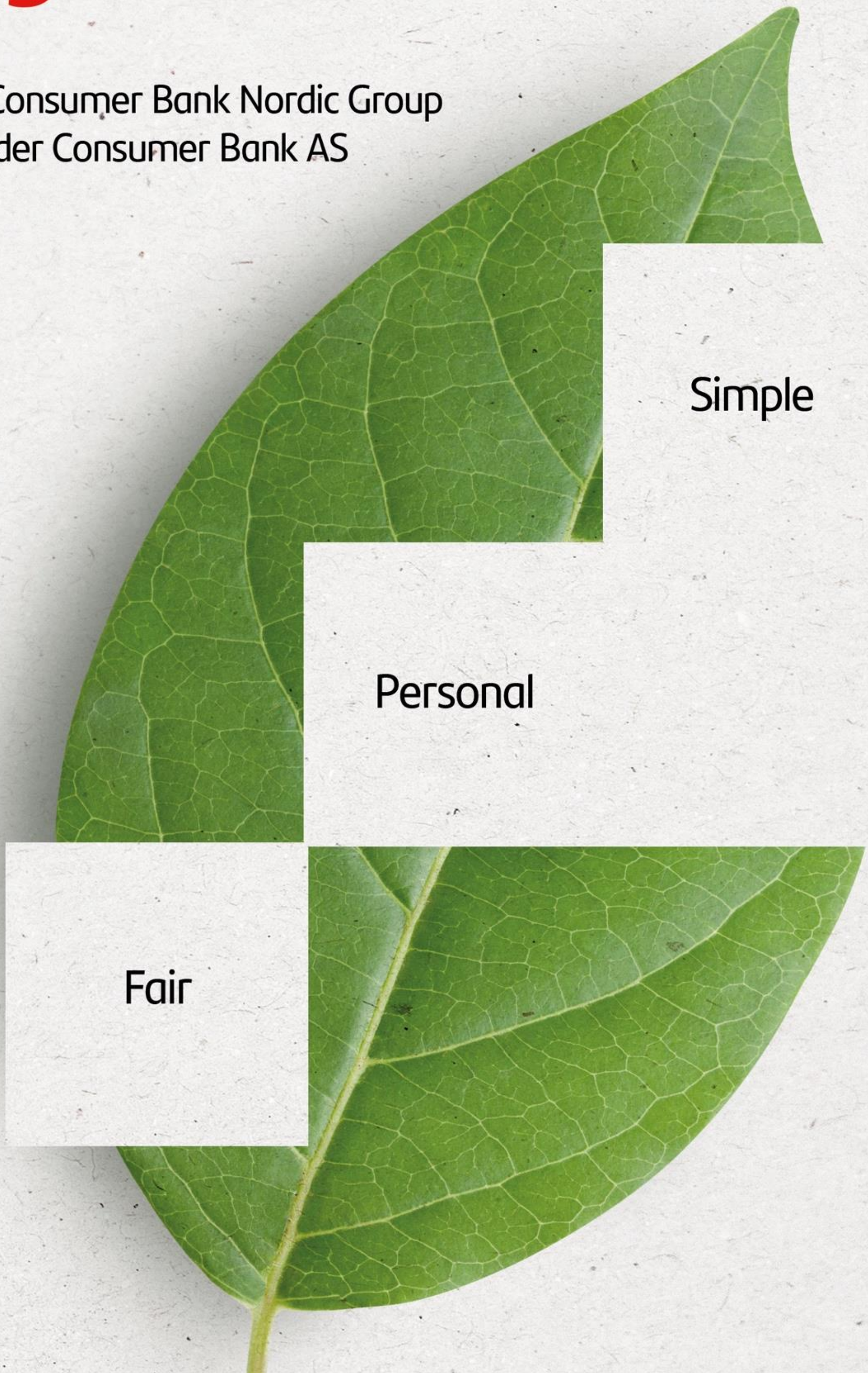
Annual Report 2019

Santander Consumer Bank Nordic Group
and Santander Consumer Bank AS

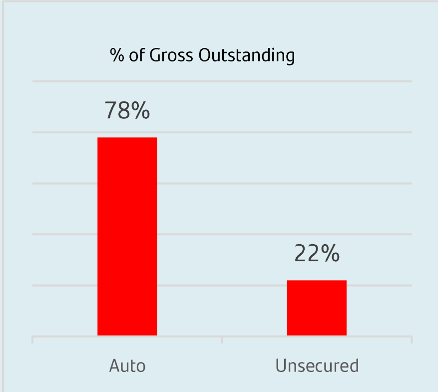


Santander Consumer Bank

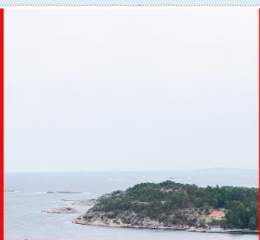
Santander at a glance

Highlights in 2019

PBT	Gross Outstanding Loans
3 611	165 331
-13%	+2%



Market	Total gross outstating loans	Auto Loans	Unsecured Loans	Profit before tax
Norway	35%	47,9 Bn	10,3 Bn	1 571 MM
Denmark	20%	25,8 Bn	7,0 Bn	929 MM
Finland	22%	32,1 Bn	3,7 Bn	519 MM
Sweden	23%	23,3 Bn	15,2 Bn	592 MM



Letter from CEO

Responsibility Matters

Every day we proudly serve 1.5 million customers across the four Nordic countries. We do this in a manner which is Simple, Personal and Fair, with the purpose of making people and businesses prosper. Our aim is to be the best open financial services platform, by acting responsibly and earning the lasting loyalty of our people, customer, shareholders and communities.

Equally important as customers are our more than 10.000 partners. We derive the vast majority of our business through partnerships with auto importers and dealers, sales finance players, brokers and insurance companies. Our partnership model, where we collaborate in an agile way based on external as well as internal insights, continues to be a key success factor. This is also evidenced by the recent dealer satisfaction survey where key indicators all point in the right direction, separating us from the crowd.

The acquisition of Ford Credit (Forso Nordic AB) is an example of how we are continuing to play offense within auto finance. Together with the exclusive long term strategic partnership agreement, it presents new opportunities through extended service offering for our customers and provides a major growth opportunity for our company across the region. We are looking forward welcoming Ford Credit to our company. Regulatory approval is expected in Q1 2020.

The transformation of the bank is progressing. We have passed milestones on our path to operating as one bank across the region. With a single technology architecture and landscape falling into place, we set the stage for reduced time to market and efficiency gains. The regulatory landscape continues to develop and evolve, which we wholeheartedly welcome. The level of indebtedness of households is on an upward trend, and regulations targeting marketing of loans and credits, affordability, maximum interest rates and the introduction of debt registers benefit all stakeholders.

As society's expectations change, banks must be transparent and clear about how their products and services create value, not only for their customers and investors, but also society at large. Trust is imperative, and the best guarantor for making loyalty last. Responsible Banking is high up on the agenda, and we have recently appointed a Responsible Banking officer to drive and coordinate all activities with an interface to this. Ensuring that we maintain the right culture, skills, governance, digital and business practices to meet stakeholder's expectations. And above all, securing solid compliance, conduct and internal control processes.

Looking ahead, strategic priorities will revolve around operational excellence, sustainable profitability and a responsible banking culture. 2020 is sure to offer challenges as well as opportunities, and we believe we are well equipped to handle both, keeping abreast of competition by being true to our values and goals.

Michael Hvidsten, CEO

Sustainable and Responsible

Five years ago, Banco Santander set out to transform into a more responsible and sustainable company, and in 2019 Santander was named the most sustainable bank in the world according to the Dow Jones Sustainability Index (DJSI). Santander is also a founding member of the Responsible Banking principles outlined by the United Nations Environment Programme Finance Initiative (UNEP FI).

Worldwide and locally, Banco Santander champions the belief that economic and social progress go together. The value created by our business should be shared – to the benefit of all.

As part of Banco Santander, we in the Nordics are fully committed to making a difference and being responsible in everything we do.

Responsible banking naturally follows from our existing values of being Simple, Personal & Fair – principles that lay the foundation for the way we treat both customers and employees, for how we do our part to combat climate change, and for how we play a role in improving people's lives by supporting good causes.

An example of our commitment to combating climate change is our partnership with the organization Chooose. Equally, supporting the battle against cancer through Kræftens Bekæmpelse, and our partnership with Right to Play are some of the ways our company cares, and shares value to benefit all.

For more information about our focus, please continue on page 19

Support for Sport

The young girl Saana as a referee escort at UEFA Champions league game; Ajax – Bayern München.

A part of Santander's Commitment to Society

Football can move and inspire people of all ages and even help transform their lives. This is what motivates us to sponsor the world's leading football competition, UEFA Champions League.

Football connects people and enables young boys and girls to be part of communities while fostering engagement for sports from an early age. Our philosophy – FootballCan – means believing in the power of the game as football inspires us to constantly improve. For us, football is progress.

Norwegian Football Association and Santander engaging kids in 3v3 soccer tournaments.

Avalon Palloseura enjoying HJK- F.C Torshavn UEFA Champions league qualification game in 2019.

The Santander Group (Grupo Santander) is a global Sponsor of the UEFA Champions League. In the Nordic region, the Group has partnerships with local football clubs, such as our partnership with the Norwegian Football Association where we engage kids from 6 to 10 years in 3v3 soccer tournaments

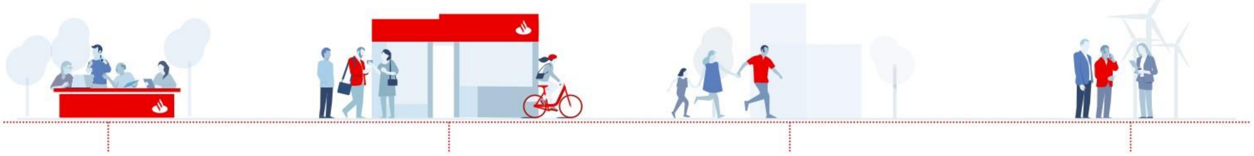
We also support the Northern most football club in Finland, Ivalon Palloseura. The football club has recently been established (2019) and we have supported them with opportunities to learn and get inspired from the Helsingin Jalkapallo Klubi, HJK (est. 1907), which is one of the biggest football clubs in Finland. #footballcan

Global meets local

Our steady growth in the Nordic region has made us a strong player in the fields in which we operate. We serve over 1,5 million customers and thousands of partners, and our scale lets us keep proximity at the core.

We benefit from being part of a global organization - sharing the competencies and experiences of one of the biggest banks in the world with a solid history going back more than 160 years. We strive to be the best open financial service platform by acting responsibly. The combination of local knowhow and global experience enables us to better understand our customers, partners and their businesses, and provide flexible and trustworthy financing options tailored for their different needs. Key to this is having a strong culture - a responsible business in which all we do is Simple, Personal and Fair.

1500	1,5m	38 years	141
Employees, Nordic Region	Customers, Nordic Region	Average age of employees Nordic Region	Men in manager positions, Nordic Region



202 000	145m	6,9 years	84
Employees, Globally	Customers, Globally	Average length of service, Nordic Region	Women in manager positions, Nordic Region

Mobility and Trends

Changing consumer behaviours and new business models

Santander has auto financing at its core. We partner with dealers and importers, and we distribute auto finance direct to consumers.

In light of changing consumer mobility preferences, environmental aspects, and increase in the sharing economy as well as digital expectations, the auto market is undergoing massive changes.

We see that owning a car becomes less vital in urban areas, and that leasing or subscription products increase in popularity. The willingness to share cars is expected to grow as technology now enables these services, and more customers expect end to end digital self-service and financing.

Driving a car corresponds to a substantial part of the total CO2 emissions and the increased focus on reducing the carbon footprint has resulted in requirements from regulators and customers, as well as governmental incentives, to move demand towards more environmental friendly cars.

These trends combined, will change the car industry, and Santander is adapting through new initiatives and ways of doing business in response.

Changing consumer mobility preference

Rise of the sharing economy

Environmental requirements

Digital behaviours

Annual Report
of the Board of Directors 2019

Key figures Santander Consumer Bank Group

All amounts in millions of NOK	2019	2018	2017
Net interest income	**7 174**	**6 919**	**6 607**
*Growth**	*4%*	*5%*	*5%*
Gross margin	**7 595**	**7 384**	**6 989**
*Growth**	*3%*	*1%*	*2%*
Profit before tax	**3 611**	**4 134**	**3 995**
*Growth**	*-13%*	*3%*	*23%*
Profit after tax	**2 869**	**3 139**	**3 055**
*Growth**	*-9%*	*3%*	*25%*
Total assets	**181 105**	**176 108**	**159 100**
*Growth**	*3%*	*11%*	*11%*
Net Loans to customers	**161 392**	**159 284**	**145 148**
*Growth**	*1%*	*10%*	*16%*
Customer deposits	**65 484**	**54 645**	**50 617**
*Growth**	*20%*	*8%*	*24%*

* Year on year

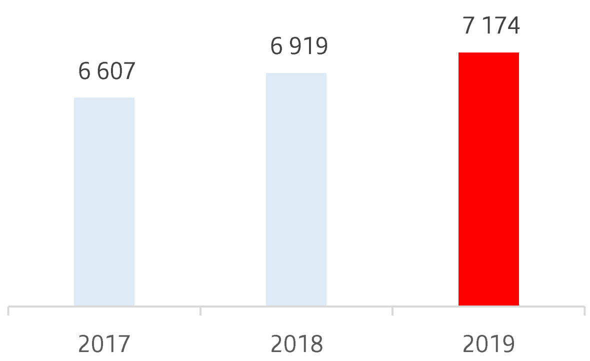
Financial performance

Review of the Annual Accounts

In 2019 the Group[1] continued to deliver solid results in the Nordics. The Group's gross margin increased from 7 384 MM NOK in 2018 to 7 595 MM NOK in 2019 mainly due to higher lending volumes in 2019. Profit before tax for the Group ended at 3 611 MM NOK in 2019, compared to 4 134 in 2018. The decrease in results was mainly driven by a reduction in recoveries from sales of written off loan portfolios in 2019 compared with 2018. .

Net interest income increased by 255 MM NOK compared with 2018, representing an increase of 4%. Higher lending volumes in both secured and unsecured financing was the main driver behind the increase. On the other hand higher cost of funding and lower lending margins due to a shift in the portfolio product mix towards more secured financing had a negative effect on net interest income.

Net interest income
MM NOK



Administrative and personnel expenses decreased by 162 MM NOK compared with 2018. Fewer employees in 2019 compared to 2018 had a positive effect on the personnel expenses, while increased regulatory requirements is the main driver behind increased administrative expenses. Depreciations and amortizations increased with 95 MM NOK mainly driven by impairment of obsolescent software.

Other income and cost went from a cost of 189 MM NOK in 2018 to an income of 13 MM NOK in 2019, largely due to reduced loss allowances on off-balance exposures.

Net impairment losses on loans increase by 1 004 MM NOK in 2019 compared to 2018. The reduction of sales of written off loan portfolios was 757 MM NOK in 2019 compared to 1 607 MM NOK in 2018 and was the main driver behind the change. The underlying cost of credit for 2019 are in line with 2018.

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

Allocation of profits

The profit of the year is proposed allocated to other equity.

[1] The Group refers to Santander Consumer Bank AS including its subsidiary in Finland, Santander Consumer Finance OY.

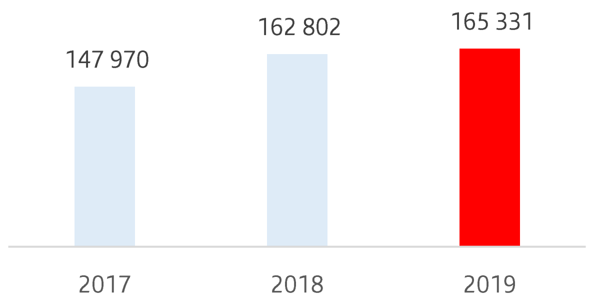
Loans and deposits performance

Loans to Customers

The Group's gross outstanding loans to customers came to 165 331 MM NOK per December 2019. This is an increase of 2% (2 529 MM NOK) compared to December 2018.

Gross loans to customers

MM NOK



2%

increase

Auto financing

The Groups continues as market leader in the Nordic auto finance market with a strong focus on partnerships with dealers and importers.

Sales of new cars in 2019 ended at 972.460 units (PC and LCV) in the Nordic markets. Total car sales, new and used, ended at 4.021.803 units, an increase of 3% compared to last year. Used car registration has shown a growth at 4.3%, while new car sales went down slightly, by 1%. In total the car sales has shown a positive development in 2019, but with variations between the countries.

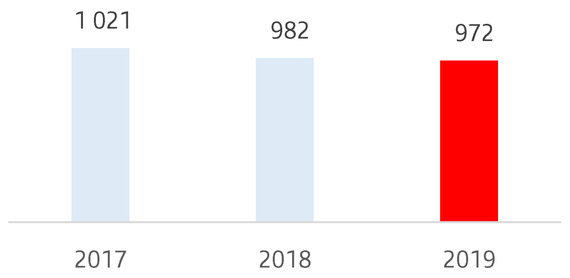
At the end of the year registrations of high emission cars increased to reduce the impact of the new EU regulation of emission targets of sold cars, coming into effect from 2020. If the average CO^2 emission of a manufacturers fleet of sold cars exceeds the standard, 95 g/km for PC and 147 g/km for LCV, the manufacturers have to pay an emissions premium for each car registered. To reduce the impact the manufacturers increased registration of cars with a high CO^2 emission towards the end of 2019. This lead to a high sales numbers especially in Sweden in late 2019.

We also see a strong increase in demand for EV cars and hybrids in the Nordic markets. Supported by tax and other incentives Norway has taken a strong position in this market. In 2019 EV cars reached 42% of total new PC sales, up from 31% in 2018 and average CO^2 g/km for the sold PC was 60 g/km. The same trend is now clear in the Nordics with a strong increased demand for more emission-friendly cars.

The Swedish market, which is the largest in the Nordic was in the end of the year highly impacted of the new EU emission regulation, with "all time high" car registration in the end of the year. This will reduce the impact of the CO2 emission target implemented in 2020. The sales number were down only 0.4% in new car sales, included used car sales the total market went down by 0.7%.
In Norway it was expected a reduction in car sales in 2019, due to high sales in 2017 and 2018. The new car registration went down by 3.1%, included used car sales total car sales went down by 1.9%. Due to increased popularity on EV cars it was expected reduced used cars prices on diesel. The diesel cars has been popular as used car and this has kept the prices at a good level.

Sales of new cars (PC and LCV*)

Units in thousands



*Personal cars and Light commercial vehicles

In Norway it was expected a reduction in car sales in 2019, due to high sales in 2017 and 2018. The new car registration went down by 3.1%, included used car sales total car sales went down by 1.9%. Due to increased popularity on EV cars it was expected reduced used cars prices on diesel. The diesel cars has been popular as used car and this has kept the prices at a good level.

Denmark is the only country showing a growth in car sales in 2019, this is mainly driven by strong economy.

Finland saw the largest reduction in new car sales, although this was compensated for by strong growth in used car registration, leaving total car registration showing a growth. Due to low SEK vs EUR the used car import from Sweden to Finland has increased during the year.

In all markets we see increased dealer consolidation where the distribution of a brand is concentrated on fewer owners.

Finance has become a more integrated part of the car sales offer, in terms of finance bundled with services such as insurance, maintenance and other relevant products. We expect this trend to continue, with more flexible "mobility" models, including flexible finance periods and the possibility to trade in and exchange cars based on an agreed residual value.

The Group is piloting a subscription based mobility model SHFT. SHFT is an "all-inclusive" deal giving flexibility to swap cars based on the customers needs. The concept will enable dealers to secure revenue from their used car stocks and attract new customer segments. In 2018 the Group launched a pilot in Norway and by the end of 2019 the pilot was expanded to Finland.

The competition has increased with new players such as LähiTapiola and DNB entered the market the last years, causing pressure on the margins.

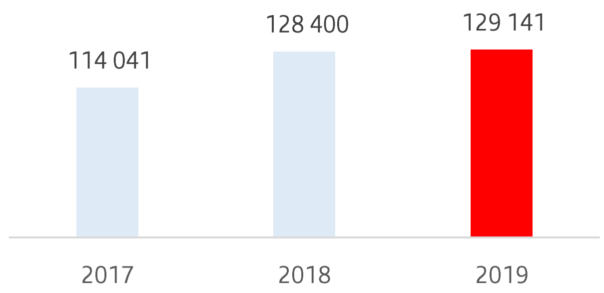
Santander has a strong position as market leader in the Nordic auto finance market. The main focus is on partnerships with dealers and importers and Original Equipment Manufacturer (OEM)-owned national sales companies. At the end of 2019 an agreement to acquire Forso Nordic AB (Ford Credit) was signed, part of the agreement is to enter into a Ford branded retail and wholesale finance partnership with Ford in the Nordic region. The total outstanding portfolio, consisting of auto loans and leasing contracts, is approximately 1 300 MM EUR, which is 8% of the total balance of The Group. The agreement is pending regulatory approval, expected to be granted in 1Q 2020.

