure amount on Internal Rating Based Approach	35 485	32 659	35 571
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	106 426	98 635	106 797

Foreign exchange (zero if under threshold)	1 576	931	1 472
Risk exposure amount for position, foreign exchange and commodities risks	1 576	931	1 472
Basic indicator approach	13 168	11 896	13 168
Risk exposure amount for operational risk	13 168	11 896	13 168
Standardized method	76	154	105
Risk exposure amount for credit valuation adjustment	76	154	105
Total risk exposure amount (with full IFRS9 impact)	121 246	111 616	121 542
Risk Exposure adjustment according to IFRS9 Transitional rules	340	380	380
Total risk exposure amount (with IFRS9 transitional rules)	121 586	111 996	121 921

Total exposure for Leverage Ratio

Derivatives: Add-on under market-to-market method	495	747	642
Off-balance sheet items with 10% CCF	2 573	2 363	2 399
Off-balance sheet items with 20% CCF	853	956	788
Off-balance sheet items with 50% CCF	37	34	37
Adjusted On balance sheet exposure	172 958	158 708	174 763
Total exposure for Leverage Ratio (with full IFRS9 impact)	176 916	162 808	178 630
Exposure adjustment according to IFRS9 Transitional rules	511	571	571
Total exposure for Leverage Ratio (with IFRS9 transitional rules)	177 427	163 379	179 201

Minimum Regulatory Capital

Minimum Core Equity	4,50 %	4,50 %	4,50 %
Pillar 2 Requirement	2,60 %	2,30 %	2,30 %
Countercyclical Buffer (combined)	1,14 %	1,14 %	1,14 %
Conservation Buffer	2,50 %	2,50 %	2,50 %
Systemic Risk Buffer	3,00 %	3,00 %	3,00 %
Minimum Regulatory Capital ratio (CET1)	13,74 %	13,44 %	13,44 %

Minimum Regulatory Capital

Minimum Core Equity	5 456	5 023	5 469
Pillar 2 Requirement	3 152	2 567	2 795
Countercyclical Buffer (combined)	1 382	1 272	1 386
Conservation Buffer	3 031	2 790	3 039
Systemic Risk Buffer	3 637	3 348	3 646
Minimum Regulatory Capital amount (full IFRS9 impact)	16 659	15 001	16 335
Surplus of Core Equity Tier 1 capital (full IFRS9 impact)	2 750	2 678	2 406
Minimum Regulatory Capital amount (with IFRS9 transitional rules)	16 706	15 052	16 386
Surplus of Core Equity Tier 1 capital (after IFRS9 transitional rules)	3 092	3 061	2 789

Common equity tier 1 capital ratio (full IFRS9 impact)	16,01 %	15,84 %	15,42 %
Common equity tier 1 capital ratio (with IFRS9 transitional rules)	16,28 %	16,17 %	15,73 %
CET1 regulatory requirements	13,74 %	13,44 %	13,44 %
Tier 1 capital ratio (full IFRS9 impact)	17,86 %	17,85 %	17,27 %
Tier 1 capital ratio (with IFRS9 transitional rules)	18,13 %	18,18 %	17,57 %
Tire 1 regulatory requirements	15,24 %	14,94 %	14,94 %

Total capital ratio (full IFRS9 impact)	19,26 %	19,36 %	18,68 %
Total capital ratio (with IFRS9 transitional rules)	19,52 %	19,68 %	18,98 %
Total capital regulatory requirements	17,24 %	16,94 %	16,94 %
Leverage ratio (full IFRS9 impact)	12,24 %	12,24 %	11,75 %
Leverage ratio (with IFRS9 transitional rules)	12,43 %	12,46 %	11,96 %
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 %	85 %
Capital adjustment due to Transitional rule	389

Std Approach value adjustments Spec Reserves	-601
- whereof Retail (75%RW)	-600
- whereof Covered Bonds (10%RW)	-2
Deferred tax assets impact on Risk Exposure Amount (250%RW) *	20
Initial IFRS9 net impact on Risk Exposure Amount	-400
Base amount for IFRS9 transitional rule on Risk Exposure Amount	400
Transition %	85 %
Risk Exposure adjustment due to Transitional rule	340

Impact from Transitional rules on capital ratios (same impact for Additional tier 1 and 2) 0,27 %

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

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

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

	Q2 2019				Total
	Unsecured loans	Secured loans	Financial lease	Operational lease	
Norway	10 513	38 086	10 576	-	59 176
Sweden	14 288	16 970	5 188	-	36 447
Denmark	6 752	23 088	2 305	340	32 485
Finland	3 344	28 896	2 370	433	35 042
Total	34 898	107 040	20 440	773	163 150

	Q2 2018				Total
	Unsecured loans	Secured loans	Financial lease	Operational lease	
Norway	11 250	36 636	10 480	-	58 367
Sweden	13 159	15 576	4 744	-	33 478
Denmark	5 680	21 768	2 535	192	30 175
Finland	2 622	24 247	2 326	382	29 577
Total	32 712	98 227	20 085	574	151 597

Balance sheet and P&L per country

	Q2 2019					
	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Total interest income	1 014	447	447	871	-652	2 127
Total interest expenses	-257	-105	-37	-611	654	-356
Net interest income	757	342	410	260	2	1 771
Fee and commission income	46	45	42	51	-41	144
Fee and commission expenses	-38	-12	-7	-40	41	-56
Value change and gain/loss on foreign exchange and securities	1	0	0	6	1	8
Other operating income	6	2	24	30	0	62
Other operating expenses	-7	-5	-13	-27	0	-51
Gross margin	765	372	457	280	3	1 876
Salaries and personnel expenses	-184	-74	-68	-39	-	-365
Administrative expenses	-78	-110	-112	-89	-2	-391
Depreciation and amortisation	-24	-10	-10	-6	-	-51
Net operating income	479	178	267	146	0	1 070
Other income and costs	-7	-4	-4	0	0	-16
Impairment losses on loan, guarantees etc.	176	187	90	7	0	460
Profit before taxes	647	360	354	153	0	1 514
Income tax expense	-173	-82	-68	-31	-	-354
Profit after tax	474	278	285	123	0	1 160

	YTD Q2 2019					
	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Total interest income	2 032	881	901	1 199	-776	4 237
Total interest expenses	-511	-197	-78	-691	781	-697
Net interest income	1 521	684	823	508	5	3 541
Fee and commission income	88	96	101	67	-48	304
Fee and commission expenses	-60	-25	-14	-45	48	-96
Value change and gain/loss on foreign exchange and securities	26	0	-4	7	-	28
Other operating income	14	4	44	59	-	121
Other operating expenses	-15	-9	-24	-53	-	-101
Gross margin	1 574	749	926	543	5	3 796
Salaries and personnel expenses	-334	-161	-140	-68	-	-704
Administrative expenses	-223	-208	-199	-157	-6	-794
Depreciation and amortisation	-47	-21	-21	-11	0	-100
Net operating income	969	359	567	306	-1	2 199
Other income and costs	28	-4	-7	-1	-	16
Impairment losses on loan, guarantees etc.	-37	81	1	53	1	99
Profit before taxes	960	436	561	359	-	2 314
Income tax expense	-266	-100	-114	-72	-	-552
Profit after tax	693	335	447	287	0	1 762

Santander Consumer Bank

Cash and receivables on central banks	65	-	-	-	-	65
Deposits with and receivables on financial institutions	1 484	1 113	45	945	-	3 587
Total gross loans to customers	59 176	36 447	32 145	34 610	-	162 377
Write-downs	-1 436	-755	-711	-428	-	-3 329
Commercial papers and bonds	3 324	2 917	1 780	2 106	-2 407	7 719
Financial derivatives	17	-	-	31	-	48
Investments in subsidiaries	-	-	-	-	-	-
Other assets	19 755	511	1 627	10 151	-28 154	3 890
Total assets	82 386	40 232	34 886	47 415	-30 561	174 358
Debt to credit institutions	4 370	7 720	14 478	26 072	-18 863	33 777
Deposits from customers	25 020	19 049	17 757	-	-	61 826
Debt established by issuing securities	29 801	11 602	1 701	8 663	-2 407	49 360
Financial derivatives	10	-	-	22	-	32
Other liabilities	2 741	1 674	845	9 872	-9 709	5 423
Equity	20 444	187	104	2 785	420	23 940
Total liabilities and equity	82 386	40 232	34 886	47 415	-30 561	174 358

Q2 2018

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

YTD Q2 2018

	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Total interest income	1 886	787	854	555	-27	4 055
Total interest expenses	-437	-72	-101	-59	27	-643
Net interest income	1 449	715	753	496	-	3 412
Fee and commission income	77	73	86	30	-	266
Fee and commission expenses	-40	-4	-11	-10	-	-64
Value change and gain/loss on foreign exchange and securities	29	-1	10	2	-	40
Other operating income	13	4	30	59	-	106
Other operating expenses	-20	-12	-26	-51	-	-109
Gross margin	1 508	775	842	526	-	3 651
Salaries and personnel expenses	-262	-180	-150	-89	-	-681
Administration expenses	-326	-201	-139	-113	-	-779
Depreciation and amortisation	-66	-8	-19	-6	-	-99
Net operating income	854	386	534	318	-	2 092
Other income and costs	-2	-34	-1	1	-	-36
Impairment losses on other assets	-	-	-	-	-	-
Impairment losses on loan, guarantees etc.	122	0	-87	-44	-	-9
Profit before taxes	974	352	446	275	-	2 047
Income tax expense	-282	-81	-91	-55	-	-510
Profit after tax	692	271	355	220	-	1 537

Cash and receivables on central banks	65	-	-	-	-	65
Deposits with and receivables on financial institutions	913	941	100	638	-	2 594
Total gross loans to customers	58 367	32 299	29 731	27 238	-	147 635
Write-downs	-1 882	-669	-511	-539	-	-3 600
Commercial papers and bonds	2 722	1 699	1 456	752	-	6 629
Financial derivatives	74	-	-	4	-	78
Investments in subsidiaries	-	-	-	-	-	-
Other assets	19 815	1 525	1 720	2 582	-19 048	6 593
Total assets	80 074	35 795	32 496	30 675	-19 048	159 994
Debt to credit institutions	5 997	11 597	16 152	22 123	-18 158	37 711
Deposits from customers	22 855	14 407	15 387	-	-	52 649
Debt established by issuing securities	28 494	8 562	27	6 043	-	43 126
Financial derivatives	37	-	-	2	-	39
Other liabilities	2 167	1 278	905	337	29	4 716
Equity	20 442	-48	24	2 171	-836	21 753
Total liabilities and equity	79 992	35 796	32 495	30 676	-18 965	159 994

Note 9 - Net interest income

All amounts in millions of NOK

	Q2 2019	Q2 2018	YTD Q2	YTD Q2	FY 2018
			2019	2018	
Interest and similar income on loans to and receivables from credit institutions	-1	18	10	48	86
Interest and similar income on loans to and receivables from customers	2 102	1 981	4 185	3 965	8 028
Interest and similar income on comm. paper, bonds and other securities	26	19	42	41	44
Total interest income	2 127	2 019	4 237	4 055	8 158
Interest and similar expenses on debt to credit institutions	-42	-48	-95	-103	-206
Interest and similar expenses on deposits from and debt to customers	-199	-169	-374	-334	-666
Interest and similar expenses on issued securities	-101	-85	-200	-172	-321
Interest on subordinated loan capital	-13	-11	-25	-22	-46
Other interest expenses and similar expenses	-2	11	-3	-11	-
Total interest expense	-357	-303	-697	-643	-1 239
Net interest income	1 771	1 716	3 541	3 412	6 919

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

To credit institutions	Q2 2019	Q2 2018	YTD Q2	YTD Q2	FY 2018
			2019	2018	
Interest expenses	-42	-48	-95	-103	-206
Average loan	35 744	35 498	35 744	35 498	35 637
Average nominal interest rate	0,47 %	0,54 %	0,53 %	0,58 %	0,58 %

To customers	Q2 2019	Q2 2018	YTD Q2	YTD Q2	FY 2018
			2019	2018	
Interest expenses	-199	-169	-374	-334	-666
Average deposit	57 237	49 517	57 237	49 517	52 631
Average nominal interest rate	1,39 %	1,37 %	1,31 %	1,35 %	1,27 %

To bondholders	Q2 2019	Q2 2018	YTD Q2	YTD Q2	FY 2018
			2019	2018	
Interest expenses	-101	-85	-200	-172	-321
Average issued notes and bonds	46 243	45 164	46 243	45 164	52 100
Average nominal interest rate	0,87 %	0,76 %	0,86 %	0,76 %	0,62 %

Subordinated loan capital*	Q2 2019	Q2 2018	YTD Q2	YTD Q2	FY 2018
			2019	2018	
Interest expenses	-13	-11	-25	-22	-46
Average subordinated loan capital	1 689	1 507	1 689	1 507	1 742
Average nominal interest rate	3,12 %	2,99 %	2,98 %	2,96 %	2,64 %

Total of tables above:	Q2 2019	Q2 2018	YTD Q2	YTD Q2	FY 2018
			2019	2018	
Interest expenses	-355	-314	-694	-632	-1 239
Loan	140 913	131 686	140 913	131 686	142 110
Average nominal interest rate	1,01 %	0,95 %	0,98 %	0,96 %	0,87 %

Note 10 - Classification of financial instruments

2019

All amounts in millions of NOK

Classification of financial assets 30 June 2019	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	-	-	3 587	3 587
Loans to customers	-	-	159 048	159 048
Commercial papers and bonds	-	-	7 719	7 719
Financial derivatives	48	-	-	48
Other ownership interests	-	26	-	26
Total financial assets	48	26	170 420	170 494
			Non financial assets	3 864
			Total assets	174 358

Classification of financial liabilities 30 June 2019	Financial liabilities at fair value through P&L	Financial liabilities at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	33 777	33 777
Deposits from customers	-	-	61 826	61 826
Debt established by issuing securities	-	-	49 360	49 360
Financial derivatives	32	-	-	32
Other financial liabilities	-	-	2 237	2 237
Subordinated loan capital	-	-	1 692	1 692
Total financial liabilities	32	-	148 892	148 924
			Non financial liabilities and equity	25 434
			Total liabilities and equity	174 358

2018

All amounts in millions of NOK

Classification of financial assets 31 December 2018	Financial assets at fair value through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Cash and receivables on central banks	-	-	65	65
Deposits with and receivables on financial institutions	-	-	2 982	2 982
Loans to customers	-	-	159 284	159 284
Commercial papers and bonds	-	-	10 363	10 363
Financial derivatives	64	-	-	64
Other ownership interests	-	26	-	26
Other financial assets	-	-	-	-
Total financial assets	64	26	172 694	172 784
			Non financial assets	3 324
			Total assets	176 108