Overall, in the Nordics, the Group is the market leader with a prime position in Finland, Norway and Denmark. The Swedish car finance market is still dominated by captive lenders for the two largest brands, Volvo and Volkswagen.

Total outstanding on auto financing is 129 141 MM NOK, an increase of 1% compared to last year.

Gross Auto Financing

MM NOK



2020 expectations

The implementation of the new emission target for car sales in Europe will have substantial impact on the manufacturers. To avoid large penalties they have to reach the average emission target at 95 CO^2g/km. for PC. The manufacturers have to invest in new technology and it is expected the new regulation will lead to consolidation and new partnerships between brands.

The demand for low emission cars will increase in all markets, supported by increased governmental incentives in most. Exception will be Norway, which will start gradually phasing out tax and other incentives on EV cars.

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

New players will enter the market as fleet companies increase their focus on direct distribution, driven by bundled products to private customers, in direct competition with captives and banks. With regards to car brands we see Chinese brands entering the Nordic market, purely focused on EV cars.

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

The Group has a strong position in the Nordic market and will further strengthen this position with its partnership with Ford, and is well positioned to meet the changes foreseen within the auto area.

Unsecured financing

The Nordic Unsecured market has continued to evolve in 2019 with some considerable changes affecting the market dynamics. PSD II came into effect during the fall and significant regulatory changes were introduced impacting market conditions.

The broker penetration and presence continued to grow in all four markets. Customer and partner expectations on digital services and customized offers continues to be evident, serving as a guiding principle in our priorities and investments.

In the Nordics, the overall outstanding volume for the unsecured product portfolio grew by 5 percent compared to last year, to 36 190 MM NOK. Consumer loans make up 80% of the outstanding volumes and remain the primary product in the Nordics. Credit card and durables make up the remaining 20% of the total unsecured portfolio. Finland experienced the largest growth, 32 percentage, but in absolute numbers Sweden had the largest growth (755 MM NOK).

The Norwegian unsecured market declined, as expected, due to the new stricter regulations from the Norwegian FSA, and the introduction of the Debt Registry. The outstanding volume in Norway decreased by 7% partly due to the new regulations.

Consumer Loans

The Nordic loan market is facing increased consumer protections and market regulations, creating new dynamics to adjust and leverage. The loan market continues to be crowded with both traditional banks, accompanied by fin techs, brokers and other partners fighting for customer attention. It is difficult and costly to differentiate. Consumers are demanding information transparency, convenience and speedy offers delivered with an attracting pricing offer, demanding continuous process and price optimizations.

It is now evident that brokers play a significant role in the consumer loan markets in all Nordic countries. The share of the loan volumes deriving from broker cooperation increased by 10 percentage units compared to 2018. This was primarily driven by Finland, as the implementation of the broker strategy was concluded in November.

Sales Finance

During 2019 the Group experienced a shift in the Sales Finance Market with an increased number of merchants advertising *Pay Later* products in their physical stores. These financial solutions are often not connected to the traditional card schemes, but rather to an invoice or installment product offered by a various number of financial providers from the e-commerce market. This shift in the market comes primarily from merchants in the low-ticket size space that traditionally have not offered these type of financing options for their customers. Moving into 2020 the competition will intensify further with online players moving aggressively into the point-of-sale (physical) environment, building on the same value proposition as online with ease of mind for the consumer and increased conversion for the merchant.

During 2019 the Group has invested further in technical platforms and also piloted new solutions and services, among others a new self-service checkout solution and a review of the e-commerce offering, focusing on exceptional flexibility, user friendliness and scalability. The Group is continuing the transformation to a true Nordic organization which will be a strength for key merchants as many of them also operate on a Nordic basis.

Cards & Payments

The ecosystem of mobile payment solutions is constantly evolving, with new and global players in the market and preexisting ones expanding their geographic presence and range of services across the Nordics. Traditional banks keep evolving their own wallets, focusing primarily on offering additional solutions, including services for business clients and improved security features. Global non-financial players are continuing their foray further into the financial services industry by developing P2P (person to person) and online payment offerings, as well as adding reward programs from different partners. Merchants are also developing their own wallets, focusing on customer experience and loyalty programs. The market prepares for the Visa and Mastercard mandates that in January 2020 will enforce support for contactless payments in terminals accepting credit cards. These mandates will pave the way for even more usage of mobile payment solutions at POS (point of sales).

Banco Santander keeps developing new types of mobile payments and digital services, working on in-house developments and partnerships with top third parties that provide our partners and customers with easy and intuitive payment solutions.

During 2019, the Nordics launched the Open Banking platform. The Group has also broadened the mobile payment offerings in the Nordics and adjusted solutions and systems in order to comply with the many new regulatory requirements in the industry.

Notwithstanding new players from other sectors, being a financial entity is still a necessary and useful part of the payment chain. The industry is highly regulated and new regulations enters the industry at high pace. Even with increasingly high entry barriers, existing financial institutions are challenged by new players that starts to obtain licenses that enables them to offer a wider range of financial services. The main effort to keep pace with this evolving industry, or even lead it, is to fortify the offering to customers with solutions that meet, or even exceed, their expectations on speed, convenience and payment security.

While more regulations and requirements will increase the cost of operating, more competition can start to threaten the revenues. To meet possible scenarios, the Group is transforming and has reorganized to enable for more synergies and cost effectiveness in the Nordics. The reorganization and ongoing consolidation of systems and offerings will ensure the Group to operate more efficiently. Evenly important, it will be a catalyzer for product offerings and services as a common solution across the Nordics at a higher pace.

In 2020, the Group will continue to consolidate and streamline systems and offerings across the Nordics. The effect of the new Visa and Mastercard mandates will be monitored closely.

Deposits

Customer deposits is the largest funding source of the Group and to grow in this area continues to be a strategic priority. Deposit-taking capabilities have been developed in the Bank[2] over the last years.

20%
increase

The focus in 2019 has been on customer experience, optimizing existing portfolio and developing new products, while also searching for new opportunities and fulfilling legal requirements.

Total outstanding volumes for the group are 65 484 MM NOK per December 2019, representing an increase of 10 839 MM NOK (20 %) compared to December 2018.

The Norwegian business unit has only demand products. The customers can choose between a saving account receiving a higher yield when the balance is above 100.000 NOK, and a regular saving account with interests from the first krone. At the same time Norway holds the largest outstanding volumes in the Bank with 26 477 MM NOK per December 2019. Norway also saw the highest volume increase with 4 426 MM NOK compared to December 2018, a 20 % growth.

2019 was the third full year with a product portfolio containing two different savings products in the Swedish business unit: The regular demand product and a notification product, where customers notify any withdrawals 31 days in advance of the actual withdrawal. From a deposit perspective, Sweden is the only unit with ongoing cooperation with a broker. The cooperation expands the number of customer channels, providing another risk diversification for the Deposits portfolio.
Outstanding volumes in Sweden stand at 19 816 MM NOK per December 2019, with a significant increase of 4 401 MM NOK compared to December 2018 – and the highest percentage growth in the group, with 28%.

The Danish business unit has the most diverse product portfolio with a demand product, a notification product and term deposits. Denmark offers the Bank's only deposit product with fixed interest rates, with deposits locked for two years. The Danish consumer Agency Tænk Penge (Think Money) first gave the notification product in Denmark the award "Best in test" in February 2018, and yet again in April 2019. These awards provided the Danish unit with the possibility to use the "Best in test"-stamp in communication with customers both in 2018 and 2019.

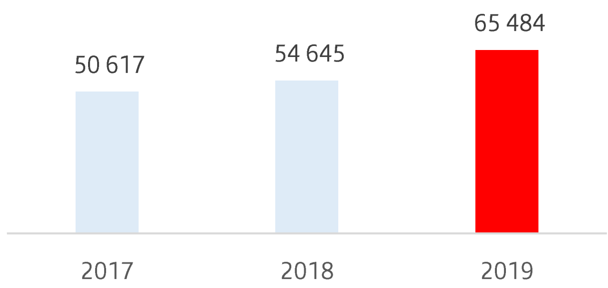
Per December 2019 the Danish business unit managed outstanding volumes of 19 191 MM NOK, and had a high development, with an increase of 2 011 MM NOK (12 %) in outstanding volumes compared to December 2018.

Customer experience improved in all units in 2019, thanks to our continuous optimization of mobile responsive onboarding solutions, net banks, apps and chat bots.

The Bank will continue to strengthen the deposits capabilities and improve customer experience during 2020.

Gross customer deposits

MM NOK



[2] The Bank refers to Santander Consumer Bank AS including its branches in Sweden and Denmark, but excluding the subsidiary in Finland

Risk Management

Through its forward-looking risk management, based on the Advanced Risk Management program (ARM), the Group ensure it maintains robust control whilst continuing to build its future. Risk management is one of the key functions in ensuring that the Group remains a robust, safe and sustainable bank, trusted by its employees, customers, shareholders and society as a whole.

Credit Risk

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

Retail exposures are managed through a highly automated credit approval process, based on Advanced-IRB (IRB-A) Approach scorecards employed when underwriting new applications, as part of the Group's IRB-A rollout program. The IRB-A Approach has been used in reporting since the end of 2015. Within Auto&Leisure and Non-Auto/Unsecured portfolios, the Group offers loans, leasing, subscription and revolving credit products. Retail clients include private persons, as well as sole proprietorships and SME companies.

Wholesale (Non-standardized risk) segment consists of customers who due to their volume or type of risk exposure with the Group, are permanently assigned to a Risk Analyst. This applies to any customer, corporate or individual with credit exposure over 5 MM NOK and auto and leisure vehicle dealers with any stock financing exposure.

The consolidated Loan Loss Reserve (LLR) increased from 3 518 MM NOK as of 1 January 2019 to 3 939 MM NOK for the period ending December 2019. The increase in Loan Loss Reserves follows a portfolio growth and mix both for secured and unsecured product lines. Another contributing factor is the increase in delinquency in unsecured portfolios, which follows market developments and changes in the regulatory landscape. LLR also increased due to the new write-off criteria, effective from the end of 2018 in Sweden, Denmark and Finland; and from the second part of 2019 in Norway.

The Group has maintained its strategy to sell non-performing loans, having successfully executed one transaction in June 2019. This transaction included sale of both written-off and delinquent loans.

Liquidity and Interest Rate Risk

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

The Group's liquidity risk management has been further strengthened throughout 2019, with further improved management of the NSFR and tightening up of internal limits for LCR and NSFR.

As of December 2019, the Group's LCR and NSFR stood at 187.19 % and 107.61% respectively, both comfortably exceeding the regulatory requirement. The high LCR is due to a larger portfolio of liquid assets and a lower net-liquidity outflow based on lower outflows from our funding operations combined with slightly higher inflows from customer loans compared to last year.

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

Foreign Currency Risk

The Group is exposed to currency risks through its activities in Sweden, Denmark and Finland and from funding activities in EUR markets. The main source of currency exposure is retained earnings in EUR, which are accumulated in the Finnish subsidiary to meet their own solvency targets. The Group minimizes currency risk by ensuring that assets are funded by liabilities in the same currency. The risk is measured through the FX exposure report, covering all significant currencies. When raising funds through international debt markets, any net open currency exposure is managed through derivatives. See Note 3 for foreign currency exposures as of 31.12.2019

Funding

80%

Self-funding

Maintaining a diversified funding platform is a strategic priority for the Group, as it enables flexibility, optimization of cost of funds, and reduces reliance on support from the parent bank.

Over the past eight years, the Group has developed deposit products across three of its four markets, it has been active in the Norwegian and Swedish domestic bond and commercial paper markets, as well as in the Euro and Danish markets. The Group has issued securitization transactions with assets from all four Nordic countries. Intragroup funding provides a buffer where strategically helpful. The Group aims to maintain a consistent self-funding ratio, however there will be some variation due to the timing of transactions and market conditions. Self-funding sources totaled 80% per year-end 2019, with parent funding providing the remaining 20%.

Customer deposits are the largest source of funding, comprising 44% of total funding per December 2019. The total outstanding volume sums to 65 484 MM NOK across the three Nordic markets where the Group is present. Deposit volumes have increased 20% (10 839 MM NOK) from December 2018, with expectations of continued significant importance.

Senior unsecured issuance and certificates comprises 25% of our funding, leveled with 25% in December 2018. Senior unsecured issuance year-end 2019 includes 2 000 MM EUR in the Euro market, 7 105 MM SEK in the Swedish market, 1 250 MM DKK in the Danish market and 7 341 MM NOK in the Norwegian market. In addition, the Group is present in the certificates of deposits market in Norway, with 750 MM NOK outstanding as of year-end and in Sweden, with 1 320 MM SEK outstanding as of year-end.

Senior unsecured issuance and certificates equals 37 519 MM NOK per December 2019, an increase of 272 MM NOK (1%) from a year earlier. The average remaining term to maturity, excluding certificate issuances, stood at approximately 2.35 years at end 2019. This number fluctuates somewhat and typically remains around 2 years. Credit markets were healthy throughout 2019, enabling the Group to access all the Nordic and EUR markets on a regular basis during the year.

The Group's Green Bond Framework, published in December 2019, opens up the opportunity to issue Green Bonds. As a responsible financial player, the Group intends to contribute to the economic,social and environmental progress of the communities in which it operates by supporting the transition towards zero carbon emission powertrains. As such the Framework is designed to include

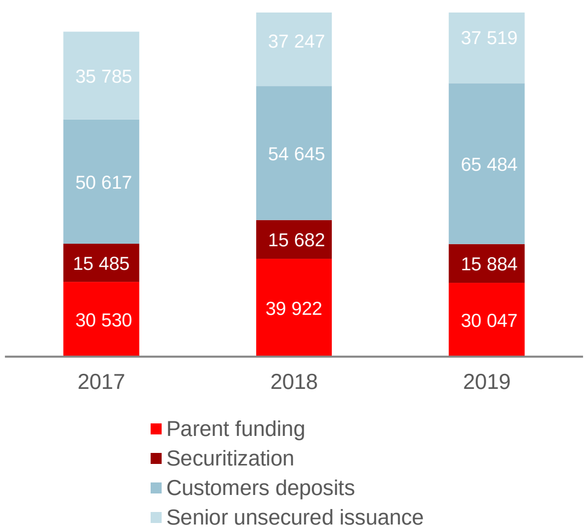
Electric Vehicles only, and is supported by the sizeable EV portfolio in the Norwegian business.

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.

The Group accessed the asset-backed securities (ABS) market in Q4 2019 by issuing 799.2 MM EUR of bonds backed by our Finnish assets. Securitizing the Finnish portfolio is a stable source of funding. Our overall funding from securitizations has decreased since 2016 due to the change of law in Norway, which has prevented us from issuing ABS backed by Norwegian assets. However, the percentage of funding from securitizations has remained stable in the past three years due to the Finnish program. Total outstanding volumes in securitizations currently equals 16 048 MM NOK, or 11% of the Group's funding.

Funding composition

MM NOK



The Group aims to utilize its securitization capabilities more frequently going forward, once Norwegian legislation is harmonized with the European capital markets framework. This will include the adoption of Regulation (EU) 2017/2402, which establishes a general framework for securitization and creates a specific framework for simple, transparent, and standardized securitizations. 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 was September 2019.

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

The Group expects its funding composition to be broadly stable over the coming year, with deposits remaining our largest source of funding.. Capital markets funding will be focused on the senior unsecured markets until opportunities in securitizations become more available. Given a steady funding mix and healthy credit markets, the Group is anticipating a cost of funding ratio in 2020 reasonably in line with 2019.

Solvency and Capital Adequacy

The Group is supervised by the Norwegian FSA and has to comply with the capital requirements for banks in Norway both at group level (the Group) and at stand-alone level (SCB AS). Per December 31, 2019, new capital requirements for Pillar 2 became effective and increased the regulatory requirements for the Group. In addition, the Counter-cyclical buffer ("CcB") requirements in Norway, Sweden and Denmark have increased during 2019. Despite the increase in capital requirements, the Group maintained a robust capital adequacy position per December 2019 and complied with the new regulatory requirements for common equity Tier 1 (CET1) capital ratio with a good margin of 219 bps. No dividend is assumed for the financial year 2019 in the capital ratios per 31.12.19.

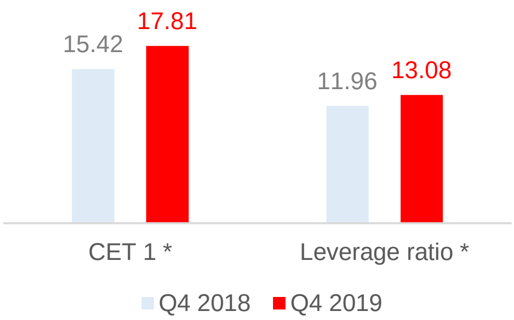
In December 2019, the Group issued subordinated loans of 1 500 MM SEK, ensuring that the Group meets its Total-Capital ratios going forward.

The Group publishes capital ratios on a transitional rules basis (allowing for a reversal of 85% of IFRS 9 capital impact in 2019) and a fully phased-in basis. Transitional capital ratios are the official ratios required to meet the minimum capital requirements set forth by regulatory authorities. For 2020, transitional capital ratios will incorporate a reversal of 70% of the capital impact.

At year-end, CET1 capital ratio stood at 18.09% for the Group and 18.95% for SCB AS. On a fully phased-in basis, CET1 capital ratio was 17.81% at the Group level and 18.72% for SCB AS. The leverage ratio stood at 13.08% for the Group and 14.55% for SCB AS at year-end, compared to a minimum regulatory leverage requirement of 5%.

Capital ratios SCB Group

Percent



(*) Transitional capital ratios

Effective from December 31, 2019, the Norwegian FSA announced an increase in Pillar 2 requirement (P2R) from 2.6% to 3.3% and introduced a Pillar 2 guidance (P2G) of 1.0% for the Group. The P2G is an additional 1.0% margin required by the Norwegian FSA.

During 2019, the CcB requirement was maintained at 0% in Finland, but has increased in Denmark, Sweden and Norway to 1.0%, 2.5% and 2.5%, respectively. In 2020, the CcB in Denmark is expected to increase to 2.0%.

On December 5, 2019, the Norwegian FSA announced that the EU Capital Requirement Regulation (CRR/CRD IV) would apply in Norway and be effective from December 31, 2019. The main impact for the Group is a capital relief coming from lower capital requirements for lending to small and medium sized enterprises (the SME supporting factor). On November 4, 2019, the Group announced that the Group had entered into an agreement with Ford Motor Company to acquire Forso Nordic AB. Due to the increase in capital requirements described above combined with the planned acquisition, an Extraordinary Shareholder's Meeting was held on January 22, 2020, where it was agreed to increase the core capital of the Group with 2 000 MM NOK. The core equity will be provided by the sole shareholder SCF S.A. and is planned to be paid within three months of the Shareholder's Meeting.

Since December 2015, the Group has used advanced internal rating based models (A-IRB approach) for parts of its credit exposure for capital calculations. The intention is to apply the A-IRB approach for most of the Group's credit portfolios. With the new definition of default being applicable from 2021, the timeline for submitting and having new A-IRB models approved, has been postponed.

The Group expects to maintain a robust capital adequacy position during 2020.

For further details regarding Capital Adequacy, please see Note 9 "Capital adequacy" for details on capital composition, risk weighted exposure and capital ratios per December 2019.

Regulatory Changes

The regulatory framework of the financial sector is constantly changing. The Group works continuously to ensure compliance and has frameworks to secure monitoring and implementation of incoming legislation, both from the EU and nationally. In addition, the Group strives to take on an active role in the public debate and in legislative processes, either via its membership in the financial institution's associations or directly.

EU's capital requirement regulation and directive, that was included in the EEA agreement in 2018, entered into force 31 December 2019. Most of the requirements were already implemented in Norwegian law, however, some changes was introduced, the most important for the Group being the introduction of lower capital requirements for lending to small and medium sized enterprises (the SME supporting factor).

EU's Simple Transparent and Standardised securitization (STS) Regulation has not been included in the EEA agreement yet, however upon request from the Ministry of Finance the Financial Supervisory Authority of Norway established a working group in 2019 to assess Norwegian implementation. Santander Consumer Bank participated in a reference group for this work. The working group's report and proposal for amendments to adjust Norwegian legislation to the STS Regulation was sent on consultation with deadline in September 2019.

In May 2019, EU adopted the "Risk Reduction Package". The "Risk Reduction Package" mainly focuses on the areas of governance and remuneration, large exposures, resolution and reporting and disclosures, and represents an important step towards the completion of the European post-crisis regulatory reforms.