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

Note 11 - Valuation Hierarchy

Q2 2019

All amounts in millions of NOK

			Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Financial instruments measured at fair value						
Financial assets						
Name	Type	Notional				
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 40	-	17		17
KIMI5 Pass Through	Interest Rate Swap	MM EUR 49	-	0		0
KIMI6 Pass Through	Interest Rate Swap	MM EUR 218	-	7		7
KIMI7 Pass Through	Interest Rate Swap	MM EUR 432	-	24		24
Total financial trading derivatives			-	48	-	48
Name	Type					
VISA	Equity		-	26	-	26
Total other ownership interests			-	26	-	26
Total Assets			-	74	-	74
Financial liabilities						
Name	Type	Notional				
KIMI6 Fixed	Interest Rate Swap	MM EUR 212	-	4	-	4
Bilkreditt 7 Pass Through	Cross Currency Swap	MM EUR 22	-	10	-	10
KIMI5	Interest Rate Swap	MM EUR 49	-	0	-	0
KIMI7 Fixed	Interest Rate Swap	MM EUR 414	-	18	-	18
KIMI5 Fixed	Interest Rate Swap	MM EUR 57	-	0		0
Total financial derivatives			-	32	-	32
Total Liabilities			-	32	-	32
Derivatives designated for hedge accounting - assets						
Name	Type	Notional				
Bilkreditt 7	Cross Currency Swap	MM EUR 22	-	10	-	10
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	14	-	14
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	90	-	90
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	7	-	7
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	64	-	64
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	15	-	15
Total derivatives designated for hedging - assets*			-	200	-	200
Derivatives designated for hedge accounting - liabilities						
Name	Type	Notional				
KIMI6	Interest Rate Swap	MM EUR 218	-	8	-	8
KIMI7	Interest Rate Swap	MM EUR 432	-	24	-	24
Total derivatives designated for hedging - liabilities*			-	32	-	32

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access to at that date. When available, the fair value of an instrument is measured using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the instrument's 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 to by the reporting date. Examples of instruments at Level 1 are listed government bonds.

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

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

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

Q2 2018

All amounts in millions of NOK

			Quoted market price	Using observable inputs	With significant unobservable inputs	Total
			Level 1	Level 2	Level 3	
Financial instruments measured at fair value						
Financial assets						
<i>Name</i>	<i>Type</i>	<i>Notional</i>				
Bilkreditt 6 Fixed	Cross Currency Swap	MM EUR 34	-	47	-	47
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 117	-	27	-	27
KIMI4 Pass Through	Interest Rate Swap	MM EUR 13	-	-	-	-
KIMI5 Fixed	Interest Rate Swap	MM EUR 174	-	-	-	-
KIMI6 Pass Through	Interest Rate Swap	MM EUR 448	-	3	-	3
KIMI5 Pass Through	Interest Rate Swap	MM EUR 174	-	-	-	-
Total financial trading derivatives			-	78	-	78
Other ownership interests						
<i>Name</i>	<i>Type</i>					
VISA	Equity		-	26	-	26
Total other ownership interests			-	26	-	26
Total Assets			-	104	-	104
Financial liabilities						
<i>Name</i>	<i>Type</i>	<i>Notional</i>				
KIMI5	Interest Rate Swap	MM EUR 218	-	1	-	1
Bilkreditt 6 Pass Through	Cross Currency Swap	MM EUR 31	-	13	-	13
Bilkreditt 7 Pass Through	Cross Currency Swap	MM EUR 127	-	24	-	24
KIMI4	Interest Rate Swap	MM EUR 30	-	-	-	-
KIMI4 Fixed	Interest Rate Swap	MM EUR 39	-	-	-	-
KIMI6 Fixed	Interest Rate Swap	MM EUR 218	-	1	-	1
Total financial derivatives			-	39	-	39
Total Liabilities			-	39	-	39

Derivatives designated for hedge accounting - assets

<i>Name</i>	<i>Type</i>	<i>Notional</i>			
Bilkreditt 6	Cross Currency Swap	MM EUR 10	-	13	- 13
Bilkreditt 7	Cross Currency Swap	MM EUR 102	-	24	- 24
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	11	- 11
DK EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	2	- 2
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	78	- 78
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	2	- 2
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	41	- 41
Total derivatives designated for hedging - assets*			-	170	- 170

Derivatives designated for hedge accounting - liabilities

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access to at that date. When available, the fair value of an instrument is measured using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the instrument's 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 to by the reporting date. Examples of instruments at Level 1 are listed government bonds.

Level 2:

Instruments at this level are 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.

Note 12 - Loans to customers

<i>All amounts in millions of NOK</i>	YTD Q2	YTD Q2	FY
	2019	2018	2018
Credit Card	6 526	6 606	7 030
Unsecured loans	28 371	26 106	27 372
Auto loans	127 479	114 923	128 400
- <i>Installment loans</i>	107 040	94 838	106 981
- <i>Financial leasing</i>	20 440	20 085	21 419
Total gross loans to customers	162 377	147 635	162 802
- Loan loss allowance - Stage 1	-1 033	-1 216	-1 039
- Loan loss allowance - Stage 2	-521	-539	-591
- Loan loss allowance - Stage 3	-1 776	-1 844	-1 888
Total net loans to customers	159 048	144 035	159 284

Note 13 - Impairment losses on loan, guarantees etc.

All amounts in millions of NOK

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

	Q2 2019	Q2 2018	YTD Q2 2019	YTD Q2 2018
Change in loss allowance - Unsecured loans	227	-61	121	-162
Change in loss allowance - Secured loans	-25	-44	-15	-115
Change in loss allowance - Commercial papers and bonds	0	1	0	1
+ Total realized losses	-571	-540	-944	-970
- Recoveries on previously realized losses	73	138	180	367
- Gain on sold portfolios	757	869	757	869
Impairment losses on loan, guarantees etc.	460	363	99	-9

Note 14 - Issued securities

All amounts in millions of NOK

	Q2 2019	Q2 2018	FY 2018
Issued certificates	1919	852	1751
Senior unsecured issued securities	35 739	31 119	35 495
Asset backed issued securities	11 702	11 156	15 683
Total issued securities	49 360	43 126	52 929

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in January to a value of SEK 70 MM (NOK 67 MM)

Santander Consumer Bank AS issued bonds on the Irish Stock exchange in January to a value of EUR 500 MM (NOK 4 872)

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in February to a value of SEK 50 MM (NOK 47 MM)

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in February to a value of SEK 130 MM (NOK 121 MM)

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in February to a value of SEK 60 MM (NOK 56 MM)

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in February to a value of SEK 120 MM (NOK 112 MM)

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in February to a value of SEK 150 MM (NOK 138 MM)

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in February to a value of SEK 175 MM (NOK 161 MM)

Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in February to a value of NOK 1 000 MM

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in March to a value of SEK 200 MM (NOK 185 MM)

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in March to a value of SEK 67 MM (NOK 62 MM)

Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in March to a value of NOK 500 MM

Santander Consumer Bank AS issued bonds on the Irish Stock exchange in April to a value of DKK 750 MM (NOK 969 MM)

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in April to a value of SEK 200 MM (NOK 185 MM)

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in April to a value of SEK 150 MM (NOK 137 MM)

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in May to a value of SEK 100 MM (NOK 91 MM)

Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exchange in May to a value of NOK 250 MM

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in May to a value of SEK 100 MM (NOK 91 MM)

Santander Consumer Bank AS issued bonds on the Irish Stock exchange in May to a value of SEK 105 MM (NOK 96 MM)

Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in May to a value of NOK 300 MM

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in June to a value of SEK 100 MM (NOK 92 MM)

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in June to a value of SEK 200 MM (NOK 184 MM)

Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exchange in June to a value of NOK 150 MM

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in June to a value of SEK 70 MM (NOK 64 MM)

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

Note 15 - Receivables and liabilities to related parties

Amounts in millions of NOK

	Accrued interest		Accrued interest		Accrued interest	
	Q2 2019	Q2 2019	Q2 2018	Q2 2018	FY 2018	FY 2018
Debt to related parties:						
Santander Benelux	-	-	255	1	-	-
Santander Consumer Finance S.A.	33 552	11	37 224	7	39 912	10
Total	33 552	11	37 479	8	39 912	10

Balance sheet line: "Subordinated loan capital" - Bonds

MNOK 250, maturity March 2025, 3 months NIBOR + 2.2575% (Santander Consumer Finance S.A)	250	-	250	-	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)	688	-	682	-	728	-
MNOK 500, maturity September 2027, 3 months NIBOR + 1,66% (Santander Consumer Finance S.A)	500	1	500	1	500	-
Total	1 688	4	1 682	3	1 728	2

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

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

Note 16 - 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.

Transactions with related parties are mostly interest expenses on funding from the parent company and the ultimate parent company.

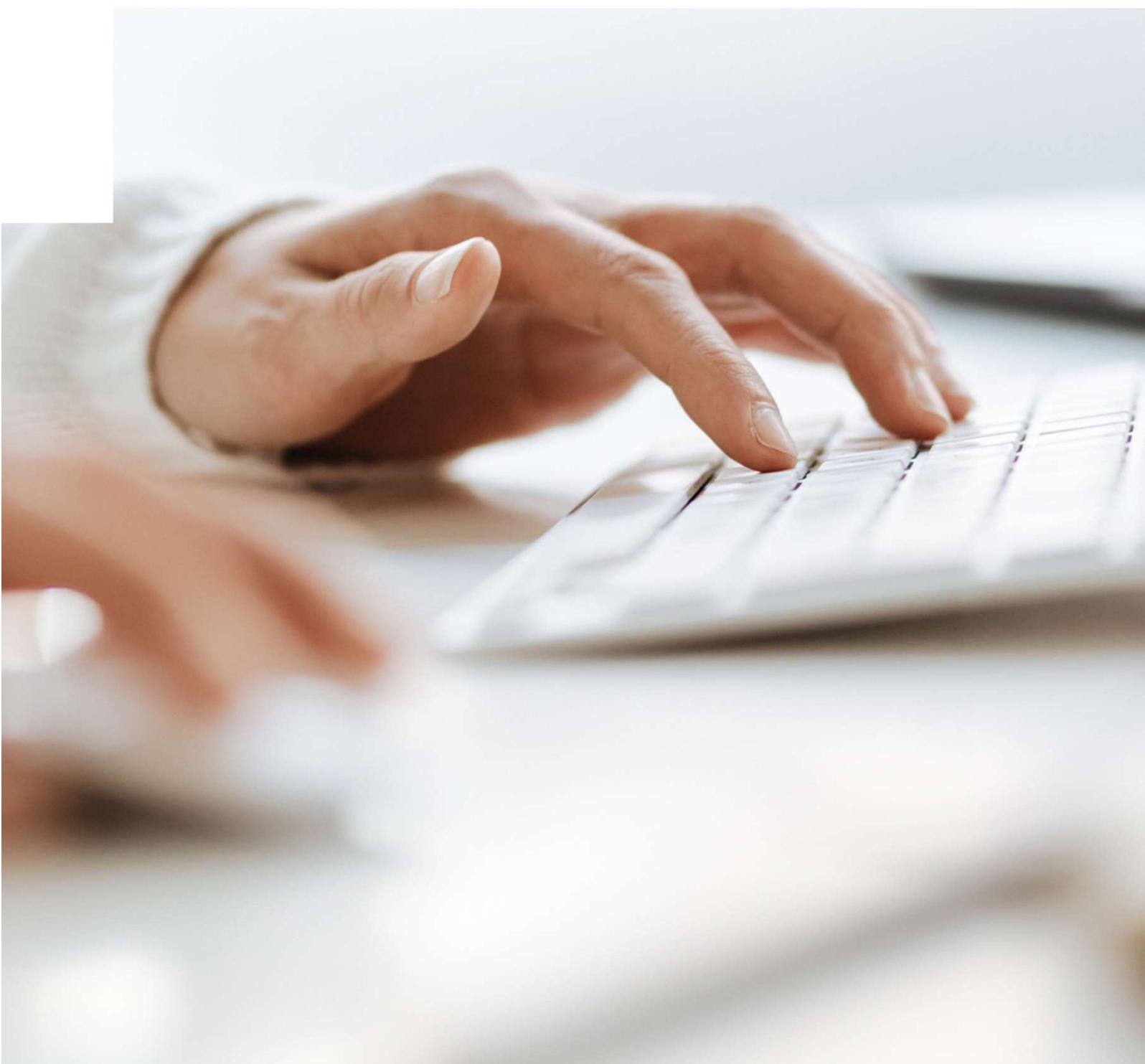
The following transactions were carried out with related parties:

	YTD Q2		YTD Q2		Financial year
	Q2 2019	Q2 2018	2019	2018	2018
Interest income	-	3	-	12	13
Interest expenses	-36	-35	-72	-72	-132
Interest payments additional Tier 1 capital	-34	-43	-68	-84	-169
Fees	-	2	-	5	10
Other	-12	-	-11	-	-22
Net transactions	-82	-72	-151	-138	-301

Santander Consumer Bank Group had transactions with the following related parties per 30 June 2019:

Santander Consumer Finance, S.A.
Santander Seguros Y Reaseguros, S.A.
Banco Santander, S.A.
Santander Sonsumer Finance Global Services, S.L.
Santander Global Operations, S.A.
Santander Global Technology, S.L.

AS notes



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 interim accounts for the second quarter of 2019 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 2018.

The annual report for 2018 may be obtained by contacting Santander Consumer Bank AS, Strandveien 18, Lysaker – or by visiting www.santander.no.

These interim financial statements were authorised by the Board of Directors the 14th of August 2019.

Note 2 - Accounting policy

The Santander Consumer Banks AS's accounting policies are consistent with those of the previous financial year as described in the 2018 annual report and in the Q1 2019 report where accounting principles of Leases was updated according to IFRS 16.

Note 3 - Credit risk exposure

All amounts in millions of NOK

Maximum exposure to credit risk - Financial instruments subject to impairment

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

	Q2 2019			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Unsecured loans				
Credit grade				
Loans not past due date	26 885	839	-	27 724
Standard monitoring	723	1 225	-	1 948
Special monitoring	-	176	-	176
Default	-	-	1 706	1 706
Gross carrying amount	27 608	2 240	1 706	31 554
Loss allowance	-436	-303	-1 005	-1 744
Carrying amount	28 044	1 937	701	29 810
Loss allowance (offbalance exposures)	48	15	21	84

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

Standard monitoring: Exposures in early arrears.

Special monitoring: Exposures under special monitoring.

Default: Defaulted loans.

	Q2 2019			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Secured loans				
Credit grade				
Loans not past due date	90 330	1 187	-	91 518
Standard monitoring	2 114	1 116	-	3 231
Special monitoring	5	255	2	262
Default	-	-	1 204	1 204
Gross carrying amount	92 449	2 559	1 206	96 214
Loss allowance	-386	-144	-627	-1 157
Carrying amount	92 063	2 415	579	95 057

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

Standard monitoring: Exposures in early arrears.

Special monitoring: Exposures under special monitoring.

Default: Defaulted loans.