Sustainable finance is also high on the agenda of EU. The Commission's Sustainable Finance Action Plan from 2018 lists a large number of measures to be taken including legal proposals and amendments to EU's financial services legislation.

EU's revised Payment Services Directive, PSD II, opens up to giving technology companies and other players that do not offer bank accounts, direct access to traditional banks' payment infrastructure and hence the opportunity to aggregate account information and debit accounts on behalf of customers. The Directive entered into force in the EU in 2018, and in Norway in 2019.

EU's fourth AML directive was transposed into national legislation in Sweden, Denmark and Finland during 2017 and Norway in 2018. EU's fifth AML directive entered into force in Denmark in January, and is expected to be transposed into national legislation in the remaining Nordic countries during 2020, further enhancing The Group's AML program.

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

There are also various ongoing national initiatives, in particular in the consumer credit area in Norway but also in Denmark, enhancing consumer protection. In 2018 the Norwegian FSA introduced guidelines on prudent lending for unsecured credits that in 2019 was transposed into regulation. In addition, a proposal for a new Norwegian financial agreement act that was released in 2018. This is expected to enter into force in 2020.

The National Norwegian debt register was effective 1 July 2019, following licenses granted by the Ministry of Children and Equality to two Norwegian entities in 2018. Changes in legislation obliged Norwegian financial institutions to provide the register with information on unsecured debt.

Corporate Governance

The Group is fully owned by Santander Consumer Finance S.A. Pursuant to section 2-2 of the Group's articles of association, the acquisition of shares is conditional on consent from the board. Consent may however only be refused on just ground and refusal of consent must be justified in writing. The Group does not have a Santander Consumer Bank AS share scheme for employees. The Group has solid corporate governance, based on its strong culture and values, and a robust control of risks, all of which ensure that management is aligned with the interests of our shareholders, investors, employees, suppliers, customers and other stakeholders. The Board of Directors is the Group's highest decision-making body, except for matters reserved for the general meeting.

The composition of the Board of Directors is balanced between external and internal (employed by the shareholder Santander Consumer Finance SA and the Santander Consumer Bank Nordic Group) directors. The Board of Directors has eight members, where two are elected by and among the employees of The Group and its subsidiary. Each has a personal deputy also elected among and by the employees. In addition, the employees elect an observer to the Board. The election of the employee representatives is organized so that each of the countries in the Group at all times have a Board representative, either by the means of a fixed member, or as a deputy or observer. Three of the remaining members are employed by the Shareholder, and three are external. The chair and deputy chair of the Board are elected among the board members. The general meeting elects remaining members. The election of board members, deputies and observers is prepared by an election committee. The elected members of the Board serve for two years. If a board member retires before his period of office has expired, a replacement for the remaining period is elected.

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

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

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

The Group has a nomination committee consisting of 5 members elected by and among the board members, currently three of the board's external directors and two internal directors, whereas one is employee representative. The objective of the Nomination Committee is to advise the Board in the preparation of the nomination policy and the monitoring and control of with the effects of the policy.

The Board has, pursuant to the Norwegian Act on Limited Companies section 6-23, established a policy outlining rules of procedure for the Board's work. In 2019, the Board met nine times. The Board has a skills matrix to ensure an overview of board competencies at all times, in order to support and ensure successful succession planning. A third party facilitated the Board's annual self-evaluation.

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

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

The Group relies on a risk management and control model based on three lines of defense: the first is located at the different business and support functions; the second is exercised by the Risks and Compliance functions; while the third is wielded by Internal Audit.

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

Compliance and Conduct

The Compliance Risk is defined as a risk of legal and regulatory sanctions, financial loss or damage to the reputation of the Group arising from the Group or its directors, officers and employees not adhering to applicable laws, rules, regulations and internal policies. The Groups Compliance and Conduct Program covers the following risk taxonomies; Regulatory Compliance Risk, Anti-Money Laundering and Countering Terrorism Financing framework Risk, Product Governance and Customer Protection Risk as well as reputational risk.

As mentioned in previous section the Group has adopted the three lines of defence mechanism with first line of defence as responsible for the risk management and control of the compliance risk. To oversee the compliance processes in the Group and to secure that management and the Board of Directors are provided with independent information regarding the compliance status in the business, the Group has an independent Compliance and Conduct function in second line of defence. The Compliance and Conduct function promotes adherence to rules, supervisory requirements, principles of good conduct and values by acting as a second line of defence – establishing standards, challenging, advising and reporting – in the interest of employees, customers, shareholders and the wider community. The function performs independent assessments by performing independent risk based monitoring, controls, testing, and thematic reviews. Annual risk assessment forms the risk based approach of the Compliance and Conduct function activities, and the prioritizing between the activities is concluded in the Annual Compliance Plan.

During 2019 the Compliance & Conduct function has been undergoing major organizational changes to secure that the Compliance & Conduct function is aligned, has the right capabilities and adapted to the Group's strategy and operations. The result is an improved Compliance & Conduct function across Nordics with a harmonized and risk based compliance program and plan with clear reporting and escalation routines.

The new organization consists of compliance professionals across the Nordics, overseen by the Chief Compliance Officer (CCO), who reports to the CEO and has a functional reporting line to the Chief Compliance Officer at Santander Consumer Finance S.A. To ensure the independence of the Compliance & Conduct function, the Chief Compliance Officer (CCO) has direct access to the Board of Directors and the Board Risk Committee.

During 2019 the Compliance & Conduct functions has enhanced and further developed the Compliance and Conduct program within all compliance risk taxonomy areas, especially related to anti money laundering and consumer protection. The Compliance & Conduct function reports quarterly to the management on both local and Nordic level, as well as to the Board Risk Committee and the Board of Directors.

The Group continuously improve and develop the conduct program to ensure that we treat costumers fairly throughout all stages of the customer lifecycle. This includes a "new product approval process" to ensure that the compliance and conduct risk is mitigated in the design and development of new and significantly changed products and services.

The Group has high focus on ensuring that they are not being used for any illegal activities and that the Group is complying with, and have focus on, all applicable financial crime regulations and mitigating actions. During 2019, the Group has initiated several measures to reduce the financial crime risk and further develop a robust financial crime prevention program with supporting IT systems. During 2019 the "Financial Crime Prevention Unit" was established and the number of resources dedicated to anti-money laundering and Fraud will consciously increase during 2020.

The Groups General Code of Conduct is applicable to all employees and members of the Board and sets the ethics principles and rules of conduct by which all activities of the Groups should be governed, and therefore comprises the central component of the Santander Group's Compliance Programme. All employees are required to complete a mandatory training in the Code of Conduct to ensure proper knowledge and awareness of the ethical principles.

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

Forming the digital capabilities

The Group launched a transformation initiative to improve "time to market" for digitalized products and services in 2018. Since then, the two key success factors enabling improvement have been a renewed multispeed system architecture and a centralized IT organization across the region, with common priorities and processes.

Common solutions and platforms, ways of working and priorities across countries will increase the Groups delivering capacity and capabilities - both within product development and in keeping operations compliant with regulatory requirements. The Group will also further evaluate how IT operations can be improved in cooperation with external service providers and technology vendors.

The aim is to consolidate and modernize the system landscape, and create an up-to-date architecture, supporting faster and cheaper development of products and services. This new "digital engine" will enable organizational speed and agility to when developing new products and services, while securing reliability and compliance in the core banking systems. A well-structured system landscape will support increased automation and a more efficient operation.

During 2019, the Group has reorganized the IT organization, governance structure and the ways of working to enable agile business development. The Group has also initiated development of the future architecture of common platforms, and consolidated solutions and system landscape. The cyber security efforts have been strengthen, and in collaboration with the global cyber function, the Group has further improved the capabilities within detection, protection and prevention substantially.

Through 2020, the Group will start utilizing the new architecture and realize the first gains of the investments and work delivered through 2019. Examples are onboarding to the new Commercial Engagement platform, extend integration services to new areas and continue the roll out of the new platform for sales finance and payments to new markets in cooperation with partners and external service providers.

Responsible Banking and Corporate Social Responsibility

As a major actor on the world stage, Banco Santander aims to be a leader with regards to responsible and sustainable banking globally – and locally. The bank is a founding member of the Responsible Banking principles outlined by the United Nations Environment Programme Finance Initiative (UNEP FI). These principles lay the foundations for what it means to be a responsible bank, one that generates value for society.

Banco Santander has chosen 10 out of UN's 17 Sustainable Development Goals (SDG's) to guide their efforts, with special focus on the four below.

The Nordic Group is totally committed to the global ambitions, and aims to go above and beyond. Accordingly, a Responsible Banking Officer has recently been appointed to drive and coordinate all associated activities. The main task will be to ensure that the company maintains the right culture, skills, governance, digital and business practices to meet stakeholder's expectations. And above all, securing solid compliance, conduct and internal control processes, as this is where responsible banking is anchored.

In 2019, the Nordic Group participated in and supported a number of strategic initiatives, activities, people, and organizations that encourage and inspire responsible actions:

- Gold partner of Right To Play, an organization that protects, educates and empowers children to rise above adversity using the power of play.
- Strategic partner of "En Svensk Klassiker", connected to the initiative "#MinKlassiker", which aims to inspire and motivate people to lead a healthier lifestyle.
- Participation in "Team Rynkeby", the European charity cycling team that raises money for children with critical illnesses.
- Supported Kræftens Bekæmpelse, the Danish Cancer Society, with several initiatives.
- Global sponsorship of the UEFA Champions League (Banco Santander). In the Nordic region, the Group also has partnerships with local clubs to inspire and engage young boys and girls.
- Internally, the Nordic Group promotes health and wellbeing for all employees, through the BeHealthy scheme (People and culture section).
- Collaboration with Chooose - a global leader in retiring carbon credits and a platform for climate action.
- Through its newly established Green Bond Framework, the Group intends to allocate funding of electric vehicles. (Funding section)
- The Group pioneered the All in One product suite in Finland already in 2013, where customers can compensate the emissions of their car.
- Across the region, the Group engages in innovative collaborations with partners to produce environmentally friendly mobility solutions. (Auto section)

Being responsible is now, more than ever, a priority for the Group. That means playing a major role in supporting inclusive and sustainable growth across the world – helping companies create jobs, people to be financially empowered, and combating climate change. The Nordics are well underway.

People and culture

At year-end 2019, the Group had 1 273 employees (excluding temporary hired employees), of which 312 worked in Sweden, 217 in Denmark, 165 in Finland and 579 in Norway.

In 2019 the sick leave rate was 3.9%. There have been no personal injuries in the workplace in 2019.

The working environment in the Group is considered good, and is being assessed on an annual basis through the employee opinion survey. The 2019 response rate was 88 per cent. The overall result in the Nordic countries declined, still with strong and stable results within the dimensions of executed leadership, wellbeing and equality.

Prime focus areas within people and culture in 2019 have been a major reorganization. All countries have continued developing agile working environments keeping units close to markets and customers. We have continuous focus on corporate behaviors, which are also incorporated in variable remuneration. We use 360º feedback methodology for executives, which includes the opinions of their teams and other employees they interact with, as well as their line manager.

BeHealthy is a global health and well-being program that aims to make the Group among the best in class and which aspires to improve people's lives. The overall well-being of the employees is essential to having healthy, happy and committed teams that do better work on an individual, employment and community level. This program sets out a common framework, which is aimed at ensuring that health and well-being are seen as advantages. The program includes a number of initiatives launched in the local units to encourage employees to adopt healthier lifestyles. The program is aligned with CSR initiatives and sponsorships. In 2019 the Group had specific focus on mental well-being and conducted resilience training for all employees. 4/5 employees are positive to the execution of the total commitment to the employee`s well-being.

During 2019, sustainability has been established as a core driver in the global culture platform. Banco Santander was rated as the #1 Sustainable Bank in 2019[3].

The Group has a Working Environment Committee and Liaison Committee. Statutory meetings are held frequently and the cooperation between the management and the employee representatives is solid. As new regulations and new expectations reach the banking industry, we need to make sure that all employees across the Nordics understand their responsibilities. We frequently conduct trainings for employees connected to regulatory requirements like AML, Compliance and cybersecurity. In 2019, we acquired a micro learning system to strengthen training capabilities. This is part of a global initiative to strengthen the in-house capabilities and offer development opportunities for the employees.

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

The Group considers that diversity enhances human capital, encourages an inclusive working environment, and offers better solutions and higher value added. The Group takes into account all sources of diversity when managing its people's talents.

The Group has participated in Banco Santander's worldwide Gender Diversity Policy and investigated gender salary gaps. The Group has also reviewed succession plans to ensure women will be incorporated into all succession streams to make sure the Group develop gender diversity in top management. At year-end the gender ratio was 48% women and 52% men. The Nordic senior management team consists of 2 women and 13 men. The Board of Directors consists of 1 woman and 7 men. The Group has experienced no incidents of sexual harassment in 2019.

[3] https://www.santander.com/en/stories/the-worlds-most-sustainable-bank-is-santander

Strategic priorities to stay in the lead

In a mature market characterised by low interest rates, increased competition, cost of regulation and changing consumer behaviour, significant strides were made in 2019 to secure future competitiveness.

The Group underwent a restructuring of the organisation and focused efforts in opportunities afforded by simplifying the underlying information technology platform. A new simplified governance structure was implemented.

During 2019, the Group continued to develop its commercial footprint in the Nordic region, through the acquisition of Forso Nordic AB, a transaction of strategic importance securing a long-term partnership with Ford in the Nordic region.

Strategic priorities for the coming year include:

- Operational excellence
  - Realize operational and quality benefits from the 2019 reorganization efforts
  - Roll out technology solutions according to the One IT programme
  - Realise economies of scale from Ford Credit (Forso Nordic AB) acquisition with successful integration for our customers and partners

- Sustainable profitability
  - Reduce overall cost base and realise efficiencies from technological and commercial investments
  - Increase focus on business that provides sustainable profitability

- Further promote responsible banking culture
  - Secure solid compliance, conduct and internal control processes
  - Implement the Santander Responsible Banking / sustainability framework as part of the global programme

Our overall aim in 2020 is to help more people and businesses prosper in an inclusive, sustainable way.

Future prospects

In a time of increasing global uncertainty, the Nordic countries remain a stable economic region. Estimates indicate a stable real GDP growth of around 2.0% in Norway, 1.0% in Sweden, 1.0% in Finland and 1.5% in Denmark. Unemployment rates are expected to remain relatively stable across the region.

The auto market remains dynamic. The increase in the share of hybrid and electric cars, changing car regulations and potential changes to car taxation as well as the introduction of mobility offerings are examples of developments that leave both consumers and industry participants with uncertainty. The Group expects to maintain a leading position in the auto finance market in the Nordics, despite competitive pressures. The Group welcomes regulation in unsecured lending in the Nordic countries and is committed to the prosperity of society, acting in a simple, personal and fair way. Due to increased indebtedness of households; regulations targeting marketing of loans and credits, affordability, and the introduction of debt registers benefit all stakeholders. The Group expects to maintain a leading position in the unsecured finance market in the Nordics, despite increased regulations, driven by continued responsible lending.

Customer deposits is expected to remain the largest source of funding, supported by the Group being active in both the senior unsecured and secured (ABS) bond markets. In addition, the Group has established a Green Bond Framework under which the Group intends to issue Green Bonds to finance and / or refinance loans for low-carbon emission passenger vehicles. The framework is supportive of the Group’s sustainability objective of advancing low-carbon emission mobility.

The Group will continue to focus on efficiency and long-term competitiveness.

Lysaker, 26th February 2020

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
Arja Pynnönen Employee Representative	Øyvind Ertzaas Employee Representative	Michael Hvidsten Chief Executive Officer

1 Annual Report

Santander Consumer Bank

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Profit and Loss - Santander Consumer Bank Nordic Group

All amounts in millions of NOK	Note	2019	2018
Total interest income		8 596	8 158
Total interest expenses		-1 422	-1 239
Net interest income	11	**7 174**	**6 919**
Fee and commission income		574	561
Fee and commission expenses		-208	-132
Value change and gain/loss on foreign exchange and securities		3	27
Other operating income	12	270	216
Other operating expenses	12	-217	-208
Gross margin		**7 595**	**7 384**
Salaries and personnel expenses	29, 30	-1 274	-1 538
Administrative expenses		-1 647	-1 545
Depreciation and amortisation	23, 24	-257	-162
Net operating income		**4 418**	**4 139**
Other income and costs	5	13	-189
Impairment losses on loan, guarantees etc.	2, 4, 5, 15	-820	184
Profit before tax		**3 611**	**4 134**
Income tax expense	13	-742	-995
Profit after tax		**2 869**	**3 139**
Allocation of profit after tax			
Transferred to other earned equity		2 729	2 969
Transferred to additional Tier 1 capital	33	141	170
Total allocations		**2 869**	**3 139**

Profit after tax		**2 869**	**3 139**
Items not to be recycled to profit and loss			
Actuarial gain/loss on post-employment benefit obligations		-16	-37
Items to be recycled to profit and loss			
Net exchange differences on translating foreign operations		-16	48
Measured at FVTOCI		5	3
Cash flow hedge	20	9	-41
Net investment hedge	13, 20	9	-11
Other comprehensive income for the period net of tax		**-9**	**-37**
Total comprehensive income for the period		**2 860**	**3 102**

Balance Sheet - Santander Consumer Bank Nordic Group

All amounts in millions of NOK	Note	2019	2018
Assets			
Cash and receivables on central banks	17	66	65
Deposits with and receivables on financial institutions	17	3 968	2 982
Loans to customers	2, 4, 6, 14, 15, 16, 17, 25	161 392	159 284
Commercial papers and bonds	4, 17, 19	11 536	10 363
Financial derivatives	17, 19	37	64
Repossessed assets	26	11	12
Other ownership interests	17, 19	31	26
Intangible assets	24	1 093	1 093
Fixed assets	23	1 214	691
Other assets		1 594	1 528
Total assets		**180 941**	**176 108**
Liabilities			
Debt to credit institutions	17, 32	30 174	40 253
Deposits from customers	17	65 484	54 645
Debt established by issuing securities	17, 18	53 403	52 929
Financial derivatives	17, 19	22	45
Tax payable	13	134	140
Other financial liabilities	17, 28	517	345
Deferred tax	13	697	259
Pension liabilities	29	140	126
Other liabilities		2 858	2 299
Subordinated loan capital	17, 32	2 421	1 731
Total liabilities		**155 851**	**152 772**
Equity			
Share capital		9 652	9 652
Share capital premium		891	891
Additional Tier 1 capital		2 250	2 250
Other equity		12 242	10 478
OCI items		54	65
Total equity	9	**25 090**	**23 336**
Total liabilities and equity		**180 941**	**176 108**

Cash Flow - Santander Consumer Bank Nordic Group

All amounts in millions of NOK	Note	2019	2018
Cash flow from operations			
Profit before tax		3 611	4 134
Adjustments for:			
- Depreciation, amortisation and impairment on fixed and intangible assets		381	266
- Net interest income	12, 23, 24	-7 174	-6 919
- Value change and gain/loss on foreign exchange and securities		-3	-27
- Dividends on financial assets at FVOCI		-	-
Changes in:			
- Loans to customers	14	-3 827	-14 711
- Operational lease	23	-219	-151
- Repossessed assets	26	1	1
- Other assets		-66	116
- Deposits from customers		11 332	4 028
- Other liabilities and provisions		1 798	751
Interests received		8 671	8 158
Dividends received		4	-
Interests paid		-1 370	-1 216
Net income taxes paid		-870	-1 008
Net cash flow from operations		**12 268**	**-6 579**
Cash flow from investments			
Purchase of bonds		-15 698	-13 924
Proceeds from matured bonds		14 262	10 397
Purchase of fixed and intangible assets		-225	-156
Proceeds from sale of fixed and intangible assets		6	9
Net cash flow from investments		**-1 655**	**-3 674**
Cash flow from financing			
Proceeds from issued securities	18, 27	21 078	12 169
Repayments of issued securities	18, 27	-20 712	-10 834
Change in loans and deposits from credit institutions		-9 499	9 202
Proceeds from issue of subordinated loans	32	1 416	-
Repayment of subordinated loans	32	-708	-22
Dividend payments		-1 000	-350
Interest payments on additional Tier 1 capital	33	-140	-170
Net cash flow from financing		**-9 565**	**9 995**
Exchange gains / (losses) on cash and cash equivalents		-31	14
Net change in cash and cash equivalents		1 018	-244
Cash and cash equivalents at the beginning of the period		3 047	3 291
Cash and cash equivalents at the end of the period		**4 034**	**3 047**

Statement of changes in equity - Santander Consumer Bank Nordic Group

2019

All amounts in millions of NOK	Share Capital	Share Capital Premium	Additional Tier 1 Capital	Other Equity	Translation differences from foreign currencies	Measured at FVTOCI	Cash flow hedge	Net investment hedge	Actuarial gain/loss	Total
Balance at 1 January 2019	**9 652**	**891**	**2 250**	**10 478**	**225**	**26**	**-20**	**-61**	**-106**	**23 335**
Profit for the period	-	-	141	2 729	-	-	-	-	-	2 869
OCI movements (net of tax)	-	-	-	-	-16	5	9	9	-16	-9
Interest payments additional Tier 1 capital	-	-	-141	-	-	-	-	-	-	-141
Tax on interest payment additional Tier 1 capital	-	-	-	35	-	-	-	-	-	35
Share dividend	-	-	-	-1 000	-	-	-	-	-	-1 000
Balance at 31 December 2019	**9 652**	**891**	**2 250**	**12 242**	**-208**	**31**	**-11**	**-52**	**-122**	**25 090**

Total shares registered as at December 31, 2019, was 965 241 842.