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

Commercial papers and bonds	Q2 2019			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade				
Investment grade	8 022	-	-	8 022
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross carrying amount	8 022	-	-	8 022
Loss allowance	-1	-	-	-1
Carrying amount	8 021	-	-	8 021

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

	Maximum exposure to credit risk
Financial derivatives	17

Q2 2018

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

Commercial papers and bonds	Q2 2018			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade				
Investment grade	7 924	-	-	7 924
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross carrying amount	7 924	-	-	7 924
Loss allowance	-1	-	-	-1
Carrying amount	7 923	-	-	7 923

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

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

	Maximum exposure to credit risk		
Financial derivatives	74		

Note 4 - Risk classification

All amounts in millions of NOK

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

<i>All amounts in millions of NOK</i>	Balance			Loss reserves		
	Q2 2019	Q2 2018	FY 2018	Q2 2019	Q2 2018	FY 2018
Current - not past due date	119 645	111 723	119 880	-888	-961	-783
Current - past due date	5 210	5 694	5 728	-380	-372	-442
Total impaired loans	2 912	2 979	3 007	-1 632	-1 728	-1 766
Total gross loans to customers	127 767	120 397	128 615	-2 901	-3 061	-2 991

<i>Ageing of past due but not impaired loans</i>	Balance			Loss reserves		
	Q2 2019	Q2 2018	FY 2018	Q2 2019	Q2 2018	FY 2018
1 - 29 days	4 006	4 058	4 455	-164	-176	-206
30 - 59 days	859	822	908	-126	-117	-143
60 - 89 days	346	321	365	-90	-79	-94
Total loans due but not impaired	5 210	5 201	5 728	-380	-372	-442

<i>Ageing of impaired loans</i>	Balance			Loss reserves		
	Q2 2019	Q2 2018	FY 2018	Q2 2019	Q2 2018	FY 2018
90 - 119 days	259	227	243	-126	-116	-129
120 - 149 days	209	181	203	-106	-94	-104
150 - 179 days	193	168	168	-98	-91	-89
180 + days	1 007	903	1 077	-591	-582	-693
Economic doubtful*	1 244	1 499	1 316	-711	-845	-751
Total impaired loans	2 912	2 979	3 007	-1 632	-1 728	-1 766

* 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

Q2 2019

All amounts in millions of NOK

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

Unsecured loans	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance as at 1 January 2019	469	240	1 161	1 870
Transfers:	0	0	-	-
Transfer from Stage 1 to Stage 2	-124	483	-	359
Transfer from Stage 1 to Stage 3	-4	-	75	71
Transfer from Stage 2 to Stage 3	-	-343	566	223
Transfer from Stage 2 to Stage 1	52	-312	-	-260
Transfer from Stage 3 to Stage 2	-	22	-123	-102
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	68	129	-157	41
Methodological changes	-43	100	-67	-10
Financial assets derecognised that are not write-offs	-30	-11	-74	-116
<i>of which 'account that have closed in the period'</i>	-30	-11	-74	-116
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-356	-356
New financial assets originated or purchased	62	-	-	62
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-14	-5	-21	-40
Loss allowance as at 30 June 2019	436	303	1 005	1 744

Secured loans	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance as at 1 January 2019	345	198	578	1 121
Transfers:	-	-	-	-
Transfer from Stage 1 to Stage 2	-68	203	-	135
Transfer from Stage 1 to Stage 3	-8	-	116	108
Transfer from Stage 2 to Stage 3	-	-94	239	146
Transfer from Stage 2 to Stage 1	29	-130	-	-101
Transfer from Stage 3 to Stage 2	-	20	-131	-111
Transfer from Stage 3 to Stage 1	-	-	-1	-1
Assets remaining in same Stage	18	29	28	75
Methodological changes	22	-62	25	-15
Financial assets derecognised that are not write-offs	-60	-19	-59	-138
<i>of which 'account that have closed in the period'</i>	-60	-19	-59	-138
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-162	-162
New financial assets originated or purchased	114	-	-	114
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-6	-2	-6	-14
Loss allowance as at 30 June 2019	386	144	627	1 157

Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2019	1	-	-	1
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	1	-	-	1
Methodological changes	-	-	-	-
Financial assets derecognised that are not write-offs	-	-	-	-
<i>of which 'account that have closed in the period'</i>	-	-	-	-
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-	-	-	-
Loss allowance as at 30 June 2019	1	-	-	1

Off balance exposure	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2019	82	14	27	122
Transfers:				
Transfer from Stage 1 to Stage 2	-6	23	-	17
Transfer from Stage 1 to Stage 3	-	-	6	6
Transfer from Stage 2 to Stage 3	-	-5	10	6
Transfer from Stage 2 to Stage 1	4	-24	-	-20
Transfer from Stage 3 to Stage 2	-	3	-15	-11
Transfer from Stage 3 to Stage 1	0	-	-	-
Assets remaining in same Stage	-3	3	5	5
Methodological changes	-38	1	-5	-42
Financial assets derecognised that are not write-offs	-4	-1	-7	-12
<i>of which 'account that have closed in the period'</i>	-4	-1	-7	-12
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	15	-	-	15
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-2	0	-	-2
Loss allowance as at 30 June 2019	48	15	21	84

Q2 2018

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	Total
Loss allowance as at 1 January 2018	908	406	1 607	2 920
Transfers:				
Transfer from Stage 1 to Stage 2	-37	188	-	151
Transfer from Stage 1 to Stage 3	-21	-	353	332
Transfer from Stage 2 to Stage 3	17	-92	-	-76
Transfer from Stage 2 to Stage 1	-	-73	217	144
Transfer from Stage 3 to Stage 2	-	11	-86	-75
Transfer from Stage 3 to Stage 1	-	-	-5	-5
Assets remaining in same Stage	-	-	-	-
Methodological changes	-52	-1	22	-32
Financial assets derecognised that are not write-offs	-97	-37	-134	-268
<i>of which 'account that have closed in the period'</i>	-97	-37	-134	-268
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-8	-57	-319	-385
New financial assets originated or purchased	225	56	74	354
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-	-	-	-
Loss allowance as at 30 June 2018	934	399	1 728	3 061

Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2018	2			2
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Assets remaining in same Stage	-	-	-	-
Methodological changes	-1	-	-	-1
Financial assets derecognised that are not write-offs	-	-	-	-
<i>of which 'account that have closed in the period'</i>	-	-	-	-
<i>of which 'foreclosed'</i>	-	-	-	-
<i>of which 'sold'</i>	-	-	-	-
<i>of which 'change of perimeter'</i>	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-	-	-	-
Loss allowance as at 30 June 2018	1	-	-	1

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 $LCR = \text{liquidity assets} / (\text{cash outflows} - \text{cash inflows})$. The minimum LCR level (CRD IV) is 100% from 31 December 2017. With a stable basis of High Quality Liquid Assets, SCB AS fulfills the minimum LCR requirements.