Restricted capital as at December 31, 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.

2018

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

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 NMOK. The split between restricted and unrestricted capital is in accordance with the Norwegian limited companies act.

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

Profit and Loss - Santander Consumer Bank AS

All amounts in millions of NOK	**Note**	**2019**	**2018**
Total interest income		7 466	7 004
Total interest expenses		-1 352	-1 161
Net interest income	11	**6 114**	**5 843**
Fee and commission income		528	533
Fee and commission expenses		-184	-109
Value change and gain/loss on foreign exchange and securities		-1	22
Other operating income	12	656	96
Other operating expenses	12	-108	-105
Gross margin		**7 005**	**6 280**
Salaries and personnel expenses	29, 30	-1 150	-1 328
Administrative expenses		-1 280	-1 301
Depreciation and amortisation	23, 24	-228	-149
Net operating income		**4 348**	**3 502**
Other income and costs	5	15	-191
Impairment losses on loan, guarantees etc.	2, 4, 5, 15	-765	159
Profit before tax		**3 597**	**3 470**
Income tax expense	13	-638	-862
Profit after tax		**2 959**	**2 607**

Allocation of profit after tax			
Transferred to other earned equity		2 818	2 437
Transferred to additional Tier 1 capital	33	141	170
Total allocations		**2 959**	**2 607**

Profit after tax		**2 959**	**2 607**
Items not to be recycled to profit and loss			
Actuarial gain/loss on post-employment benefit obligations		-16	-37
Items to be recycled to profit and loss			
Net exchange differences on translating foreign operations		-4	2
Measured at FVTOCI		5	3
Cash flow hedge	13, 20	-	-35
Other comprehensive income for the period net of tax		**-14**	**-66**
Total comprehensive income for the period		**2 944**	**2 541**

Balance Sheet - Santander Consumer Bank AS

All amounts in millions of NOK	Note	2019	2018
Assets			
Cash and receivables on central banks	17	66	65
Deposits with and receivables on financial institutions	17	2 434	1 216
Loans to customers	2, 4, 6, 14, 15, 16, 17, 25	126 098	125 624
Commercial papers and bonds	4, 17, 19	9 526	8 025
Financial derivatives	17, 19	7	50
Repossessed assets	26	6	7
Loans to subsidiaries and SPV's	17	12 412	8 872
Investments in subsidiaries	17, 19, 31	1 281	1 292
Other ownership interests	17, 19	31	26
Intangible assets	24	672	653
Fixed assets	23	741	256
Other assets		1 518	1 314
Total assets		**154 792**	**147 400**
Liabilities			
Debt to credit institutions	17, 32	21 808	29 269
Deposits from customers	17	65 484	54 645
Debt established by issuing securities	17, 18	37 519	37 247
Financial derivatives	17, 19	-	38
Tax payable	13	134	140
Other financial liabilities	17, 28	500	343
Deferred tax	13	893	468
Pension liabilities	29	140	126
Other liabilities		2 444	1 783
Subordinated loan capital	17, 32	2 421	1 731
Total liabilities		**131 344**	**125 790**
Equity			
Share capital		9 652	9 652
Share capital premium		891	891
Additional Tier 1 capital		2 250	2 250
Other equity		10 774	8 920
OCI items		-119	-105
Total equity	9	**23 448**	**21 609**
Total liabilities and equity		**154 792**	**147 400**

Cash Flow - Santander Consumer Bank AS

All amounts in millions of NOK	Note	2019	2018
Cash flow from operations			
Profit before tax		3 597	3 469
Adjustments for:			
- Depreciation, amortisation and impairment on fixed and intangible assets		244	162
- Net interest income	12, 23, 24	-6 114	-5 844
- Value change and gain/loss on foreign exchange and securities		1	-22
- Dividends on financial assets at FVOCI		-	-
Changes in:			
- Loans to customers	14	-2 184	-8 645
- Operational lease	23	-191	-45
- Repossessed assets	26	-	1
- Other assets		-203	134
- Deposits from customers		11 332	4 028
- Other liabilities and provisions		1 375	512
Interests received		7 540	7 021
Dividends received		509	-
Interests paid		-1 363	-1 176
Net income taxes paid		-784	-876
Net cash flow from operations		**13 758**	**-1 281**
Cash flow from investments			
Purchase of bonds		-10 626	-6 875
Proceeds from matured bonds		9 330	5 200
Purchase of fixed and intangible assets		-202	-132
Proceeds from sale of fixed and intangible assets		4	4
Net cash flow from investments		**-1 494**	**-1 804**
Cash flow from financing			
Proceeds from issued securities	18, 27	9 565	12 154
Repayments of issued securities	18, 27	-14 466	-10 833
Change in loans to and deposits from credit institutions		-5 674	2 133
Proceeds from issue of subordinated loans	32	1 416	-
Repayment of subordinated loans	32	-708	-
Dividend payments		-1 000	-350
Interest payments on additional Tier 1 capital	33	-140	-170
Net cash flow from financing		**-11 007**	**2 933**
Exchange gains / (losses) on cash and cash equivalents		-20	17
Net change in cash and cash equivalents		1 238	-135
Cash and cash equivalents at the beginning of the period		1 281	1 416
Cash and cash equivalents at the end of the period		**2 499**	**1 281**

Statement of changes in equity - Santander Consumer Bank AS

2019

All amounts in millions of NOK	Share Capital	Share Capital Premium	Additional Tier 1 Capital	Other Equity	Translation differences from foreign currencies	Measured FVTOCI	Cash flow hedge	Actuarial gain/loss	Total
Balance at 1 January 2019	**9 652**	**891**	**2 250**	**8 920**	**-9**	**26**	**-15**	**-106**	**21 609**
Profit for the period	-	-	141	2 818	-	-	-	-	2 959
OCI movements (net of tax)	-	-	-	-	-4	5	-	-16	-14
Interest payments additional Tier 1 capital	-	-	-141	-	-	-	-	-	-141
Tax on interest payment additional Tier 1 capital	-	-	-	35	-	-	-	-	35
Share dividend	-	-	-	-1 000	-	-	-	-	-1 000
Balance at 31 December 2019	**9 652**	**891**	**2 250**	**10 774**	**-13**	**31**	**-15**	**-122**	**23 448**

Total shares registered as at December 31, 2019, was 965 241 842, each with a par value of 10 NOK.

Restricted capital as at December 31, 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.

2018

All amounts in millions of NOK	Share Capital	Share Capital Premium	Additional Tier 1 Capital	Other Equity	Translation differences from foreign currencies	Measured FVTOCI	Cash flow hedge	Actuarial gain/loss	Total
Balance at 1 January 2018	**9 652**	**891**	**2 250**	**7 164**	**-12**	**31**	**20**	**-70**	**19 928**
Changes in initial application of IFRS 9*	-	-	-	-498	-	-11	-	-	-509
Changes in initial application of IFRS 9 - tax*	-	-	-	124	-	3	-	-	127
Restated balance at 1 January 2018	**9 652**	**891**	**2 250**	**6 790**	**-12**	**23**	**20**	**-70**	**19 546**
Profit for the period	-	-	170	2 438	-	-	-	-	2 607
OCI movements (net of tax)	-	-	-	-	2	3	-35	-37	-66
Interest payments additional Tier 1 capital	-	-	-170	-	-	-	-	-	-170
Tax on interest payment additional Tier 1 capital	-	-	-	42	-	-	-	-	42
Share dividend	-	-	-	-350	-	-	-	-	-350
Balance at 31 December 2018	**9 652**	**891**	**2 250**	**8 920**	**-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, 26th February 2020

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
Arja Pynnönen Employee Representative	Øyvind Ertzaas Employee Representative	Michael Hvidsten Chief Executive Officer

Accounting Principles

1. General information about Santander Consumer Bank AS

Santander Consumer Bank AS (the Company) is a limited liability company incorporated in Norway. The Company's principal offices are located at Strandveien 18, Lysaker, Norway. The Company is a wholly-owned subsidiary of Santander Consumer Finance S.A. which is part of Grupo Santander. Key figures from Grupo Santander are available at www.santander.com

The financial statements show the activities of the Company in Norway, Sweden and Denmark. The Group accounts include, the Finnish subsidiary Santander Consumer Finance OY (SCF OY) and the Special Purpose Vehicles ("SPV") as listed in note 32 for the Company.

The 2019 consolidated financial statements of the Group and financial statements of the Company cover the period 01.01.2019 to 31.12.2019 and was approved by the Board of Directors and general assembly on 26 February 2020.

2. Summary of significant accounting policies

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

2.1. Basis of accounting

The financial reports and the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and interpretations of them. The financial statements are based on the historical cost basis, except financial assets measured at fair value through other comprehensive income (effective 1.January 2018) and financial derivatives.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. See section 3 for further details regarding the use of accounting estimates.

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

2.2. Changes in accounting policy and disclosures

2.2.1 Implementation of IFRS 16 Leases

The Group has adopted IFRS 16 Leases from 1 January 2019 using the simplified transition approach in accordance with IFRS 16.C5(b) and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

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

For leases which had previously been classified as operating leases under the principles of IAS 17 Leases, the lease liability upon adoption of IFRS 16 is measured as the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The associated right-of use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet at 31 December 2018. In applying IFRS 16 for the first time, the Group has used the following practical expedients as permitted by IFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- leases of low-value assets will not be recorded: the underlying asset considered individually is of low value, when its brand new purchase value does not exceed 5.000 USD and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made when applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17.

The reclassifications and adjustments arising from the new leasing rules are recognized in the 1 January 2019 opening balance sheet. Per 1 January 2019 the Group recognized additional 328 MNOK lease liability and right-of-use assets. The main lease agreements affected by the implementation of IFRS 16 is the operational lease agreements of office buildings, IT equipment and servers where the Group is the lessee.

Implementation effect SCB Group and SCB AS 1 January 2019:

Amounts in MNOK

		Group	AS
IMPACT REAL ESTATE (Office buildings, parking lots etc.)	Lease liability	309	293
	Right-of-use-asset	309	293

		Group	AS
IMPACT OTHER ASSETS (Company cars, IT equipment, furnitures etc.)	Lease liability	18	18
	Right-of-use-asset	18	18

		Group	AS
TOTAL	Lease liability	328	311
	Right-of-use-asset	328	311

Profit before tax in 2019 decreased with 0.4 MM NOK as a result of the change in accounting policy.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 1,17 %.

Amounts in MNOK

	Group	AS
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group's consolidated financial statements	**343**	**326**
Discounted using the incremental borrowing rate at 1 January 2019	343	326
Recognition exemption for leases of low-value assets	-3	-3
Recognition exemption for leases with less than 12 months of lease term at transition	-12	-12
Lease liabilities recognised at 1 January 2019	328	311

IFRS 16
The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of a low value assets (defined as brand new purchase value below USD 5 000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate. The rate is determined by adding the respective countries Interbank Offered Rate 3M (NIBOR, STIBOR, CIBOR or EURIBOR) and calculated Liquidity spread curve for the Group.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- the amount expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options, if the lessee is reasonable certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the period presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets with a purchase value below 5 000 USD.

2.2.2 Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms. The amendments are relevant to the Group given that it hedges and applies hedge accounting to its benchmark interest rate exposure.

The Group has chosen to early apply the amendments to IFRS 9/IAS 39 for the reporting period ending 31 December 2019, which are mandatory for annual reporting periods beginning on or after 1 January 2020. Adopting these amendments allows the Group to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

See note 20 for disclosures related to the impact.

2.3. Consolidation

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

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

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

2.4. Investment in subsidiaries

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

2.5. Recognition of income and expenses

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities. The most significant criteria used by the Group to recognize its income and expenses are summarized as follows:

Interest income, interest expenses and similar items are generally recognized on an accrual basis using the effective interest method. This implies that interest is recorded when incurred, with the addition of amortized fees which are regarded as an integral part of the effective interest rate. The effective interest rate is set by discounting contractual cash flows based on the expected life of the asset; either car leasing contract or consumer loan. Cash flows include fees and transaction costs which are not paid directly by the customer, plus any residual value at the expiry of the asset's expected life. Interest taken to income on impaired loans corresponds to the effective interest rate on the written-down value.

Fees which are not included in effective interest rate calculations, as well as commissions, are recorded during the period when the services are rendered or the transactions are completed.

Fees and commission income and expenses are recognized in the profit and loss accounts using criteria that vary based on their nature. The main criteria are as follows:

- Fee and commission income and expenses relating to financial assets and financial liabilities measured at fair value through profit or loss are recognized when they occur.
- Those arising from transactions or services that are performed over a period of time are recognized over the life of these transactions or services.
- Those relating to services provided in a single act are recognized when the single act is carried out.

Non-finance income and expenses are recognized for accounting purposes on an accrual basis.

2.6. Financial assets and liabilities

Measurement methods

Amortized cost and effective interest rate

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Group calculates interest income on credit-impaired loans by applying the effective interest rate to their amortized cost. The Group have not had any 'POCI' financial assets during 2019.

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

Interest income

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

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

Initial recognition and measurement

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

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

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

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

2.6.1. Financial assets

(i) Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

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

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

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

Classification and subsequent measurement of debt instruments depend on:

(i) The Group's business model for managing the asset; and

(ii) The cash flow characteristics of the asset.

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

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

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

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

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

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

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

Equity instruments

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

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

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

(ii) Impairment

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

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

The Group did not use the low credit risk exemption for any of its financial instruments for the year ended 31 December 2019.

Expected credit loss measurement

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

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

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

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

Change in credit quality since initial recognition

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

The Group uses "Cure Period – not in default state as of reporting date but was in default during last 12 months prior to reporting date", as a condition to classify financial instruments in stage 2, the Group in that way ensures that stage 3 exposures are migrated first to stage 2 for a period of 12 months and then are migrated to stage 1 exposure if not moved to stage 3 during the cure period.
There is no specific criteria followed for migrating exposures from stage 2 to stage 1.

Significant increase in credit risk (SICR)

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

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

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

Definition of default and credit-impaired assets

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

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

Measuring ECL – explanation of inputs, assumptions and estimation techniques

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

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

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

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

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

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

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

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

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

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

Forward-looking information incorporated in the ECL models

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

Grouping of instruments for losses measured on a collective basis

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

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

(iii) Modification of loans

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

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, that substantially affects the risk profile of the loan.

- Significant extension of the lean term when the borrower is not in financial difficulty.
- Significant change in interest rate.

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

(iv) Derecognition other than on a modification

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

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

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

(v) Write-off policy

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

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

2.6.2. Financial instruments with the characteristics of equity

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

2.6.3. Financial liabilities

(i) Classification and subsequent measurement

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

- Financial liabilities at fair value through profit or loss: This classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that it attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that gives rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which the gains and losses attributable to changes in the credit risk of the liability are also presented in profit of loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments

(ii) Derecognition

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

2.6.4. Financial guarantee contracts and loan commitments

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

- The amount of the loss allowance (calculated as described in 2.6.1 (ii)); and
- The amount initially recognized less, where appropriate, the cumulative amount of income recognized.

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

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

2.6.5. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

2.7. Offsetting

Financial assets and liabilities are offset and recognized net in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

Master netting agreements or similar agreements give the right to offset in the event of default, but do meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognized amounts only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets simultaneously.

2.8. Derivative financial instruments and hedging activities

The Group has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.
The Group designates certain derivatives as either:
a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
c) hedges of a net investment in a foreign operation (net investment hedge).

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

2.9. Leases

2.9.1. Santander Consumer Bank as lessor

A lease is classified as a financial lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

The Group offers car leasing. When the Group is a lessor in a lease agreement that transfers substantially all of the risk and rewards incidental to ownership of the car to the lessee, the arrangement is classified as financial leasing. Financial lease receivables are recognized and presented within 'loans to customers'. Contracts with residual value are depreciated to agreed residual value, distributed over the lease term. The interest part of the leasing fee is entered as interest income in the profit and loss account in accordance with the principles described under the point for loans, whereas the repayment of the principal reduces the balance sheet value. In taxation terms, the leasing objects depreciate according to the diminishing balance method. Sales profits from leasing objects and repossessed assets, are entered under 'Other operating income' in the profit and loss account.

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

The Group has contracts in which the Group guarantees residual value of the leased assets. For these contracts the Group considers that not substantially all the risk and rewards incidental to the ownership of the asset has been transferred and thus the contracts are classified as operating leases. Operational lease income is recognized as occurring in accordance with the underlying contracts. Initial direct costs incurred in negotiating and arranging the lease that are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Operating equipment is included under the item fixed assets in the balance sheet.

2.9.2. Santander Consumer Bank as lessee

In accordance with the implementation of IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group (the commencement date). Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The corresponding liability is included in other financial liabilities in the balance sheet.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets with a purchase value below 5000 USD.

2.10. Foreign currency translation

The presentation currency in the Group's consolidated financial statements is Norwegian kroner (NOK).The Group has foreign branches and subsidiary whose functional currency is different from NOK. Foreign currency is translated to presentation currency NOK in two consecutive stages, which are further described in the following sections:

1) Translation of foreign currency transactions into the functional currency of the Group entities, and;
2) Translation of group entities whose functional currency is different from the presentation currency NOK.

2.10.1. Translation of foreign currency transactions

Foreign currency transactions performed by consolidated entities are initially recognized in their respective functional currencies using the spot exchange rate at the date of the transaction. At the end of the reporting period, balance sheet items and income and expenses are retranslated as follows:

- Monetary items in foreign currency are subsequently translated to their functional currencies using the closing exchange rate.
- Non-monetary items measured at historical cost are translated to the functional currency at the exchange rate at the date of acquisition.
- Non-monetary items measured at fair value are translated at the exchange rate at the date when the fair value was determined.
- Income and expenses are translated at the average exchange rates for the year for all the transactions performed during the year. When applying this criterion, the Group considers whether there have been significant changes in the exchange rates in the year which, in view of their materiality with respect to the consolidated financial statements taken as a whole, would make it necessary to use the exchange rates at the transaction date rather than the aforementioned average exchange rates.

The exchange differences arising on the translation of foreign currency balances to the functional currency are generally recognized at their net amount under exchange differences in the consolidated profit and loss account, except for exchange differences arising on financial instruments at fair value through profit or loss, which are recognized in the consolidated profit and loss account without distinguishing them from other changes in fair value, and for exchange differences arising on non-monetary items measured at fair value through other comprehensive income, which are recognized under 'Value change and gain/loss on foreign exchange and securities'.

2.10.2. Translation of branches and subsidiary to presentation currency NOK

If the functional currency of a consolidated or equity accounted entity is not NOK, the balances in the financial statements of the consolidated entities are translated to NOK as follows:
- Assets and liabilities, at the closing exchange rates.
- Income and expenses, at the average exchange rates for the year.
- Equity items, at the historical exchange rates.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate. The exchange differences arising on the translation to NOK of the financial statements denominated in functional currencies other than NOK are recognized in other comprehensive income and accumulated in equity under the heading 'Net exchange differences on translating foreign operations'.

2.10.3. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment are calculated using the linear method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Machines, fittings, equipment — 3-10 years (average 5 years)
- IT tangible — 5-10 years (average 5 years)
- IT intangible — 3-5 years (average 3 years)
- Operational and financial leased vehicles — 1 month – 10 years (average 3 years)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount, less costs to sell, if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the profit and loss.

2.11. Intangible assets

2.11.1. Goodwill

Goodwill arises on acquisitions, and represents the excess of the purchase consideration over the interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired business and the fair value of the non-controlling interest in the acquired business.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each or groups of the cash generating units ("CGU") that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. An impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other non-financial assets of the CGU proportionally based on the carrying amount of each asset. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2.11.2. Computer software and IT-systems

Acquired software is recognized at cost with the addition of expenses incurred to make the software ready for use. Costs for internally developed software which are controlled by the Group are recognized as intangible assets when the following criteria are met:

- Management intends to complete the software and use it.
- There is an ability to use the software as it can be demonstrated how the software is contributing to probable future economic benefits and the expenditure attributable to the software during its development can be reliably measured.

Costs associated with maintaining computer software programs and IT-systems are expensed as incurred. Directly attributable costs that are capitalized as part of the software, include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Computer software development costs recognized as assets are amortized over their expected life.

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

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

2.12. Pension benefit schemes

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

A defined contribution scheme is a pension scheme under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit scheme is a pension scheme that is not a defined contribution scheme. Typically defined benefit schemes define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension schemes is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using demographic assumptions based on the current population. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. The fixing of the input parameters in the actuary's calculation at year-end is disclosed in note 24. The major part of the assets covering the pension liabilities is invested in liquid assets and valued at quoted prices at year-end.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately into the profit and loss account.

For defined contribution schemes, the Group pays contributions to publicly or privately administered pension insurance schemes on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.13. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In these cases the tax effect of the transactions as presented both gross and net in the other comprehensive income and/or in the equity reconciliation.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.14. Cash and cash equivalents

The cash flow statements show cash flows grouped according to source and use. Cash is defined as cash, deposits with central banks and deposits with credit institutions with no agreed period of notice. This means that all cash and cash equivalents are immediately available. The cash flow statement has been prepared in accordance with the indirect method.

2.15. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the decisions makers, including the Senior management team and CEO.

2.16. Dividends

Dividend income is recognized when the right to receive payment is established. Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Critical accounting estimates

The presentation of consolidated financial statements in conformity with IFRS requires the management to make judgments and estimates that affect the recognized amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the closing day as well as recognized income and expenses during the report period. The management continuously evaluates these estimates and judgments based on its judgments and assumptions on previous experience and several other factors that are considered reasonable under the circumstances. Actual results may deviate from judgments and estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- Impairment of loans requires judgment in determining future cash flows for individual and grouping of loans.
- Loan loss provision is based on estimates on the expected loss on identified non-performing loans, as well as estimates on the portfolio as a total.
- The Group is subject to income taxes in different jurisdictions. Judgment is required in determining the provision for income taxes. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. See note 13.

4. Capitalization policy and capital adequacy

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital while maintaining solid solvency above regulatory minimum requirements.

The Group's minimum capital requirement is defined by Norwegian legislation (*Kapitalkravsforskriften*).

5. Provisions

The provisions are liabilities of uncertain timing or amount and are recognized when the Group has a present legal or constructive obligation arising from a past event and it is likely that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligations. Provisions are tested on each closing day and adjusted when needed, so that they correspond to the current estimate of the value of the obligations.

Significant judgment is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows.

The Group is required to estimate the results of ongoing legal proceedings, and credit losses on undrawn commitments and guarantees. The forward-looking nature of these estimates requires the use of a significant amount of judgment in projecting the timing and amount of future cash flows. The Group records provisions on the basis of all available information at the end of the reporting period and make adjustments on a quarterly basis to reflect current expectations. Should actual results differ from the expectations, expenses in excess of the provisions recognized may incur.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, such as an insurer, a separate asset is recognized if it is virtually certain that reimbursement will be received.

6. Reclassifications

The Group has not made any material reclassifications in the 2019 financial statements.

7. Accounting principles in comparative periods

The following is applicable to periods prior to adoption of IFRS 16 Leases from 1st of January, 2019.
For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset.

7.1. As a lessee

The Group did not have any finance leases under IAS 17. Assets held under other leases were classified as operating leases and were not recognized in the Group's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

7.2. As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease. To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

2 | Notes

Santander Consumer Bank Nordic Group

Note 1 - Risk Management

The Group's business activities are exposed to a variety of risks represented by credit risk, market risk, liquidity risk, capital risk and operational risk. Through Advanced Risk Management program (ARM), the business ensures to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by a central risk department under policies approved by Risk Approval Committee and Board of Directors. The risk department identifies and evaluates risks in close co-operation with the Group's operating units as part of regular risk identification and assessment process. Risk appetite statement issued by the Board outlines the level of risk that the Group is willing to assume to achieve its strategic goals. Through this, the Group can adequately maintain constraints reflecting the views of all relevant parties.

Credit risk

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

Credit process and policies describe the guiding principles for the type of customer that the Group wants. Processes are divided into "Standardized" and "Non-Standardized". Standardized credits follow a standard, very much automated credit approval process. Non-Standardized credits either do not meet the score requirements, are of a significant credit amount or a credit limit, or else are classified as stock finance. Non-Standardized credits are handled individually and are granted according to delegated credit authorities in accordance with current credit policy.

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

The Group uses both Advanced IRB approach (A-IRB) and Standardized Approach for capital adequacy calculations for credit risk.

Market risk

Market risk is the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. The Group's strategy is to avoid taking on market risk in excess of what follows directly from the operation of the bank.

Market risk in the Group concentrates mainly around structural interest rate risk and structural currency risk. The Group does not have a trading portfolio.

Standardized Approach is exercised for the regulatory capital calculation for market risk.

Interest rate risk

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

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

Currency risk

Currency risk is the risk of changes in the value of a currency position due to foreign exchange fluctuations, adversely affecting the Group.

The Group strives for a composition of the balance sheet that minimizes currency risk by ensuring that assets, liabilities and incoming and outgoing cash flows are denominated in the same currency. Practical considerations and requirements laid down by the parent company will also be taken into consideration in connection with the management of currency risk.

The Group currency risk is connected to currency positions as a result of operations in Sweden, Finland and Denmark and from funding activities in EUR markets. Limits are set for each currency net open exposure as well as the total exposure. Routines which ensure that The Group's currency exposure is continuously monitored and controlled are in place.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The credit spread risk on the Group's liquidity portfolio is managed through strict limits on type of bonds to be held, minimum rating and maximum maturities, bonds are also held to maturity rather than sold in the market. The CVA risk is considered minimal as the Group's derivatives have CSA agreements.

Liquidity risk

Liquidity risk is the possibility of failing to meet payment obligations on time or at an excessive cost. This includes losses due to forced sales of assets or impacts on margins due to a mismatch between estimated cash inflows and outflows.

The Group manages liquidity risk through minimizing the maturity gap between assets and liabilities, maintaining a portfolio of High Quality Liquid Assets and diversification of funding. Funding sources are adequately diversified, both in terms of type of funding, currency, domestic market, and investors. Funding sources include deposits, secured issuances (ABS), unsecured issuances as Euro Medium Term Notes (EMTN) and commercial papers and intragroup loans. The Group is mostly self-funded and rather independent from the parent company in its funding.

The main metrics for measuring liquidity risk is the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The Group also conducts liquidity stress testing on a monthly basis. The Group controls liquidity risk through limits for LCR, NSFR and the minimum stress test survival horizon. Please refer to Note 7 for further information.

Capital risk

Capital Risk is the risk of the Group not having an adequate amount or quality of capital to meet its internal business objectives, regulatory requirements or market expectations.

The main metrics for managing capital risk are CET1, Tier1, Total Capital ratio, Leverage ratio, Return on Risk Weighted Assets (RoRWA), Return of Tangible Assets (ROTE) and Capital Contribution. controls capital risk through limits for CET1, Tier1, Total Capital ratio, Leverage ratio and Return on Tangible Assets.

Operational risk

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

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

Note 2 - Risk classification

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

	Balance		Loss reserves	
All amounts in millions of NOK	**2019**	**2018**	**2019**	**2018**
Current - not past due date	152 372	150 742	-1 083	-1 029
Current - past due date	8 635	8 741	-506	-574
Total impaired loans	4 324	3 319	-2 350	-1 915
Total gross loans to customers - submitted	**165 331**	**162 802**	**-3 939**	**-3 518**

Ageing of past due but not impaired loans	**2019**	**2018**	**2019**	**2018**
1 - 29 days	6 792	7 129	-199	-286
30 - 59 days	1 312	1 174	-181	-177
60 - 89 days	531	437	-126	-112
Total loans due but not impaired	**8 635**	**8 741**	**-506**	**-574**

	Balance		Loss reserves	
Ageing of impaired loans	**2019**	**2018**	**2019**	**2018**
90 - 119 days	359	273	-167	-142
120 - 149 days	289	222	-138	-112
150 - 179 days	233	184	-114	-96
180 + days	1 773	1 110	-1 035	-709
Economic doubtful*	1 670	1 530	-896	-855
Total impaired loans	**4 324**	**3 319**	**-2 350**	**-1 915**

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

Note 3 - Net foreign currency position

All amounts in millions of NOK	Balance		Net positions	
2019	**Asset**	**Debt**	**In NOK**	**in foreign currency**
SEK	43 054	45 525	70	74
DKK	43 457	43 328	129	98
EUR	49 171	47 907	1 264	128
Total	**135 682**	**136 760**	**1 463**	

A 5,00 % appreciation of SEK against NOK will result in a Agio gain of NOK 3,7 MM in other comprehensive income
A 5,00 % depreciation of SEK against NOK will result in a Agio gain of NOK 3,7 MM in other comprehensive income
A 5,00 % appreciation of DKK against NOK will result in a Agio gain of NOK 4,9 MM in other comprehensive income
A 5,00 % depreciation of DKK against NOK will result in a Agio gain of NOK 4,9 MM in other comprehensive income
A 5,00 % appreciation of EUR against NOK will result in a Agio gain of NOK 6,4 MM in other comprehensive income
A 5,00 % depreciation of EUR against NOK will result in a Agio gain of NOK 6,4 MM in other comprehensive income

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

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

Note 4 - 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.

2019

Unsecured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Loans not past due date	30 297	682	-	30 979
Standard monitoring	1 055	1 370	-	2 425
Special monitoring	-	176	-	176
Default	-	-	2 610	2 610
Gross carrying amount	**31 352**	**2 228**	**2 610**	**36 190**
Loss allowance	-476	-355	-1 515	-2 346
Carrying amount	**30 876**	**1 873**	**1 095**	**33 844**
Loss allowance (off balance exposures)	-46	-14	-22	-82
Loss allowance (%)				6,93%

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.

2019

Secured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Loans not past due date	118 484	2 495	-	120 979
Standard monitoring	4 099	2 075	-	6 174
Special monitoring	6	268	33	307
Default	-	-	1 681	1 681
Gross carrying amount	**122 589**	**4 838**	**1 714**	**129 141**
Loss allowance	-538	-220	-835	-1 593
Carrying amount	**122 051**	**4 618**	**879**	**127 548**
Loss allowance (%)				1,25%

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.

2019

Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Investment grade	11 537	-	-	11 537
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross carrying amount	**11 537**	**-**	**-**	**11 537**
Loss allowance	-1	-	-	-1
Carrying amount	**11 536**	**-**	**-**	**11 536**
Loss allowance (%)				0,01%

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	22

Key macroeconomic variables:
The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The macro economic variables found impacting credit risk and ECL are GDP, unempolyment rate and Housing Price Index. The macro economic forecast used is available for two years (2020-2021), after which the same macro economic factors are assumed for the rest of the years until remaining maturity of the financial exposures are captures. Forward looking scenarios have been considered for SICR assessment, meaning if there is a worsening of economy in the forecast period the share of SICR exposure will be higher.

The macro economic variables used for ECL estimates for the year ended December 2019 are shown below. The table show data for five years, two years with forecasts and 3 years assuming the same factors as period ending 2021.

Norway					
Macro Variables	**2020**	**2021**	**2022**	**2023**	**2024**
Unemployment rate					
Base scenario	3,88	3,72	3,72	3,72	3,72
Upside scenario 1	3,45	3,25	3,25	3,25	3,25
Upside scenario 2	3,25	3,05	3,05	3,05	3,05
Downside scenario 1	4,97	4,77	4,77	4,77	4,77
Downside scenario 2	6,16	5,91	5,91	5,91	5,91
House price index					
Base scenario	7,64	7,51	7,51	7,51	7,51
Upside scenario 1	8,55	8,25	8,25	8,25	8,25
Upside scenario 2	9,60	8,96	8,96	8,96	8,96
Downside scenario 1	3,67	3,82	3,82	3,82	3,82
Downside scenario 2	-0,63	1,12	1,12	1,12	1,12
Domestic GDP					
Base scenario	2,79	2,71	2,71	2,71	2,71
Upside scenario 1	3,26	3,00	3,00	3,00	3,00
Upside scenario 2	3,74	3,43	3,43	3,43	3,43
Downside scenario 1	2,43	2,58	2,58	2,58	2,58
Downside scenario 2	2,07	2,45	2,45	2,45	2,45

Sweden					
Macro Variables	**2020**	**2021**	**2022**	**2023**	**2024**
Unemployment rate					
Base scenario	6,30	6,20	6,20	6,20	6,20
Upside scenario 1	5,53	5,39	5,39	5,39	5,39
Upside scenario 2	4,67	4,46	4,46	4,46	4,46
Downside scenario 1	8,56	8,67	8,67	8,67	8,67
Downside scenario 2	10,21	10,56	10,56	10,56	10,56
House price index					
Base scenario	3,85	3,70	3,70	3,70	3,70
Upside scenario 1	4,58	4,16	4,16	4,16	4,16
Upside scenario 2	5,46	4,56	4,56	4,56	4,56
Downside scenario 1	1,29	2,82	2,82	2,82	2,82
Downside scenario 2	0,18	2,29	2,29	2,29	2,29
Domestic GDP					
Base scenario	1,76	1,53	1,53	1,53	1,53
Upside scenario 1	2,29	1,86	1,86	1,86	1,86
Upside scenario 2	2,73	2,02	2,02	2,02	2,02
Downside scenario 1	0,48	1,09	1,09	1,09	1,09
Downside scenario 2	-0,07	0,83	0,83	0,83	0,83

Denmark Macro Variables	2020	2021	2022	2023	2024
Unemployment rate					
Base scenario	5,43	5,58	5,58	5,58	5,58
Upside scenario 1	4,68	4,70	4,70	4,70	4,70
Upside scenario 2	4,14	4,11	4,11	4,11	4,11
Downside scenario 1	6,91	7,42	7,42	7,42	7,42
Downside scenario 2	8,20	8,74	8,74	8,74	8,74
House price index					
Base scenario	3,20	3,05	3,05	3,05	3,05
Upside scenario 1	4,14	3,41	3,41	3,41	3,41
Upside scenario 2	5,00	3,79	3,79	3,79	3,79
Downside scenario 1	0,63	1,56	1,56	1,56	1,56
Downside scenario 2	-0,90	0,99	0,99	0,99	0,99
Domestic GDP					
Base scenario	1,61	1,46	1,46	1,46	1,46
Upside scenario 1	2,26	1,65	1,65	1,65	1,65
Upside scenario 2	2,82	1,86	1,86	1,86	1,86
Downside scenario 1	0,41	0,76	0,76	0,76	0,76
Downside scenario 2	-0,30	0,50	0,50	0,50	0,50

Finland Macro Variables	2020	2021	2022	2023	2024
Unemployment rate					
Base scenario	7,88	7,74	7,74	7,74	7,74
Upside scenario 1	7,18	6,87	6,87	6,87	6,87
Upside scenario 2	6,55	5,93	5,93	5,93	5,93
Downside scenario 1	9,14	9,24	9,24	9,24	9,24
Downside scenario 2	10,38	10,81	10,81	10,81	10,81
House price index					
Base scenario	3,34	3,33	3,33	3,33	3,33
Upside scenario 1	4,50	3,77	3,77	3,77	3,77
Upside scenario 2	5,47	4,21	4,21	4,21	4,21
Downside scenario 1	1,26	2,60	2,60	2,60	2,60
Downside scenario 2	0,36	1,82	1,82	1,82	1,82
Domestic GDP					
Base scenario	1,36	1,28	1,28	1,28	1,28
Upside scenario 1	2,17	1,61	1,61	1,61	1,61
Upside scenario 2	2,80	1,81	1,81	1,81	1,81
Downside scenario 1	0,26	0,87	0,87	0,87	0,87
Downside scenario 2	-0,21	0,45	0,45	0,45	0,45

Scenario weights applied in the ECL estimates for the period ended 31 December 2019 are shown below. ECL is estimated for all scenarios, and applying the weights shown below the final ECL requirement is estimated.

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

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

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

Below is a calculation of forward looking scenario impact for period ending 31 December 2019. For the period ending 31 December 2019, forward looking ECL parameters had resulted in additional reserves of 79.8 MM NOK for the Group.

Forward looking impact	Local currency	Exchange rate	NOK
Norway	34,1	1,0000	34,1
Sweden	21,9	0,9442	20,7
Denmark	10,2	1,3202	13,4
Finland	1,2	9,8638	11,6
Total Group			79,8

2018 Unsecured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Loans not past due date	28 330	1 478	-	29 808
Standard monitoring	1 458	1 051	-	2 509
Special monitoring	-	197	-	197
Default	-	-	1 888	1 888
Gross carrying amount	**29 788**	**2 726**	**1 888**	**34 402**
Loss allowance	-504	-310	-1 205	-2 019
Carrying amount	**29 284**	**2 416**	**683**	**32 383**
Loss allowance (%)				5,87%

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

2018 Secured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Loans not past due date	113 203	7 263	-	120 466
Standard monitoring	3 875	2 343	-	6 218
Special monitoring	71	211	16	298
Default	-	-	1 418	1 418
Gross carrying amount	**117 149**	**9 817**	**1 435**	**128 400**
Loss allowance	-535	-281	-683	-1 499
Carrying amount	**116 614**	**9 536**	**751**	**126 901**
Loss allowance (%)				1,17%

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.

2018 Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Investment grade	10 364	-	-	10 364
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross carrying amount	**10 364**	**-**	**-**	**10 364**
Loss allowance	-1	-	-	-1
Carrying amount	**10 363**	**-**	**-**	**10 363**
Loss allowance (%)				0,01%

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

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

	Maximum exposure to credit risk
Financial derivatives	45

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**	**2 020**
Transfers:				
Transfer from Stage 1 to Stage 2	-222	1 112	-	**890**
Transfer from Stage 1 to Stage 3	-9	-	149	**140**
Transfer from Stage 2 to Stage 3	-	-759	1 186	**427**
Transfer from Stage 2 to Stage 1	90	-677	-	**-587**
Transfer from Stage 3 to Stage 2	-	45	-238	**-193**
Transfer from Stage 3 to Stage 1	-	-	-	**-**
Assets remaining in same Stage	89	328	-80	**337**
Methodological changes	-21	59	-81	**-43**
Financial assets derecognised that are not write-offs	-79	-65	-120	**-264**
of which 'account that have closed in the period'	*-79*	*-65*	*-120*	***-264***
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-496	**-496**
New financial assets originated or purchased	143	-	-	**143**
Changes in PDs/LGDs/EADs	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-20	2	-10	**-28**
Loss allowance as at 31 December 2019	**476**	**355**	**1 515**	**2 346**

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	-148	544	-	**396**
Transfer from Stage 1 to Stage 3	-18	-	278	**260**
Transfer from Stage 2 to Stage 3	-	-246	646	**400**
Transfer from Stage 2 to Stage 1	58	-334	-	**-276**
Transfer from Stage 3 to Stage 2	-	46	-309	**-263**
Transfer from Stage 3 to Stage 1	-	-	-1	**-1**
Assets remaining in same Stage	-52	82	108	**138**
Methodological changes	7	-100	9	**-84**
Financial assets derecognised that are not write-offs	-154	-53	-140	**-347**
of which 'account that have closed in the period'	*-154*	*-53*	*-140*	***-347***
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-438	**-438**
New financial assets originated or purchased	315	-	-	**315**
Changes in PDs/LGDs/EADs	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-5	-	-1	**-6**
Loss allowance as at 31 December 2019	**538**	**220**	**835**	**1 593**

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	-	-	-	**-**
of which 'account that have closed in the period'	-	-	-	**-**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-	**-**
New financial assets originated or purchased	-	-	-	**-**
Changes in PDs/LGDs/EADs	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-	-	-	**-**
Loss allowance as at 31 December 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**	**123**
Transfers:				
Transfer from Stage 1 to Stage 2	-9	48	-	**39**
Transfer from Stage 1 to Stage 3	-0	-	11	**11**
Transfer from Stage 2 to Stage 3	-	-8	17	**9**
Transfer from Stage 2 to Stage 1	7	-48	-	**-41**
Transfer from Stage 3 to Stage 2	-	5	-23	**-18**
Transfer from Stage 3 to Stage 1	-	-	-	**-**
Assets remaining in same Stage	6	9	15	**30**
Methodological changes	-38	1	-5	**-42**
Financial assets derecognised that are not write-offs	-23	-6	-15	**-44**
of which 'account that have closed in the period'	*-23*	*-6*	*-15*	***-44***
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-5	**-5**
New financial assets originated or purchased	23	-	-	**23**
Changes in PDs/LGDs/EADs	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-2	-	-	**-2**
Loss allowance as at 31 December 2019	**46**	**15**	**22**	**83**

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

Write off under management was 1 971 MM NOK per 31.12.2019.