Liquidity Coverage Ratio (LCR) %	Q2 2019	Q2 2018	Q4 2018
Liquidity Coverage Ratio (LCR) Total	162	118	126
Liquidity Coverage Ratio (LCR) NOK	145	109	88
Liquidity Coverage Ratio (LCR) SEK	156	133	129
Liquidity Coverage Ratio (LCR) DKK	180	145	219
Liquidity Coverage Ratio (LCR) EUR	-	-	-

Note 7 - Capital adequacy

All amounts in millions of NOK

	Q2 2019	Q2 2018	FY 2018
Balance sheet equity			
Paid in equity	9 652	9 652	9 652
Share premium	891	891	891
Other equity	9 344	7 695	8 920
Tier 1 Capital	2 250	2 250	2 250
Other reserves	-143	-69	-105
Total Equity	21 995	20 420	21 609
Common Equity Tier 1 Capital			
(-) Profit not eligible as capital	-738	-461	-1 000
Cash-flow hedge adjustment	-	-	-
IRB Expected Loss - Reserves	-221	-220	-196
Goodwill	-286	-282	-294
Other intangible assets	-258	-243	-274
Deferred tax assets	-	-	-
Adjustment Prudent Valuation (AVA)	-7	-6	-7
Tier 1 Capital	-2 250	-2 250	-2 250
Total common Equity Tier 1 Capital (with full IFRS9 impact)	18 235	16 958	17 588
Capital adjustment according to IFRS9 Transitional rules	318	355	355
Total common Equity Tier 1 Capital (with IFRS9 transitional rules)	18 553	17 313	17 944
Tier 1 Capital			
Paid in Tier 1 capital instruments	2 250	2 250	2 250
Total Tier 1 Capital (with full IFRS9 impact)	20 485	19 208	19 838
Total Tier 1 Capital (with IFRS9 transitional rules)	20 803	19 563	20 194
Total Capital			
Paid up subordinated loans	1 688	1 682	1 711
Subordinated loans not eligible	-	-	-
Total Capital (with full IFRS9 impact)	22 173	20 891	21 549
Total Capital (with IFRS9 transitional rules)	22 491	21 246	21 905
Risk exposure on Standard Approach			
Regional governments or local authorities	66	78	73
Institutions	420	422	386
Corporates	8 864	8 166	8 778
Retail Standard Approach	49 282	46 732	49 918
Exposures in default SA	1 106	866	902
Covered bonds	410	416	443
Other Exposures	12 601	12 105	11 075
Total Risk exposure amount on Standard Approach	72 750	68 786	71 575
Risk exposure on Internal Rating Based Approach			
Retail Other	23 162	22 446	23 589
Total Risk exposure amount on Internal Rating Based Approach	23 162	22 446	23 589
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	95 912	91 232	95 164

Foreign exchange (zero if under threshold)	-	601	-
Risk exposure amount for position, foreign exchange and commodities risks	-	601	-
Basic indicator approach	11 772	10 607	11 772
Risk exposure amount for operational risk	11 772	10 607	11 772
Standardized method	101	154	105
Risk exposure amount for credit valuation adjustment	101	154	105
Total risk exposure amount (with full IFRS9 impact)	107 785	102 594	107 040
Risk Exposure adjustment according to IFRS9 Transitional rules	316	354	354
Total risk exposure amount (with IFRS9 transitional rules)	108 102	102 948	107 394
Total exposure for Leverage Ratio			
Derivatives: Add-on under market-to-market method	409	585	430
Off-balance sheet items with 10% CCF	2 437	2 174	2 286
Off-balance sheet items with 20% CCF	839	942	782
Off-balance sheet items with 50% CCF	37	34	37
Adjusted On balance sheet exposure	148 484	139 449	146 629
Total exposure for Leverage Ratio (with full IFRS9 impact)	152 206	143 184	150 164
Exposure adjustment according to IFRS9 Transitional rules	423	473	473
Total exposure for Leverage Ratio (with IFRS9 transitional rules)	152 629	143 657	150 637
Minimum Regulatory Capital			
Minimum Core Equity	4,50 %	4,50 %	4,50 %
Pillar 2 Requirement	2,60 %	2,30 %	2,30 %
Countercyclical Buffer (combined)	1,47 %	1,49 %	1,47 %
Conservation Buffer	2,50 %	2,50 %	2,50 %
Systemic Risk Buffer	3,00 %	3,00 %	3,00 %
Minimum Regulatory Capital ratio (CET1)	14,07 %	13,79 %	13,77 %
Minimum Regulatory Capital			
Minimum Core Equity	4 850	4 617	4 817
Pillar 2 Requirement	2 802	2 360	2 462
Countercyclical Buffer (combined)	1 584	1 529	1 573
Conservation Buffer	2 695	2 565	2 676
Systemic Risk Buffer	3 234	3 078	3 211
Minimum Regulatory Capital amount (full IFRS9 impact)	15 165	14 148	14 739
Surplus of Core Equity Tier 1 capital (full IFRS9 impact)	3 069	2 810	2 849
Minimum Regulatory Capital amount (with IFRS9 transitional rules)	15 210	14 197	14 788
Surplus of Core Equity Tier 1 capital (after IFRS9 transitional rules)	3 343	3 117	3 155
Common equity tier 1 capital ratio (full IFRS9 impact)	16,92 %	16,53 %	16,43 %
Common equity tier 1 capital ratio (with IFRS9 transitional rules)	17,16 %	16,82 %	16,71 %
CET1 regulatory requirements	14,07 %	13,79 %	13,77 %
Tier 1 capital ratio (full IFRS9 impact)	19,01 %	18,72 %	18,53 %
Tier 1 capital ratio (with IFRS9 transitional rules)	19,24 %	19,00 %	18,80 %
Tire 1 regulatory requirements	15,57 %	15,29 %	15,27 %

Total capital ratio (full IFRS9 impact)	20,57 %	20,36 %	20,13 %
Total capital ratio (with IFRS9 transitional rules)	20,81 %	20,64 %	20,40 %
Total capital regulatory requirements	17,57 %	17,29 %	17,27 %
Leverage ratio (full IFRS9 impact)	13,46 %	13,42 %	13,21 %
Leverage ratio (with IFRS9 transitional rules)	13,63 %	13,62 %	13,41 %
LR regulatory requirements	5,00 %	5,00 %	5,00 %

Specification of IFRS Transition rules (based on initial impact)

IFRS 9 Increase in Loss Reserves	-498
- whereof Internal Rating Based	-
Tax impact from increased loss reserves	124
Deferred tax assets impact on capital	-
Initial IFRS9 net impact on capital	-374
Base amount for IFRS9 transitional rule on capital	374
Transition %	85 %
Capital adjustment due to Transitional rule	318

Std Approach value adjustments Spec Reserves	-498
- whereof Retail (75%RW)	-496
- whereof Covered Bonds (10%RW)	-2
Deferred tax assets impact on Risk Exposure Amount (250%RW)	-
Initial IFRS9 net impact on Risk Exposure Amount	-372
Base amount for IFRS9 transitional rule on Risk Exposure Amount	372
Transition %	85 %
Risk Exposure adjustment due to Transitional rule	316

Impact from Transitional rules on capital ratios (same impact for Tier 1 and 2) 0,25 %

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

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

Note 8 - Segment information

All amounts in millions of NOK

Financial management in Santander is oriented towards the various geographical markets. Monitoring of the overall profitability of the geographic areas are important dimensions of the strategic priorities and allocation of resources in SCB AS reported figures for the various segments reflect SCB AS' total sales of products and services in the geographical area.

Segment information is based on the internal financial reporting as it is reported to SCB AS management. SCB AS management uses the segment reporting as an element to assess historical and expected future development and allocation of resources.

Reporting from the segments is based on Santander's governance model and the SCB AS' accounting policies. The figures are based on a number of assumptions and estimates.

The Segments are responsible for profits after tax, with the corresponding return on allocated capital according to SCB AS' governance model. All SCB AS' trade activities are divided into the reported segments with corresponding balances, income and expenses.

Deficit liquidity from the segments are funded by SCB AS' Treasury at market conditions.

Surplus liquidity is transferred to SCB AS' Treasury at market conditions. Internal agreements at market conditions or simulated market conditions are made when segments cooperate on the delivery of financial services to customers.

Services provided by SCB AS' central functions and staff are charged segments based on an allocation agreement.