2018

Unsecured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2018	**570**	**336**	**1 110**	**2 016**
Transfers:				
Transfer from Stage 1 to Stage 2	-101	230	-	**129**
Transfer from Stage 1 to Stage 3	-131	-	518	**387**
Transfer from Stage 2 to Stage 3	-	-50	142	**92**
Transfer from Stage 2 to Stage 1	12	-73	-	**-61**
Transfer from Stage 3 to Stage 2	-	6	-57	**-51**
Transfer from Stage 3 to Stage 1	-	-	-5	**-5**
Assets remaining in same Stage	-80	-17	27	**-70**
Methodological changes	-	-	-	**-**
Financial assets derecognised that are not write-offs	-81	-37	-87	**-205**
of which 'account that have closed in the period'	*-81*	*-37*	*-87*	***-205***
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-18	-85	-441	**-544**
New financial assets originated or purchased	339	-	-	**339**
Changes in PDs/LGDs/EADs	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-6	-	-2	**-8**
Loss allowance as at 31 December 2018	**504**	**310**	**1 205**	**2 019**

Secured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2018	**552**	**198**	**583**	**1 333**
Transfers:				
Transfer from Stage 1 to Stage 2	-145	235	-	**90**
Transfer from Stage 1 to Stage 3	-84	-	359	**275**
Transfer from Stage 2 to Stage 3	-	-19	139	**120**
Transfer from Stage 2 to Stage 1	9	-48	-	**-39**
Transfer from Stage 3 to Stage 2	-	16	-40	**-24**
Transfer from Stage 3 to Stage 1	-	-	-6	**-6**
Assets remaining in same Stage	-95	-37	-61	**-193**
Methodological changes	-	-	-	**-**
Financial assets derecognised that are not write-offs	-140	-46	-84	**-270**
of which 'account that have closed in the period'	*-140*	*-46*	*-84*	***-270***
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-4	-19	-206	**-229**
New financial assets originated or purchased	443	-	-	**443**
Changes in PDs/LGDs/EADs	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-1	1	-1	**-1**
Loss allowance as at 31 December 2018	**535**	**281**	**683**	**1 499**

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

Off balance exposure*	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2018	**47**	**8**	**15**	**70**
Transfers:				
Transfer from Stage 1 to Stage 2	-4	7	-	**3**
Transfer from Stage 1 to Stage 3	-6	-	12	**6**
Transfer from Stage 2 to Stage 3	-	-1	1	**-**
Transfer from Stage 2 to Stage 1	-	-4	-	**-4**
Transfer from Stage 3 to Stage 2	-	1	-3	**-2**
Transfer from Stage 3 to Stage 1	-	-	-	**-**
Assets remaining in same Stage	11	4	12	**27**
Methodological changes	-	-	-	**-**
Financial assets derecognised that are not write-offs	-5	-1	-9	**-14**
of which 'account that have closed in the period'	*-5*	*-1*	*-9*	***-14***
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-	**-**
New financial assets originated or purchased	37	-	-	**37**
Changes in PDs/LGDs/EADs	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-	-	-	**-**
Loss allowance as at 31 December 2018	**80**	**14**	**27**	**121**

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

Write off under management was 2 765 MM NOK per 31.12.2018.

Note 6 - Gross carrying amount

All amounts in millions of NOK

During 2019 the Outstanding distribution by stages and the resulting ECL has been impacted most by two factors:

1. New methodolgy and parameter update in June 2019, including the following points:
- New Significant Increase in Credit Risk (SICR) methodology, based on comparison between PD at origination and PD at reporting date, replacing old method of comparing Behavior Score and Admission Score.
- Use of updated data up to December 2017 instead of June 2017

Large impact on Finland due to RIA 8 implementation correcting the lack of repossession data and therefore driving the reduction in LGD and therefore ECL.
Stage 2 exposure decreases (~50%) with new SICR implementation for Norway, Sweden, Finland (Old SICR was very conservative).
Marginal increase in Stage 2 exposures for Denmark where SICR was not implemented in the 2018 parameter methodology.
LLR decreases less compared to exposure decrease due to concentration of exposures with higher PD in new SICR stage 2.

Pure portfolio performance based on Riskbucket distribution, the yearly evolution has been as follows:

• Norway:
Performing buckets (200.5 million NOK decrease in Secured portfolios and 1.03 billion NOK decrease in Unsecured portfolios):
- Up to date: 264.5 million NOK reduction in Secured portfolios and 907.6 million NOK reduction in Unsecured portfolios
- 1-30 days past due: 41.6 million NOK reduction in Secured portfolios and 123.8 million NOK reduction in Unsecured portfolios.
- 31-60 days past due: 70.1 million NOK increase in in Secured portfolios and 11.6 million NOK decrease in Unsecured portfolios
- 61-90 days past due: 26.5 million NOK increase in Secured portfolios and 15.1 million NOK increase in Unsecured portfolios.

Non-performing buckets:
- 90+ days past due: 112.1 Million NOK increase in Secured portfolios and 30.7 million NOK increase in Unsecured portfolios.

• Sweden:
Performing buckets (443.8 million NOK decrease in Secured portfolios and 395.1 million NOK decrease in Unsecured portfolios):
- Up to date: 446.5 million NOK increase in Secured portfolios and 412.1 million NOK increase in Unsecured portfolios
- 1-30 days past due: 11.9 million NOK reduction in Secured portfolios and 30.7 million NOK reduction in Unsecured portfolios.
- 31-60 days past due: 11.1 million NOK increase in in Secured portfolios and 5.0 million NOK increase in Unsecured portfolios
- 61-90 days past due: 1.9 million NOK decrease in Secured portfolios and 8.7 million NOK increase in Unsecured portfolios.

Non-performing buckets:
- 90+ days past due: 2.2 Million NOK decrease in Secured portfolios and 275.1 million NOK increase in Unsecured portfolios.

• Finland:
Performing buckets (1.25 billion NOK increase in Secured portfolios and 287.5 million NOK increase in Unsecured portfolios):
- Up to date: 1.32 billion NOK increase in Secured portfolios and 262.6 million NOK increase in Unsecured portfolios
- 1-30 days past due: 136.9 million NOK reduction in Secured portfolios and 14.1 million NOK increase in Unsecured portfolios.
- 31-60 days past due: 33.2 million NOK increase in in Secured portfolios and 9.8 million NOK increase in Unsecured portfolios
- 1-90 days past due: 35.5 million NOK increase in Secured portfolios and 1.0 million NOK increase in Unsecured portfolios.

Non-performing buckets:
- 90+ days past due: 112.1 Million NOK increase in Secured portfolios and 61.9 million NOK increase in Unsecured portfolios.

• Denmark:
Performing buckets (414.8 million NOK increase in Secured portfolios and 161.5 million NOK increase in Unsecured portfolios):
- Up to date: 443.0 million NOK increase in Secured portfolios and 151.2 million NOK increase in Unsecured portfolios
- 1-30 days past due: 16.5 million NOK reduction in Secured portfolios and 3.4 million NOK decrease in Unsecured portfolios.
- 31-60 days past due: 3.8 million NOK increase in in Secured portfolios and 7.0 million NOK increase in Unsecured portfolios
- 61-90 days past due: 4.5 million NOK increase in Secured portfolios and 6.7 million NOK increase in Unsecured portfolios.

Non-performing buckets:
- 90+ days past due: 56.9 Million NOK increase in Secured portfolios and 357.0 million NOK increase in Unsecured portfolios.

2. An increase in NPL ratio for unsecured portfolios of Sweden, Denmark and Finland has taken place as a result from implementation of new 720 DPD write-off policy, decreasing NPL coverage ratio for the same reason. As the days to wirte-off a contract has increased, the NPLs have accumulated in the portfolio, increasing the Stage 3 balances and reserves especially in the unsecured portfolios.
Relevant release in Stage 3 reserves in Norway, due to new WO policy implementation which has produced old defaulted contracts to be written off.

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

Unsecured loans	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**
Gross carrying amount as at 1 January 2019	**29 788**	**2 726**	**1 888**	**34 402**
Transfers:				
Transfer from Stage 1 to Stage 2	-7 622	7 622	-	**-**
Transfer from Stage 1 to Stage 3	-286	-	286	**-**
Transfer from Stage 2 to Stage 3	-	-2 247	2 247	**-**
Transfer from Stage 2 to Stage 1	5 688	-5 688	-	**-**
Transfer from Stage 3 to Stage 2	-	437	-437	**-**
Transfer from Stage 3 to Stage 1	1	-	-1	**-**
Financial assets derecognised during the period other than write-offs	-5 575	-539	-210	**-6 324**
of which 'account that have closed in the period'	*-5 575*	*-539*	*-210*	***-6 324***
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-1 125	**-1 125**
New financial assets originated or purchased	9 213	-	-	**9 213**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	148	-84	-40	**24**
Gross carrying amount as at 31 December 2019	**31 355**	**2 227**	**2 608**	**36 190**

Secured loans	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**
Gross carrying amount as at 1 January 2019	**117 148**	**9 817**	**1 435**	**128 400**
Transfers:				
Transfer from Stage 1 to Stage 2	-11 468	11 468	-	**-**
Transfer from Stage 1 to Stage 3	-911	-	911	**-**
Transfer from Stage 2 to Stage 3	-	-1 958	1 958	**-**
Transfer from Stage 2 to Stage 1	12 483	-12 483	-	**-**
Transfer from Stage 3 to Stage 2	-	839	-839	**-**
Transfer from Stage 3 to Stage 1	3	-	-3	**-**
Financial assets derecognised during the period other than write-offs	-27 076	-1 367	-327	**-28 770**
of which 'account that have closed in the period'	*-27 076*	*-1 367*	*-327*	***-28 770***
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-605	**-605**
New financial assets originated or purchased	60 462	-	-	**60 462**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-28 053	-1 477	-817	**-30 347**
Gross carrying amount as at 31 December 2019	**122 588**	**4 839**	**1 713**	**129 140**

Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 12-month ECL	Stage 3 12-month ECL	Total
Gross carrying amount as at 1 January 2019	**10 363**	**-**	**-**	**10 363**
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	**-**
Transfer from Stage 1 to Stage 3	-	-	-	**-**
Transfer from Stage 2 to Stage 3	-	-	-	**-**
Transfer from Stage 2 to Stage 1	-	-	-	**-**
Transfer from Stage 3 to Stage 2	-	-	-	**-**
Transfer from Stage 3 to Stage 1	-	-	-	**-**
Financial assets remaining in same Stage	10 363	-	-	**10 363**
Financial assets derecognised during the period other than write-offs	-14 262	-	-	**-14 262**
of which 'account that have closed in the period'	-	-	-	**-**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	*-14 262*	-	-	***-14 262***
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-	**-**
New financial assets originated or purchased	*15 698*	-	-	**15 698**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-263	-	-	-
Gross carrying amount as at 31 December 2019	**11 536**	**-**	**-**	**11 536**

Off balance exposure	Stage 1 12-month ECL	Stage 2 12-month ECL	Stage 3 12-month ECL	Total
Gross carrying amount as at 1 January 2019	**18 824**	**192**	**133**	**19 149**
Transfers:				
Transfer from Stage 1 to Stage 2	-1 608	1 608	-	**-**
Transfer from Stage 1 to Stage 3	-89	-	89	**-**
Transfer from Stage 2 to Stage 3	-	-128	128	**-**
Transfer from Stage 2 to Stage 1	1 288	-1 288	-	**-**
Transfer from Stage 3 to Stage 2	-	155	-155	**-**
Transfer from Stage 3 to Stage 1	-	-	-	**-**
Financial assets derecognised during the period other than write-offs	-8 055	-210	-107	**-8 372**
of which 'account that have closed in the period'	*-8 055*	*-210*	*-107*	***-8 372***
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-	**-**
New financial assets originated or purchased	2 426	-	-	**2 426**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	13 118	292	115	**13 525**
Gross carrying amount as at 31 December 2019	**25 904**	**621**	**203**	**26 728**

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

Unsecured loans	Stage 1 12-month ECL	Stage 2 12-month ECL	Stage 3 12-month ECL	Total
Gross carrying amount as at 1 January 2018	**29 866**	**2 734**	**1 712**	**34 312**
Transfers:				
Transfer from Stage 1 to Stage 2	-1 759	1 759	-	**-**
Transfer from Stage 1 to Stage 3	-931	-	931	**-**
Transfer from Stage 2 to Stage 3	-	-266	266	**-**
Transfer from Stage 2 to Stage 1	607	-607	-	**-**
Transfer from Stage 3 to Stage 2	-	101	-101	**-**
Transfer from Stage 3 to Stage 1	*9*	-	*-9*	**-**
Financial assets derecognised during the period other than write-offs	*-5 034*	*-719*	*495*	**-5 258**
of which 'account that have closed in the period'	*-5 034*	*-719*	*495*	***-5 258***
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	*-2*	*-3*	*-1 351*	**-1 356**
New financial assets originated or purchased	*10 256*	-	-	**10 256**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	*-3 224*	*-273*	*-55*	**-3 552**
Gross carrying amount as at 31 December 2018	**29 788**	**2 726**	**1 888**	**34 402**

Secured loans	Stage 1 12-month ECL	Stage 2 12-month ECL	Stage 3 12-month ECL	Total
Gross carrying amount as at 1 January 2018	**104 947**	**7 380**	**1 214**	**113 541**
Transfers:				**-**
Transfer from Stage 1 to Stage 2	-7 820	7 820	-	**-**
Transfer from Stage 1 to Stage 3	-963	-	963	**-**
Transfer from Stage 2 to Stage 3	-	-368	368	**-**
Transfer from Stage 2 to Stage 1	*1 889*	*-1 889*	-	**-**
Transfer from Stage 3 to Stage 2	-	*105*	*-105*	**-**
Transfer from Stage 3 to Stage 1	21	-	-21	**-**
Financial assets derecognised during the period other than write-offs	-26 145	-1 914	-38	**-28 097**
of which 'account that have closed in the period'	*-26 145*	*-1 914*	*-38*	***-28 097***
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-1	-1	-562	**-564**
New financial assets originated or purchased	58 556	-	-	**58 556**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-13 336	-1 316	-384	**-15 036**
Gross carrying amount as at 31 December 2018	**117 148**	**9 817**	**1 435**	**128 400**

Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 12-month ECL	Stage 3 12-month ECL	Total
Gross carrying amount as at 1 January 2018	**6 859**	-	-	**6 859**
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Financial assets remaining in same Stage	6 858	-	-	**6 858**
Financial assets derecognised during the period other than write-offs	-10 397	-	-	**-10 397**
of which 'account that have closed in the period'	-	-	-	-
of which 'foreclosed'	-	-	-	-
of which 'sold'	*-10 397*	-	-	***-10 397***
of which 'change of perimeter'	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	13 924	-	-	**13 924**
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-22	-	-	**-22**
Gross carrying amount as at 31 December 2018	**10 363**	-	-	**10 363**

Off balance exposure	Stage 1 12-month ECL	Stage 2 12-month ECL	Stage 3 12-month ECL	Total
Gross carrying amount as at 1 January 2018	**18 070**	**110**	**121**	**18 301**
Transfers:				
Transfer from Stage 1 to Stage 2	-143	143	-	-
Transfer from Stage 1 to Stage 3	-85	-	85	-
Transfer from Stage 2 to Stage 3	-	-7	7	-
Transfer from Stage 2 to Stage 1	61	-61	-	-
Transfer from Stage 3 to Stage 2	-	11	-11	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Financial assets derecognised during the period other than write-offs	-1 740	-22	-34	**-1 796**
of which 'account that have closed in the period'	*-1 740*	*-22*	*-34*	***-1 796***
of which 'foreclosed'	-	-	-	-
of which 'sold'	-	-	-	-
of which 'change of perimeter'	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated or purchased	3 970	-	-	**3 970**
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	-1 309	18	-35	**-1 326**
Gross carrying amount as at 31 December 2018	**18 824**	**192**	**133**	**19 149**

Note 7 - Liquidity risk

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

All amounts in millions of NOK

2019	*=< 1 months*	*1 - 3 months*	*3 - 12 months*	*1 - 5 years*	>5 years	With no specific maturity	Total
Cash and receivables on central banks	66	-	-	-	-	-	**66**
Deposits with and receivables on financial institutions	3 968	-	-	-	-	-	**3 968**
Loans to customers	3 256	6 586	32 806	98 174	22 598	-	**163 420**
Commercial papers and bonds	728	4 574	5 087	1 179	-	-	**11 568**
Financial derivatives	-	7	-	30	-	-	**37**
Other financial assets	-	-	-	-	-	31	**31**
Total cash from assets	**8 018**	**11 167**	**37 893**	**99 383**	**22 598**	**31**	**179 090**
Debt to credit institutions	3 519	3 445	19 188	3 925	-	-	**30 077**
Deposits from customers	62 806	274	928	1 477	-	-	**65 485**
Debt established by issuing securities	2 206	7 765	6 208	34 349	3 467	-	**53 995**
Financial derivatives	-		-	22	-	-	**22**
Other financial liabilities	117	-	400	-	-	-	**517**
Subordinated loan capital	3	15	55	854	2 093	-	**3 020**
Total cash from debt	**68 651**	**11 499**	**26 779**	**40 627**	**5 560**	**-**	**153 116**
Net cash flow	**-60 633**	**-332**	**11 114**	**58 756**	**17 038**		

All amounts in millions of NOK

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

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

Liquidity coverage ratio

Liquidity Coverage Ratio (LCR) measures the capability to meet obligations in the next 30 days by means of liquidity assets. It is defined as LCR = liquidity assets / (cash outflows - cash inflows).The minimum LCR level (CRD IV) is 100% for SEK, DKK and EUR and 50% for NOK as per 31.12.2019. With a stable basis of High Quality Liquid Assets, The Group fulfils the minimum LCR requirements.

Liquidity Coverage Ratio (LCR) %	2019	2018
Liquidity Coverage Ratio (LCR) Total	187	134
Liquidity Coverage Ratio (LCR) NOK	98	88
Liquidity Coverage Ratio (LCR) SEK	184	129
Liquidity Coverage Ratio (LCR) DKK	245	219
Liquidity Coverage Ratio (LCR) EUR	412	142

Note 8 - Interest rate risk

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

Santander Consumer Bank Nordic Group

All amounts in millions of NOK

2019	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Cash and receivables on central banks	66	-	-	-	-	-	**66**
Deposits with and receivables on financial institutions	4 132	-	-	-	-	-	**4 132**
Loans to customers	8 721	110 646	17 146	24 476	403	-	**161 392**
Commercial papers and bonds	1 579	7 125	2 832	-	-	-	**11 536**
Financial derivatives	37	-	-	-	-	-	**37**
Other non interest bearing assets	-	-	-	-	-	3 942	**3 942**
Total assets	**14 535**	**117 771**	**19 978**	**24 476**	**403**	**3 942**	**181 105**
Debt to credit institutions	7 780	10 573	9 939	1 882	-	-	**30 174**
Deposits from customers	10 873	52 196	932	1 483	-	-	**65 484**
Debt established by issuing securities	11 641	21 740	4 833	15 108	246	-	**53 568**
Financial derivatives	22	-	-	-	-	-	**22**
Subordinated loan capital	250	2 171	-	-	-	-	**2 421**
Other non interest bearing liabilities	-	-	-	-	-	4 346	**4 346**
Equity	2 250	-	-	-	-	22 840	**25 090**
Total liabilities and equity	**32 817**	**86 680**	**15 703**	**18 474**	**246**	**27 186**	**181 105**
Net interest risk exposure	**-18 282**	**31 091**	**4 275**	**6 002**	**157**	**-23 244**	

The tables below show the same as the table above, but split per country. The accumulated tables below will not reconcile with the table above due to difference in classification between assets and liabilities in the presented tables.

Santander Consumer Bank AS Norway

All amounts in millions of NOK

2019	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	2 168	48 212	5 335	3 638	52	5 247	**64 652**
Liabilities	6 795	30 823	500	-	-	26 534	**64 652**
Net balance	**-4 627**	**17 389**	**4 835**	**3 638**	**52**	**-21 287**	**-**
Repricing gap	-4 627	17 389	4 835	3 638	52	-21 287	-
Cumulative gap	-4 627	12 762	17 597	21 235	21 287	-	-

A +1,00 % parallell increase in market rates will result in a 98,58 million NOK increase in profit in Norway.

Santander Consumer Bank AS Norway

All amounts in millions of EUR

2019	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	18	-	50	-	-	141	**209**
Liabilities	27	28	154	-	-	-	**209**
Net balance	**-9**	**-28**	**-104**	**-**	**-**	**141**	**-**
Repricing gap	-9	-28	-104	-	-	141	-
Cumulative gap	-9	-37	-141	-141	-141	-	-

A +1,00 % parallell increase in market rates will result in a 0,58 million EUR decrease in profit in Norway.

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

2019	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	3 298	39 402	1 412	267	12	3 157	**47 548**
Liabilities	15 823	27 544	500	-	-	3 681	**47 548**
Net balance	**-12 525**	**11 858**	**912**	**267**	**12**	**-524**	**-**
Repricing gap	-12 525	11 858	912	267	12	-524	-
Cumulative gap	-12 525	-668	245	512	524	-	-

A +1,00 % parallell increase in market rates will result in a 17,38 million SEK decrease in profit in Sweden.

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

2019	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	543	21 083	2 009	2 539	41	2 215	**28 430**
Liabilities	6 959	17 386	1 033	1 119	-	1 933	**28 430**
Net balance	**-6 416**	**3 697**	**976**	**1 420**	**41**	**282**	**-**
Repricing gap	-6 416	3 697	976	1 420	41	282	-
Cumulative gap	-6 416	-2 719	-1 743	-323	-282	-	-

A +1,00 % parallell increase in market rates will result in a 26,56 million DKK decrease in profit in Denmark

Santander Consumer Finance OY

All amounts in millions of EUR

2019	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	840	461	1 029	1 749	29	8	**4 116**
Liabilities	201	540	1 222	1 803	26	324	**4 116**
Net balance	**639**	**-79**	**-193**	**-54**	**3**	**-316**	**-**
Repricing gap	639	-79	-193	-54	3	-316	-
Cumulative gap	639	560	367	313	316	-	-

A +1,00 % parallell increase in market rates will result in a 0,98 million EUR increase in profit in Finland.

Santander Consumer Bank Nordic Group

All amounts in millions of NOK

2018	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Cash and receivables on central banks	65	-	-	-	-	-	**65**
Deposits with and receivables on financial institutions	2 982	-	-	-	-	-	**2 982**
Loans to customers*	37 789	68 424	30 606	25 517	467	-3 519	**159 284**
Commercial papers and bonds	3 013	4 047	3 303	-	-	-	**10 363**
Financial derivatives	6	7	24	28	-	-	**64**
Other non interest bearing assets	-	-	-	-	-	3 351	**3 351**
Total assets	**43 855**	**72 478**	**33 932**	**25 544**	**467**	**-168**	**176 108**
Debt to credit institutions	9 627	16 567	9 470	4 590	-	-	**40 253**
Deposits from customers	5 487	21 183	26 547	1 428	-	-	**54 645**
Debt established by issuing securities	18 453	18 548	5 641	10 287	-	-	**52 929**
Financial derivatives	4	5	17	20	-	-	**45**
Subordinated loan capital	247	1 484	-	-	-	-	**1 731**
Other non interest bearing liabilities	-	-	-	-	-	3 168	**3 168**
Equity	1 939	-	-	-	-	21 397	**23 336**
Total liabilities and equity	**35 758**	**57 787**	**41 674**	**16 325**	**-**	**24 565**	**176 108**
Net interest risk exposure	**8 097**	**14 691**	**-7 742**	**9 220**	**467**	**-24 733**	

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

The tables below show the same as the table above, but split per country. The accumulated tables below will not reconcile with the table above due to difference in classification between assets and liabilities in the presented tables.

Santander Consumer Bank AS Norway

All amounts in millions of NOK

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

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

Santander Consumer Bank AS Norway

All amounts in millions of EUR

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

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

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

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

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

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

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

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

Santander Consumer Finance OY

All amounts in millions of EUR

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

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

Note 9 - Capital adequacy

All amounts in millions of NOK

Balance sheet equity	**2019**	**2018**
Paid in equity	9 652	9 652
Share premium	891	891
Other equity	12 242	10 478
Tier 1 Capital	2 250	2 250
Other reserves	54	65
Total Equity	**25 090**	**23 336**

Common Equity Tier 1 Capital		
(-) Profit not eligible as capital	-	-1 000
Cash-flow hedge adjustment	-	-
IRB Expected Loss - Reserves	-459	-327
Goodwill	-698	-705
Other intangible assets	-310	-302
Deferred tax assets	-	-
Adjustment Prudent Valuation (AVA)	-12	-10
Tier 1 Capital	-2 250	-2 250
Total common Equity Tier 1 Capital (with full IFRS9 impact)	**21 361**	**18 741**
Capital adjustment according to IFRS9 Transitional rules	389	434
Total common Equity Tier 1 Capital (with IFRS9 transitional rules)	**21 750**	**19 175**
Tier 1 Capital		
Paid in Tier 1 capital instruments	2 250	2 250
Total Tier 1 Capital (with full IFRS9 impact)	**23 611**	**20 991**
Total Tier 1 Capital (after IFRS9 transitional rules)	**24 000**	**21 425**
Total Capital		
Paid up subordinated loans	2 416	1 711
Subordinated loans not eligible	-	-
Total Capital (with full IFRS9 impact)	**26 028**	**22 702**
Total Capital (with IFRS9 transitional rules)	**26 416**	**23 136**

Risk exposure on Standard Approach		
Regional governments or local authorities	64	73
Institutions	694	836
Corporates	8 713	9 156
Retail Standard Approach	54 028	56 206
Exposures in default SA	1 496	999
Covered bonds	385	466
Other Exposures	3 763	3 490
Total Risk exposure amount on Standard Approach	**69 143**	**71 226**
Risk exposure on Internal Rating Based Approach		
Retail Other	35 494	35 571
Total Risk exposure amount on Internal Rating Based Approach	**35 495**	**35 571**
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**104 638**	**106 797**
Foreign exchange (zero if under threshold)	1 463	1 472
Risk exposure amount for position, foreign exchange and commodities risks	**1 463**	**1 472**
Basic indicator approach	13 730	13 168
Risk exposure amount for operational risk	**13 730**	**13 168**

Standardized method	30	105
Risk exposure amount for credit valuation adjustment	**30**	**105**
Total risk exposure amount (with full IFRS9 impact)	**119 861**	**121 542**
Risk Exposure adjustment according to IFRS9 Transitional rules	340	380
Total risk exposure amount (with IFRS9 transitional rules)	**120 201**	**121 921**
Total exposure for Leverage Ratio		
Derivatives: Add-on under market-to-market method	315	642
Off-balance sheet items with 10% CCF	2 784	2 399
Off-balance sheet items with 20% CCF	211	788
Off-balance sheet items with 50% CCF	37	37
Adjusted On balance sheet exposure	179 626	174 763
Total exposure for Leverage Ratio (with full IFRS9 impact)	**182 973**	**178 630**
Exposure adjustment according to IFRS9 Transitional rules	511	571
Total exposure for Leverage Ratio (with IFRS9 transitional rules)	**183 484**	**179 201**

Minimum Regulatory Capital		
Minimum Core Equity	4,50 %	4,50 %
Pillar 2 Requirement	3,30 %	2,30 %
Pillar 2 Guidance	1,00 %	-
Countercyclical Buffer (combined)	1,60 %	1,14 %
Conservation Buffer	2,50 %	2,50 %
Systemic Risk Buffer	3,00 %	3,00 %
Minimum Regulatory Capital ratio (CET1)	**15,90 %**	**13,44 %**
Minimum Regulatory Capital		
Minimum Core Equity	5 394	5 469
Pillar 2 Requirement	4 000	2 795
Pillar 2 Guidance	1 199	-
Countercyclical Buffer (combined)	1 918	1 386
Conservation Buffer	2 997	3 039
Systemic Risk Buffer	3 596	3 646
Minimum Regulatory Capital amount (full IFRS9 impact)	**19 103**	**16 335**
Surplus of Core Equity Tier 1 capital (full IFRS9 impact)	2 259	2 406
Minimum Regulatory Capital amount (with IFRS9 transitional rules)	**19 112**	**16 386**
Surplus of Core Equity Tier 1 capital (after IFRS9 transitional rules)	2 638	2 789

Common equity tier 1 capital ratio (full IFRS9 impact)	**17,82 %**	**15,42 %**
Common equity tier 1 capital ratio (with IFRS9 transitional rules)	**18,09 %**	**15,73 %**
CET1 regulatory requirements	15,90 %	13,44 %
Tier 1 capital ratio (full IFRS9 impact)	**19,70 %**	**17,27 %**
Tier 1 capital ratio (with IFRS9 transitional rules)	**19,97 %**	**17,57 %**
Tire 1 regulatory requirements	17,40 %	14,94 %
Total capital ratio (full IFRS9 impact)	**21,71 %**	**18,68 %**
Total capital ratio (with IFRS9 transitional rules)	**21,98 %**	**18,98 %**
Total capital regulatory requirements	19,40 %	16,94 %
Leverage ratio (full IFRS9 impact)	**12,90 %**	**11,75 %**
Leverage ratio (with IFRS9 transitional rules)	**13,08 %**	**11,96 %**
LR regulatory requirements	5,00 %	5,00 %

Specification of IFRS Transition rules (based on initial impact)		
IFRS 9 Increase in Loss Reserves	-601	-601
- whereof Internal Rating Based	-	-
Tax impact from increased loss reserves	144	144
Deferred tax assets impact on capital	-	-
Initial IFRS9 net impact on capital	-457	-457
Base amount for IFRS9 transitional rule on capital	457	457
Transition %	85 %	95 %
Capital adjustment due to Transitional rule	**389**	**434**
Std Approach value adjustments Spec Reserves	-601	-601
- whereof Retail (75%RW)	-600	-600
- whereof Covered Bonds (10%RW)	-2	-2
Deferred tax assets impact on Risk Exposure Amount (250%RW)*	20	20
Initial IFRS9 net impact on Risk Exposure Amount	-400	-400
Base amount for IFRS9 transitional rule on Risk Exposure Amount	400	400
Transition %	85 %	95 %
Risk Exposure adjustment due to Transitional rule	**340**	**380**
Impact from Transitional rules on capital ratios (same impact for Additional tier 1 and 2)	0,27 %	0,31%

* *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 Disclsure report is be published at www.santander.no.

Note 10 - Segment information

All amounts in millions of NOK

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

2019

	Unsecured loans	Secured loans	Financial lease	Operational lease	Total
Norway	10 321	37 506	10 439	-	**58 267**
Sweden	15 155	17 683	5 600	-	**38 438**
Denmark	7 013	23 472	2 359	424	**33 266**
Finland	3 700	29 537	2 546	465	**36 248**
Total	**36 190**	**108 198**	**20 943**	**888**	**166 219**

2018

	Unsecured loans	Secured loans	Financial lease	Operational lease	Total
Norway	11 065	37 354	10 807	-	**59 226**
Sweden	14 416	17 561	5 268	-	**37 245**
Denmark	6 170	23 311	2 663	209	**32 353**
Finland	2 752	28 755	2 681	421	**34 608**
Total	**34 402**	**106 981**	**21 419**	**630**	**163 432**

P&L and Balance sheet per country
2019

	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Total interest income	4 096	1 805	1 829	1 950	-1 084	8 596
Total interest expenses	-1 038	-399	-149	-931	1 095	-1 422
Net interest income	**3 058**	**1 406**	**1 680**	**1 019**	**11**	**7 174**
Fee and commission income	189	187	156	131	-90	574
Fee and commission expenses	-134	-53	-27	-78	84	-208
Value change and gain/loss on foreign exchange and securities	4	1	-5	4	-	3
Other operating income	550	9	97	119	-506	270
Other operating expenses	-30	-25	-53	-108	-	-217
Gross margin	**3 637**	**1 525**	**1 848**	**1 087**	**-501**	**7 595**
Salaries and personnel expenses	-599	-292	-258	-118	-7	-1 274
Administrative expenses	-471	-438	-371	-366	-1	-1 647
Depreciation and amortisation	-100	-59	-69	-29	-	-257
Net operating income	**2 467**	**735**	**1 150**	**574**	**-509**	**4 418**
Other income and costs	27	-2	-10	-1	-	13
Impairment losses on loan, guarantees etc.	-416	-141	-211	-54	2	-820
Profit before taxes	**2 077**	**592**	**929**	**519**	**-506**	**3 611**
Income tax expense	-276	-137	-226	-104	-	-742
Profit after tax	**1 802**	**456**	**703**	**415**	**-506**	**2 869**
Cash and receivables on central banks	66	-	-	-	-	66
Deposits with and receivables on financial institutions	1 250	1 313	150	1 254	-	3 968
Total gross loans to customers	58 267	38 438	32 843	35 783	-	165 331
Write-downs	-1 594	-957	-899	-489	-	-3 939
Commercial papers and bonds	3 425	3 810	2 292	4 360	-2 351	11 536
Financial derivatives	7	-	-	30	-	37
Investments in subsidiaries	1 281	-	-	-	-1 281	-
Other assets	20 713	484	1 658	16 872	-35 785	3 942
Total assets	**83 413**	**43 087**	**36 045**	**57 811**	**-39 416**	**180 941**
Debt to credit institutions	2 392	8 075	14 330	25 157	-19 781	30 174
Deposits from customers	26 477	19 816	19 191	-	-	65 484
Debt established by issuing securities	28 508	11 965	1 675	13 606	-2 351	53 403
Financial derivatives	-	-	-	22	-	22
Other liabilities	2 784	3 128	755	16 528	-16 428	6 767
Equity	23 252	103	93	2 498	-857	25 090
Total liabilities and equity	**83 413**	**43 087**	**36 045**	**57 811**	**-39 416**	**180 941**

P&L and Balance sheet per country
2018

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

Note 11 - Net interest income

Amounts in millions of NOK	2019	2018
Interest and similar income on loans to and receivables from credit institutions	48	86
Interest and similar income on loans to and receivables from customers	8 490	8 028
Interest and similar income on comm. paper, bonds and other securities	58	44
Total interest income	**8 596**	**8 158**
Interest and similar expenses on debt to credit institutions	-166	-206
Interest and similar expenses on deposits from and debt to customers	-788	-666
Interest and similar expenses on issued securities	-408	-321
Interest on subordinated loan capital	-54	-46
Other interest expenses and similar expenses	-6	-
Total interest expense	**-1 422**	**-1 239**
Net interest income	**7 174**	**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	2019	2018
Interest expenses	-166	-206
Average loan	35 214	35 637
Average nominal interest rate	**0,47%**	**0,58%**

To customers	2019	2018
Interest expenses	-788	-666
Average deposit	60 065	52 631
Average nominal interest rate	**1,31%**	**1,27%**

To bondholders	2019	2018
Interest expenses	-408	-321
Average issued notes and bonds	53 166	52 100
Average nominal interest rate	**0,77%**	**0,62%**

Subordinated loan capital	2019	2018
Interest expenses	-54	-46
Average subordinated loan capital	2 076	1 742
Average nominal interest rate	**2,58%**	**2,64%**

Total of tables above	2019	2018
Interest expenses	-1 416	-1 239
Loan	150 521	142 110
Average nominal interest rate	**0,94%**	**0,87%**

Note 12 - Other operating income and expenses

Amounts in millions of NOK

	2019	2018
Operational leasing income	214	110
Dividends from investments	4	-
Other	52	106
Total other operating income	**270**	**216**
Ordinary depreciation operational leasing	-124	-104
Fee to The Norwegian Banks' Guarantee Fund	-65	-57
Other	-28	-47
Total other operating expenses	**-217**	**-208**

Note 13 - Tax

All amounts in millions of NOK

Income tax	**2019**	**2018**
Tax payable	-717	-1 073
Adjustments in respect of prior years	113	6
Currency effects foreign tax credits	-	-
Total current tax	**-605**	**-1 067**
Change in temporary differences	-138	72
Currency effects	-	-
Adjustments in respect of prior years	-	-
Total change in deferred tax	**-138**	**72**
Income tax expense	**-742**	**-995**

Profit before tax	3 611	4 134
Estimated income tax at nominal tax rate 25%	-903	-1 033
Tax effects of:		
- Income not subject to tax	-	-
- Non deductible expenses	-4	-1
Impact of lower tax rate in subsidiary	26	33
Adjustments in respect of prior years*	139	6
Tax charge	**-742**	**-995**

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

		2019	
	Before tax	**Tax (charge)/ credit**	**After tax**
Actuarial assumption related to pension	163	41	122
Cash flow hedges	85	21	64
Net investment Hedge	-	-	-
Currency translation differences	-205	4	-209
Shares in VN Norge AS - value adjustment	-31	-	-31
Other comprehensive income	**12**	**66**	**-54**
Tax payable		4	
Deferred tax		62	
Tax in OCI		**66**	

Deferred tax in the balance sheet	**2019**	**2018**
Deferred tax assets/deferred taxes as at 1 January	259	376
Changes recognized in income statement	138	-72
Changes recognized in OCI	12	-32
Currency adjustment	-1	-
Adjustments in respect of prior years**	289	-13
Net Deferred tax assets/deferred taxes at 31 December	**697**	**259**

Deferred taxes related to the following temporary differences	2019	2018
Fixed assets	3 481	2 306
Net pension commitments	-140	-126
Financial instruments	-85	-14
Net other taxable temporary differences	-683	-1 307
Net translation differences	-	-
Total deferred tax position	**2 573**	**859**
Fixed assets	883	577
Net pension commitments	-35	-31
Financial instruments	-21	-6
Net other taxable temporary differences	-130	-280
Net translation differences	-	-
Net Deferred tax assets/deferred taxes at 31 December	**697**	**259**

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

2019 figures: No changes in tax rates
2018 figures: No changes in tax rates

Estimated taxes on tax-related losses which cannot be utilized. No deferred taxes are calculated on tax-related losses if the Group considers the future scope of such losses to be uncertain.
* The adjustment in respect of prior years relates to a settle of dispute with the Norwegian tax authorities.
** The Group have reclassified MM NOK 289 from tax payable to deferred tax in the balance sheet, the reclassification did not affect recognized income tax in the statement of profit and loss.

Note 14 - Loans to customers

All amounts in millions of NOK

	2019	2018
Credit Card	7 016	7 030
Unsecured loans	29 174	27 372
Auto loans	129 141	128 400
- Instalment loans	*108 198*	*106 981*
- Financial leasing	*20 943*	*21 419*
Total gross loans to customers	**165 331**	**162 802**
- Loan loss allowance - Stage 1	-1 014	-1 039
- Loan loss allowance - Stage 2	-575	-591
- Loan loss allowance - Stage 3	-2 350	-1 888
Total net loans to customers	**161 392**	**159 284**

Note 15 - Impairment losses on loan, guarantees etc.