Product segmentation per country (gross lending before expected losses)

Q2 2019					
	Unsecured loans	Secured loans	Financial lease	Operational lease	Total
Norway	10 513	38 086	10 576	-	59 176
Sweden	14 288	16 970	5 188	-	36 447
Denmark	6 752	23 088	2 305	340	32 485
Total	31 554	78 144	18 069	340	128 108

Q2 2018					
	Unsecured loans	Secured loans	Financial lease	Operational lease	Total
Norway	11 250	36 636	10 480	-	58 367
Sweden	13 159	15 576	4 744	-	33 478
Denmark	5 680	21 768	2 535	192	30 176
Total	30 090	73 980	17 759	192	122 022

P&L and Balance sheet per country

	Q2 2019				
	Norway	Sweden	Denmark	Eliminations	Total
Total interest income	998	397	447	-	1 842
Total interest expenses	-236	-61	-37	-	-335
Net interest income	762	335	410	-	1 507
Fee and commission income	46	44	42	-	132
Fee and commission expenses	-37	-6	-7	-	-49
Value change and gain/loss on foreign exchange and securities	1	0	0	-	2
Other operating income	6	2	24	-	32
Other operating expenses	-7	-5	-13	-	-25
Gross margin	772	371	457	-	1 599
Salaries and personnel expenses	-184	-74	-68	-	-326
Administrative expenses	-78	-110	-112	-	-299
Depreciation and amortisation	-24	-10	-10	-	-45
Net operating income	486	176	267	-	929
Other income and costs	-7	-4	-4	-	-15
Impairment losses on loan, guarantees etc.	169	188	90	-	448
Profit before taxes	647	360	354	-	1 361
Income tax expense	-173	-82	-68	-	-324
Profit after tax	474	278	285	-	1 037

	YTD Q2 2019				
	Norway	Sweden	Denmark	Eliminations	Total
Total interest income	1 994	781	901	-	3 676
Total interest expenses	-472	-112	-78	-	-662
Net interest income	1 522	670	823	-	3 014
Fee and commission income	88	94	101	-	283
Fee and commission expenses	-57	-12	-14	-	-83
Value change and gain/loss on foreign exchange and securities	25	0	-4	-	21
Other operating income	14	4	44	-	62
Other operating expenses	-15	-9	-24	-	-48
Gross margin	1 577	746	926	-	3 249
Salaries and personnel expenses	-334	-161	-140	-	-635
Administrative expenses	-223	-208	-199	-	-630
Depreciation and amortisation	-47	-21	-21	-	-89
Net operating income	973	356	567	-	1 895
Other income and costs	28	-4	-7	-	17
Impairment losses on loan, guarantees etc.	-41	84	1	-	44
Profit before taxes	960	436	561	-	1 956
Income tax expense	-266	-100	-114	-	-481
Profit after tax	693	335	447	-	1 475

Santander Consumer Bank

Cash and receivables on central banks	65	-	-	-	65
Deposits with and receivables on financial institutions	1 411	867	45	-	2 323
Total gross loans to customers	58 346	32 055	32 145	5 222	127 767
Write-downs	-1 436	-755	-711	-	-2 901
Commercial papers and bonds	3 324	2 917	1 780	-	8 021
Financial derivatives	17	-	-	-	17
Investments in subsidiaries	1 258	-	-	-	1 258
Other assets	19 745	510	1 627	-9 178	12 704
Total assets	82 732	35 595	34 886	-3 957	149 256
Debt to credit institutions	4 363	7 720	14 478	-3 945	22 617
Deposits from customers	25 020	19 049	17 757	-	61 826
Debt established by issuing securities	28 922	7 035	1 701	-	37 658
Financial derivatives	10	-	-	-	10
Other liabilities	2 714	1 604	845	-12	5 151
Equity	21 703	188	104	-	21 995
Total liabilities and equity	82 732	35 595	34 886	-3 957	149 256

P&L and Balance sheet per country

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

YTD Q2 2018

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

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

Note 9 - Net interest income

All amounts in millions of NOK

	Q2 2019	Q2 2018	YTD Q2 2019	YTD Q2 2018	FY 2018
Interest and similar income on loans to and receivables from credit institutions	-86	96	10	202	398
Interest and similar income on loans to and receivables from customers	1 740	1 614	3 466	3 223	6 547
Interest and similar income on comm. paper, bonds and other securities	188	26	200	53	60
Total interest income	1 842	1 736	3 676	3 478	7 004
Interest and similar expenses on debt to credit institutions	-34	-39	-88	-80	-156
Interest and similar expenses on deposits from and debt to customers	-199	-169	-374	-334	-666
Interest and similar expenses on issued securities	-87	-77	-172	-154	-288
Interest on subordinated loan capital	-13	-11	-25	-22	-46
Other interest expenses and similar expenses	-1	-2	-3	-3	-5
Total interest expense	-335	-299	-662	-594	-1 161
Net interest income	1 507	1 437	3 014	2 884	5 844

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	Q2 2019	Q2 2018	YTD Q2 2019	YTD Q2 2018	FY 2018
Interest expenses	-34	-39	-88	-80	-156
Average loan	26 666	32 128	26 666	32 128	29 657
Average nominal interest rate	0,51 %	0,48 %	0,66 %	0,50 %	0,53 %

To customers	Q2 2019	Q2 2018	YTD Q2 2019	YTD Q2 2018	FY 2018
Interest expenses	-199	-169	-374	-334	-666
Average deposit	57 237	49 517	57 237	49 517	52 631
Average nominal interest rate	1,39 %	1,37 %	1,31 %	1,35 %	1,27 %

To bondholders	Q2 2019	Q2 2018	YTD Q2 2019	YTD Q2 2018	FY 2018
Interest expenses	-87	-77	-172	-154	-288
Average issued notes and bonds	34 814	33 175	34 814	33 175	36 516
Average nominal interest rate	1,00 %	0,93 %	0,99 %	0,93 %	0,79 %

Subordinated loan capital*	Q2 2019	Q2 2018	YTD Q2 2019	YTD Q2 2018	FY 2018
Interest expenses	-13	-11	-25	-22	-46
Average subordinated loan capital	1 689	1 507	1 689	1 507	1 742
Average nominal interest rate	3,04 %	2,99 %	2,98 %	2,96 %	2,64 %

Total of tables above:	Q2 2019	Q2 2018	YTD Q2 2019	YTD Q2 2018	FY 2018
Interest expenses	-333	-297	-659	-591	-1 155
Loan	120 407	116 327	120 407	116 327	120 546
Average nominal interest rate	0,55 %	1,02 %	1,09 %	1,02 %	0,96 %

Note 10 - Classification of financial instruments

2019

All amounts in millions of NOK

Classification of financial assets 30 June 2019	Financial assets at fair value through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Cash and receivables on central banks	-	-	65	65
Deposits with and receivables on financial institutions	-	-	2 323	2 323
Loans to customers	-	-	124 867	124 867
Commercial papers and bonds	-	-	8 021	8 021
Financial derivatives	17	-	-	17
Loans to subsidiaries and SPV's	-	-	9 758	9 758
Other ownership interests	-	26	-	26
Total financial assets	17	26	145 034	145 077

Non financial assets	4 179
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Total assets	149 256
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Classification of financial liabilities 30 June 2019	Financial liabilities at fair value through P&L	Financial liabilities at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	22 617	22 617
Deposits from customers	-	-	61 826	61 826
Debt established by issuing securities	-	-	37 658	37 658
Financial derivatives	10	-	-	10
Other financial liabilities	-	-	1 832	1 832
Subordinated loan capital	-	-	1 692	1 692
Total financial liabilities	10	-	125 625	125 634

Non financial liabilities and equity	23 622
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Total liabilities and equity	149 256
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2018

All amounts in millions of NOK

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

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

Note 11 - Valuation Hierarchy

Q2 2019

All amounts in millions of NOK

			Quoted market price Level 1	Using observabl e inputs Level 2	With significant unobserva ble inputs Level 3	Total
Financial instruments measured at fair value						
Financial assets						
<i>Name</i>	<i>Type</i>	<i>Notional</i>				
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 40	-	17	-	17
Total financial trading derivatives			-	17	-	17
<i>Name</i>	<i>Type</i>					
VISA	Equity		-	26	-	26
Total other ownership interests			-	26	-	26
Total Assets			-	43	-	43
Financial liabilities						
<i>Name</i>	<i>Type</i>	<i>Notional</i>				
Bilkreditt 7 Pass Through	Cross Currency Swap	MM EUR 22	-	10	-	10
Total financial derivatives			-	10	-	10
Total Liabilities			-	10	-	10
Derivatives designated for hedge accounting - assets						
<i>Name</i>	<i>Type</i>	<i>Notional</i>				
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	14	-	14
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	90	-	90
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	7	-	7
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	64	-	64
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	15	-	15
Total derivatives designated for hedging - assets*			-	190	-	190

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

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

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

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

Q2 2018

All amounts in millions of NOK

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access to at that date. When available, the fair value of an instrument is measured using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the instrument's 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 to by the reporting date. Examples of instruments at Level 1 are listed government bonds.

Level 2:
Instruments at this level are 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 are 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.

Note 12 - Loans to customers

<i>All amounts in millions of NOK</i>	YTD Q2	YTD Q2	Financial year
	2019	2018	2018
Credit Card	6 526	6 595	7 026
Unsecured loans	25 028	23 496	24 625
Auto loans	96 214	90 307	96 964
- <i>Installment loans</i>	78 144	72 547	78 226
- <i>Financial leasing</i>	18 069	17 759	18 738
Total gross loans to customers	127 767	120 397	128 614
- Loan loss allowance - Stage 1	-822	-934	-814
- Loan loss allowance - Stage 2	-447	-399	-438
- Loan loss allowance - Stage 3	-1 632	-1 728	-1 739
Total net loans to customers	124 867	117 336	125 624

Note 13 - Impairment losses on loan, guarantees etc.

All amounts in millions of NOK

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

	Q2 2019	Q2 2018	YTD Q2 2019	YTD Q2 2018
Change in loss allowance - Unsecured loans	211	-50	86	-129
Change in loss allowance - Secured loans	-19	-35	-51	-92
Change in loss allowance - Commercial papers and bonds	0	1	0	1
+ Total realized losses	-509	-480	-854	-853
- Recoveries on previously realized losses	63	129	162	342
- Gain on sold portfolios	702	780	702	780
Impairment losses on loan, guarantees etc.	448	345	44	49

Note 14 - Issued securities

All amounts in millions of NOK

	Q2 2019	Q2 2018	FY 2018
Issued certificates	1919	852	1751
Senior unsecured issued securities	35 739	31 119	35 495
Asset backed issued securities	-	-	-
Total issued securities	37 658	31 970	37 247

Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in January to a value of SEK 70 MM (NOK 67 MM)
 Santander Consumer Bank AS issued bonds on the Irish Stock exchange in January to a value of EUR 500 MM (NOK 4 872)
 Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in February to a value of SEK 50 MM (NOK 47 MM)
 Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in February to a value of SEK 130 MM (NOK 121 MM)
 Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in February to a value of SEK 60 MM (NOK 56 MM)
 Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in February to a value of SEK 120 MM (NOK 112 MM)
 Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in February to a value of SEK 150 MM (NOK 138 MM)
 Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in February to a value of SEK 175 MM (NOK 161 MM)
 Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in February to a value of NOK 1 000 MM
 Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in March to a value of SEK 200 MM (NOK 185 MM)
 Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in March to a value of SEK 67 MM (NOK 62 MM)
 Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in March to a value of NOK 500 MM
 Santander Consumer Bank AS issued bonds on the Irish Stock exchange in April to a value of DKK 750 MM (NOK 969 MM)
 Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in April to a value of SEK 200 MM (NOK 185 MM)
 Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in April to a value of SEK 150 MM (NOK 137 MM)
 Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in May to a value of SEK 100 MM (NOK 91 MM)
 Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exchange in May to a value of NOK 250 MM
 Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in May to a value of SEK 100 MM (NOK 91 MM)
 Santander Consumer Bank AS issued bonds on the Irish Stock exchange in May to a value of SEK 105 MM (NOK 96 MM)
 Santander Consumer Bank AS issued bonds on the Oslo Stock exchange in May to a value of NOK 300 MM
 Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in June to a value of SEK 100 MM (NOK 92 MM)
 Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in June to a value of SEK 200 MM (NOK 184 MM)
 Santander Consumer Bank AS issued certificates of deposits on the Oslo Stock exchange in June to a value of NOK 150 MM
 Santander Consumer Bank AS issued certificates of deposits on the Irish Stock exchange in June to a value of SEK 70 MM (NOK 64 MM)

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

Note 15 - Receivables and liabilities to related parties

Amounts in millions of NOK

Debt to related parties:	Accrued interest		Accrued interest		Accrued interest	
	Q2 2019	Q2 2019	Q2 2018	Q2 2018	FY 2018	FY 2018
Santander Benelux	-	-	255	1	-	-
Santander Consumer Finance S.A.	17 189	9	23 423	6	23 149	8
Debt to SPV on future cash flow of securitized loans	5 222	-	6 837	-	5 822	-
Total	22 411	9	30 515	7	28 971	8

Balance sheet line: "Subordinated loan capital" - Bonds

MNOK 250, maturity March 2025, 3 months NIBOR +2.2575% (Santander Consumer Finance S.A)	250	-	250	-	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)	688	-	682	-	728	-
MNOK 500, maturity September 2027, 3 months NIBOR + 1,66% (Santander Consumer Finance S.A)	500	1	500	1	500	1
Total	1 688	4	1 682	4	1 728	3

Receivables on related parties:	Accrued interest		Accrued interest		Accrued interest	
	Q2 2019	Q2 2019	Q2 2018	Q2 2018	FY 2018	FY 2018
Balance sheet line: "Commercial papers and bonds" <i>B and C notes issued by SPVs</i>	1 141	-	2 045	1	1 168	-
Balance sheet line : "Loans to subsidiaries and SPV's" <i>Loan to subsidiary (Santander Consumer Bank OY)</i>	9 666	31	8 322	23	8 680	53
<i>Subordinated loan to SPVs</i>	61	-	251	-	138	-

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 16 - 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 expenses on funding from the parent company and the ultimate parent company. SCB AS has transactions with the SPVs through funding and cash flows as agreed in the securitization process.

The following transactions were carried out with related parties:

	Q2 2019	Q2 2018	YTD Q2 2019	YTD Q2 2018	Financial year 2018
Interest income	71	67	150	186	425
Interest expenses	-33	-20	-66	-114	-461
Interest payments additional Tier 1 capital	-34	-42	-68	-84	-169
Fees	7	21	15	24	10
Other	-2	19	4	-	63
Net transactions	10	45	34	13	-131

Santander Consumer Bank AS had transactions with the following related parties per 30 June 2019:

Banco Santander S.A.
 Santander Consumer Finance S.A.
 Santander Consumer Finance OY
 Santander Consumer Finance Global Services, S.L.
 Santander Global Operations, S.A.
 Santanader Global Technology, S.L.

SPV:

Bilkreditt 7 (3147)
 SV Autofinans Warehousing 1 LTD (03104)