All amounts in millions of NOK

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

	2019	2018
Change in loss allowance - Unsecured loans	-360	-65
Change in loss allowance - Secured loans	-102	-46
Change in loss allowance - Commercial papers and bonds	-	1
+/- FX rate adjustment opening balance	-	-
+ Total realized losses	-1 403	-1 919
- Recoveries on previously realized losses	288	606
- Gain on sold portfolios	757	1 607
Impairment losses on loan, guarantees etc.	**-820**	**184**

Note 16 - Loans and impairment by main sectors

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:

2019	**Gross carrying amount**	**Accumulated impairment**	**Total**
Private individuals	136 435	-3 483	132 952
Wholesale and retail trade	11 492	-136	11 356
Construction	6 281	-88	6 193
Transport and storage	2 253	-34	2 219
Other financial corporations	2 163	-	2 163
Manufacturing	1 486	-13	1 473
Professional, scientific and technical activities	1 525	-22	1 503
Real estate activities	698	-21	677
Other services	547	-101	446
Information and communication	544	-8	536
Accommodation and food service activities	525	-10	515
Human health services and social work activities	469	-3	466
Governments	345	-3	342
Education	263	-6	257
Agriculture, forestry and fishing	217	-1	216
Electricity, gas, steam and air conditioning supply	55	-1	54
Mining and quarrying	27	-8	19
Public administration and defence, compulsory social security	6	-1	5
Total	**165 331**	**-3 939**	**161 392**

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

Note 17 - Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 31 December 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	-	-	66	66
Deposits with and receivables on financial institutions	-	-	3 968	3 968
Loans to customers	-	-	161 392	161 392
Commercial papers and bonds	-	-	11 536	11 536
Financial derivatives	37	-	-	37
Other ownership interests	-	31	-	31
Total financial assets	**37**	**31**	**176 962**	**177 030**
		Non-financial assets		3 911
		Total assets		**180 941**

Classification of financial liabilities 31 December 2019	Financial assets at fair value through P&L	Financial liabilities at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	30 174	30 174
Deposits from customers	-	-	65 484	65 484
Debt established by issuing securities	-	-	53 403	53 403
Financial derivatives	22	-	-	22
Other financial liabilities	-	-	517	517
Subordinated loan capital	-	-	2 421	2 421
Total financial liabilities	**22**	**-**	**151 999**	**152 021**
		Non-financial liabilities and equity		28 920
		Total liabilities and equity		**180 941**

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
Total financial assets	**64**	**26**	**172 693**	**172 784**
		Non-financial assets		3 324
		Total assets		**176 108**

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

Note 18 - Issued securities

All amounts in millions of NOK

	2019	2018
Issued certificates	1 999	1 751
Senior unsecured issued securities	35 520	35 496
Asset backed issued securities	15 884	15 682
Total issued securities	**53 403**	**52 929**

Changes in liability issued securities	Book value 31.12.2018	New issues/ repurchase	Monthly payments and at maturity	Book value 31.12.2019
Issued certificates	1 751	1 999	-1 751	1 999
Senior unsecured issued securities	35 496	14 675	-14 651	35 520
Asset backed issued securities	15 682	7 201	-6 999	15 884
Total issued securities	**52 929**	**23 875**	**-23 401**	**53 403**

Certificates

Issuer	Net nominal value	Currency	Interest	Call date	Book value 31.12.2019
Certificates					
Santander Consumer Bank AS	250	NOK	Fixed	2020-02-12	252
Santander Consumer Bank AS	100	NOK	Fixed	2020-04-08	100
Santander Consumer Bank AS	150	NOK	Fixed	2020-05-08	150
Santander Consumer Bank AS	250	NOK	Fixed	2020-05-22	251
Santander Consumer Bank AS	100	SEK	Fixed	2020-01-29	94
Santander Consumer Bank AS	100	SEK	Fixed	2020-01-09	94
Santander Consumer Bank AS	100	SEK	Fixed	2020-01-13	94
Santander Consumer Bank AS	70	SEK	Fixed	2020-03-24	66
Santander Consumer Bank AS	100	SEK	Fixed	2020-02-07	94
Santander Consumer Bank AS	200	SEK	Fixed	2020-02-17	189
Santander Consumer Bank AS	50	SEK	Fixed	2020-03-18	47
Santander Consumer Bank AS	200	SEK	Fixed	2020-05-08	189
Santander Consumer Bank AS	150	SEK	Fixed	2020-06-10	141
Santander Consumer Bank AS	150	SEK	Fixed	2020-06-15	141
Santander Consumer Bank AS	100	SEK	Fixed	2020-03-18	94
Totals issued certificates					**1 999**

Specification of issued securities

Bonds

Issuer	Net nominal value	Currency	Interest	Call date	Book value 31.12.2019
Senior unsecured issued securities					
Santander Consumer Bank AS	1100	NOK	Floating	2022-01-17	1 107
Santander Consumer Bank AS	1091	NOK	Floating	2020-01-17	1 097
Santander Consumer Bank AS	700	NOK	Floating	2020-09-21	701
Santander Consumer Bank AS	800	NOK	Floating	2022-11-21	803
Santander Consumer Bank AS	650	NOK	Floating	2021-02-26	651
Santander Consumer Bank AS	700	NOK	Floating	2021-08-27	701
Santander Consumer Bank AS	1000	NOK	Floating	2022-02-07	1 003
Santander Consumer Bank AS	800	NOK	Floating	2024-03-14	802
Santander Consumer Bank AS	500	NOK	Floating	2024-11-13	501
Santander Consumer Bank AS	500	EUR	Fixed	2020-02-17	4 948
Santander Consumer Bank AS	500	EUR	Fixed	2023-03-01	4 983
Santander Consumer Bank AS	500	EUR	Fixed	2022-01-21	4 969
Santander Consumer Bank AS	500	EUR	Fixed	2024-09-11	4 889
Santander Consumer Bank AS	1000	SEK	Floating	2020-03-30	944
Santander Consumer Bank AS	1000	SEK	Floating	2021-06-14	945
Santander Consumer Bank AS	500	SEK	Floating	2023-01-18	472
Santander Consumer Bank AS	500	SEK	Floating	2021-03-22	474
Santander Consumer Bank AS	605	SEK	Floating	2022-05-11	571
Santander Consumer Bank AS	750	SEK	Floating	2023-08-13	708
Santander Consumer Bank AS	750	SEK	Floating	2021-10-18	708
Santander Consumer Bank AS	1000	SEK	Floating	2025-01-15	946
Santander Consumer Bank AS	1000	SEK	Floating	2022-09-19	944
Santander Consumer Bank AS	500	DKK	Floating	2021-09-20	664
Santander Consumer Bank AS	750	DKK	Floating	2022-04-02	989
Totals issued bonds					**35 520**

Asset backed issued securities

Issuer	Net nominal value	Currency	Interest	Call date	Book value 31.12.2019
Asset backed issued securities					
SAF WH 1	3 778	SEK	Floating	2029-06-09	3 567
SCF Rahoituspalvelut II DAC	8	EUR	Floating	2025-11-25	77
SCF Rahoituspalvelut KIMI VI DAC	132	EUR	Floating	2026-11-25	1 302
SCF Rahoituspalvelut VII DAC	382	EUR	Floating	2027-11-25	3 737
SCF Rahoituspalvelut VIII DAC	730	EUR	Floating	2029-10-25	7 201
Total asset backed issued securities					**15 884**

The Group has not had any defaults of principal or interest or other breaches with respect to its issued securities during the year ended 31 December 2019 and 2018.

Note 19 - Valuation Hierarchy

All amounts in millions of NOK

2019

Financial instruments measured at fair value			Quoted market price Level 1	Using Observable inputs Level 2	With significant unobservable inputs Level 3	Total
Financial assets						
Name	**Type**	**Notional**				
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 12	-	7	-	7
KIMI5 Pass Through	Interest Rate Swap	MM EUR 8	-	-	-	-
KIMI6 Pass Through	Interest Rate Swap	MM EUR 132	-	2	-	2
KIMI7 Pass Through	Interest Rate Swap	MM EUR 317	-	11	-	11
KIMI8A Fixed	Interest Rate Swap	MM EUR 649	-	15	-	15
KIMI8B Fixed	Interest Rate Swap	MM EUR 42	-	2	-	2
Total financial trading derivatives			**-**	**37**	**-**	**37**
Name	**Type**					
VISA	Equity		-	31	-	31
Total other ownership interests			**-**	**31**	**-**	**31**
Total Assets			**-**	**68**	**-**	**68**
Financial liabilities						
Name	**Type**	**Notional**				
KIMI6 Fixed	Interest Rate Swap	MM EUR 136	-	2	-	2
KIMI5	Interest Rate Swap	MM EUR 8	-	-	-	-
KIMI7 Fixed	Interest Rate Swap	MM EUR 304	-	8	-	8
KIMI5 Fixed	Interest Rate Swap	MM EUR 17	-	-	-	-
KIMI8A Pass Trough	Interest Rate Swap	MM EUR 656	-	11	-	11
KIMI8B Pass Trough	Interest Rate Swap	MM EUR 42	-	1	-	1
Total financial derivatives			**-**	**22**	**-**	**22**
Total Liabilities			**-**	**22**	**-**	**22**
Derivatives designated for hedge accounting - assets						
Name	**Type**	**Notional**				
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	19	-	19
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	58	-	58
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	17	-	17
KIMI8A	Interest rate swap	MM EUR 656	-	10	-	10
KIMI8B	Interest rate swap	MM EUR 42	-	1	-	1
Total derivatives designated for hedging - assets**			**-**	**105**	**-**	**105**
Derivatives designated for hedge accounting - liabilities						
Name	**Type**	**Notional**				
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	29	-	29
KIMI6	Interest Rate Swap	MM EUR 132	-	2	-	2
KIMI7	Interest Rate Swap	MM EUR 317	-	12	-	12
Total derivatives designated for hedging - liabilities*			**-**	**43**	**-**	**43**

* 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.

2018

Financial instruments measured at fair value			**Quoted market price Level 1**	**Using Observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
Financial assets						
Name	**Type**	**Notional**				
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 75	-	50	-	50
Kimi 5 Fixed	Interest Rate Swap	MM EUR 108	-	-	-	-
Kimi 5 Pass-trough	Interest Rate Swap	MM EUR 102	-	-	-	-
Kimi 6 Pass-trough	Interest Rate Swap	MM EUR 321	-	3	-	3
Kimi 7 Pass-trough	Interest Rate Swap	MM EUR 599	-	11	-	11
Total financial trading derivatives			**-**	**64**	**-**	**64**
Name	**Type**					
VISA	Equity		-	26	-	26
Total other ownership interests			**-**	**26**	-	**26**
Total Assets			-	**90**	-	**90**
Financial liabilities						
Name	**Type**	**Notional**				
Bilkreditt 7 Pass-trough	Cross Currency Swap	MM EUR 56	-	38	-	38
Kimi 5 Front	Interest Rate Swap	MM EUR 102	-	-	-	-
Kimi 6 Fixed	Interest Rate Swap	MM EUR 308	-	2	-	2
Kimi 7 Fixed	Interest Rate Swap	MM EUR 599	-	5	-	5
Total financial derivatives			**-**	**45**	**-**	**45**
Total Liabilities			**-**	**45**	**-**	**45**
Derivatives designated for hedge accounting - assets						
Name	**Type**	**Notional**				
Bilkreditt 7 Front	Cross Currency Swap	MM EUR 56	-	38	-	38
DK EMTN MEUR 240	Cross Currency Swap	MM EUR 240	-	19	-	19
SW EMTN MEUR 100	Cross Currency Swap	MM EUR 100	-	62	-	62
DK EMTN MEUR 245	Cross Currency Swap	MM EUR 245	-	4	-	4
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	18	-	18
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	46	-	46
Total derivatives designated for hedging - assets*			**-**	**188**	**-**	**188**
Derivatives designated for hedge accounting - liabilities						
Name	**Type**	**Notional**				
Kimi 6 Front	Interest Rate Swap	MM EUR 321	-	4	-	4
Kimi 7 Front	Interest Rate Swap	MM EUR 599	-	11	-	11
Total derivatives designated for hedging - liabilities*			**-**	**16**	**-**	**16**

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

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.

Offsetting of financial assets and financial liabilities

The disclosure in the table below include financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar arrangements.

The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The Group receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:

- derivatives
- sale-and-repurchase, and reverse sale-and-repurchase agreements

This collateral is subject to standard industry terms including, when appropriate, an ISDA credit support annex.

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the below tables have been measured in the statement of financial position on the following bases:

- derivative assets and liabilities – fair value
- assets and liabilities resulting from sale-and-repurchase agreements, reverse sale-and repurchase agreements – amortised cost

All amounts in millions of NOK

2019	Gross amounts	Amounts offset in the statement of financial position	Net amount presented in the financial statements	Related amounts not offset in the statement of financial position: Financial instruments	Collateral	Net amount after possible netting
Financial assets						
Derivatives	143	-	143	-	127	16
Reverse repurchase arrangements	1 071	-	1 071	1 071	-	-
Financial liabilites						
Derivatives	65	-	65	-	29	36
Repurchase arrangements	-	-	-	-	-	-

All amounts in millions of NOK

2018	Gross amounts	Amounts offset in the statement of financial position	Net amount presented in the financial statements	Related amounts not offset in the statement of financial position: Financial instruments	Collateral	Net amount after possible netting
Financial assets						
Derivatives	252	-	252	-	240	12
Reverse repurchase arrangements	97	-	97	97	-	-
Financial liabilites						
Derivatives	61		61	-	43	18
Repurchase arrangements	-	-	-	-	-	-

Note 20 - Hedging

Fair Value Hedge

Fair value hedges are used to protect the Group against exposures to changes in the market prices of recognized fixed interest-notes issued in EUR. The Group uses cross currency interest rate swaps and interest rate swaps that qualify as hedging instruments, and designates these to the hedge relationship at time of inception if all criterias for hedge accounting are met. Changes in fair value of the hedging instruments are recognized in the income statement together with changes in the fair value of the hedged liability that are attributable to the hedged risk. For the fair value hedges the Group assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in fair value of the hedged item using the dollar offset method. This method is a quantitative method that consists of comparing the change in fair value or cash flows of the hedging instrument (including any counterparty credit risk) with the change in fair value of the hedged item attributable to the hedged risk. As counterparties credit risk is not hedged this is a source of ineffectiveness.

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

	2019			2018		
All amounts in millions of NOK	Assets	Liabilities	Gains (losses) recognized in P&L	Assets	Liabilities	Gains (losses) recognized in P&L
Hedged item (Issued Bonds)	-	7 346	-14	-	10 232	26
Hedge instruments (Cross currency swaps)	61	33	10	-	49	-81
Fair value hedge adjustment	-	22	-	2	35	-
Nominal of hedging instruments	-	7 346	-	-	10 232	-
Net exposure over P&L			**-4**			**-55**

	2019	2018
Inefficiency	Ineffectiveness recognized in P&L	Ineffectiveness recognized in P&L
Fair value hedging ineffectiveness	-4	-55

Cash Flow Hedge

Cash flow hedging is applied for the exposure to variation in future interest payments due to exchange rate risk on issued notes in foreign currency (EUR). Cross currency swaps (NOK swapped to EUR) are used as hedging instruments and they are designated into hedge relationships at inception when all criterias for hedge accounting are met. Further, cash flow hedging is applied for the exposure of variation in future interest payments from issued floating rate-notes with floating EURIBOR-rate. Interest rate swaps (fixed interest swapped to floating) are used as hedging instruments and they are designated into hedge relationships at inception when all criterias for hedge accounting are met.
The portion of the gain or loss in the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. Gains or losses on hedging instruments that have been accumulated in equity are recognized in profit or loss in the same period as interest expense from the hedged liability. The ineffective portion of the gain or loss on hedging instruments is recognized in profit or loss. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in cash flows of the hedged item (prospectively and retrospectively) using the hypotethical derivative method. This method assess hedge ineffectiveness by comparing the change in fair value of the actual derivative designated as the hedging instrument and the change in fair value of a "hypothetical derivative" that would result in perfect hedge effectiveness for the designated item. The hypothetical derivative would have terms that exactly match the critical terms of the hedged item with the lower of the two cumulative changes always appearing in Equity.

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

	2019			2018		
All amounts in millions of NOK	Assets	Liabilities	Amount recognized in OCI	Assets	Liabilities	Amount recognized in OCI
Hedged item (Bonds)	-	18 736	-	-	15 058	-
Hedge instruments (Cross currency interest rate swaps)	37	-	19	237	-	21
Hedge instruments (Interest rate swaps)	11	14	-5	-	16	5
Nominal of hedging instruments	-	18 736	-	1 016	14 106	-
Net exposure over P&L			**14**			**26**

	2019	2018
Inefficiency	Ineffectiveness recognized in P&L	Ineffectiveness recognized in P&L
Cash flow hedging ineffectiveness	1	-12

Periods when the cash flows are expected to occur and when they are expected to affect profit or loss;

	2019			2018		
	< 1 year	1-5 years	Over 5 years	< 1 year	1-5 years	Over 5 years
Cash inflows (assets)	-	-	-		-	-
Cash outflows (liabilities)	7 980	10 757	-	3 193	11 865	
Net cash flows	**7 980**	**10 757**	**-**	**3 193**	**11 865**	**-**

Reclass from OCI to profit and loss:	2019	2018
Reclassified amount	-11	54

Net investment Hedge

The Group owns a subsidiary in Finland. Foreign currency exposure arises from the net investment in the Finnish subsidiary Santander Consumer Finance OY, which have a different functional currency from that of the parent entity. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiary (EUR) and the Bank's functional currency (NOK), which causes the amount of the net investment to vary. The hedged risk in the net investment hedges is the risk of fluctuations in EUR against NOK, which will result in fluctuating values of the net investment in the subsidiary.

Loans from external parties nominated in EUR is designated as hedging instruments and designated into the hedging relationship when all criterias for hedge accounting are met. The Group assesses whether the EUR nominated loans designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in cash flows of the hedged item (prospectively and retrospectively) using the dollar offset method.
The value of EUR loans designated as net investment hedges is as follows:

	2019			2018		
All amounts in millions of NOK	Assets	Liabilities	Amount recognized in OCI	Assets	Liabilities	Amount recognized in OCI
Hedged item (Net assets in foreign subsidiary)	1 292	-	-11	1 303	-	-14
Hedge instrument (EUR-loan)	-	-1 292	11	-	-1 303	14
Net exposure over OCI	-	-	**-**	-	-	**-**

	2019	2018
Inefficiency	Ineffectiveness recognized in P&L	Ineffectiveness recognized in P&L
Net investment hedging ineffectiveness	-	-

Interest Rate Benchmark Reform: Amendments to IFRS 9; IAS 39 and IFRS 7

The Group is closely monitoring the market and the output from the various industry working groups managing the transition to new benchmark interest rates. The Group has established a project to manage the transition for any of its contracts that could be affected.

Interest rate swaps	**Nominal amount**	**Average maturity**
EURIBOR EUR (1 month)	11 390	2022-04-19

Cross currency swaps	**Nominal amount**	**Average maturity**
EURIBOR EUR (3 months) to CIBOR DKK (3 months)	7 346	2022-07-06
Total	18 736	

Note 21 - Financial instruments measured at amortized cost

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

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

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

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

Loans and advances to credit institutions:
These items consist of cash, posted swap collateral and reverse repurchase agreements, and the fair value is due to their short term nature assumed to equal the book value.
Level in fair value hierarchy: Level 3

Loans to customers:
The Groups portfolio of loans to customers consists of the following main groups; credit cards, financial leasing, installment loans and unsecured loans. All loans in the portfolio is subject for continuous evaluation of whether an impairment or loan loss allowance should be booked for it. Interest rates for new business volume is assumed to be a fair representative of market rates. In order to estimate fair value of whole portfolio, an adjustment has to be made for the difference between interest rates for new business volume and existing portfolio. The approach for estimation of fair value is based on a correlation model between the average nominal interest rates (TIN) (%) of the portfolio / evaluated portfolio and the average New Business TIN (%) of the last three months of the same portfolios. In case the average TIN (%) of the portfolio differs from that of new business rate (average three months), fair value will be different from book value. When fair value has been identified following this rationale, it will be discounted to the present value of the moment in which the estimate is carried out.
Level in fair value hierarchy: Level 3

Deposits from customers:
Fair value is assessed to equal amortized cost as contractual maturity is short and the deposits to a limit extend is affected by changes in credit risk.
Level in fair value hierarchy: Level 3

Issued securities:
The Group have issued securities in both EUR, SEK, DKK and NOK. Issuances of bonds in SEK/EUR/NOK are done on traded markets and quoted market prices (average of bid/ask prices) for the securities is used as fair value (level 1). The Danish market is highly illiquid and for issued bonds nominated in DKK it is assumed that the book value is the best estimate of the fair value as there is little or no relevant market data available to make other reasonable estimates.

The Group also issue commercial papers (bonds with maturity less than one year), these securities are almost not traded among investors and reliable bid/ask prices are therefore not available for an assessment of fair value. As the securities have such short time to maturity it is assessed that the book value reflects the fair value most accurately.
The Group have one issued bond nominated in DKK in the unsecured bond market. The Danish market is highly illiquid and a liquidity premium is priced into the spread of this floating rate bond. It is therefore assessed that the book value is the best estimate of the fair value.

Level in fair value hierarchy: Level 1 for securities with quoted market prices and level 3 for remaining

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

All amounts in millions of NOK	Fair value level	2019 Book value	2019 Fair value	2018 Book value	2018 Fair value
Financial assets					
Type					
Loans and advances to credit institutions	Level 3	4 198	4 198	3 047	3 047
Loans to customers	Level 3	161 392	162 546	159 284	159 284
Commercial papers and bonds	Level 1 and 3	11 536	11 535	10 363	10 370
Total financial assets		**177 126**	**178 279**	**172 694**	**172 701**
Financial liabilities					
Type					
Loans and deposits from financial institutions	Level 3	30 174	30 174	40 253	40 253
Deposits from customers	Level 3	65 484	65 484	54 645	54 645
Issued securities	Level 1 and 3	53 567	53 067	52 929	52 976
Subordinated loan capital	Level 3	2 422	2 422	1 731	1 731
Total financial liabilities		**151 647**	**151 147**	**149 558**	**149 605**

Note 22 - Securitization

The Group securitizes auto loans by selling portfolios of eligible auto loans to a SPV, which finances the purchase by issuing bonds in the market with security in the assets.

All securitized assets are transferred to related parties, as all the SPV's buying the assets are consolidated into the Group accounts. There are no transfers of securitized assets to unrelated parties.

Note 23 - Fixed assets

2019 *All amounts in millions of NOK*	**Buildings**	**Machines, fittings, equipment**	**Leasing portfolio (operational)**	**Total**
Acquisition cost 1.1	309	118	836	1 263
Rate difference opening balance	-		-7	-7
Acquisition cost 1.1 rate 31.12	309	118	829	1 257
Additions during the year	38	44	518	601
Disposals during the year	-	-8	-262	-270
Impairment	-	-	-	-
Rate difference year's acquisition cost	-	1	-7	-7
Acquisition cost 31.12	**348**	**154**	**1 078**	**1 580**
				-
Acc. ordinary depreciation 1.1	-	-57	-178	-235
Rate difference 01.01	-		1	1
Acc. ordinary depreciation 1.1 rate 31.12	-	-57	-177	-234
Year's ordinary depreciation*	-56	-29	-124	-209
Impairment	-	-	-26	-26
Rate difference year's depreciation average rate	-	-	-7	-7
Reversed depreciation on disposals	-	6	104	110
Acc. depreciation 31.12	-56	-81	-230	-367
Accrued fees and provisions	-	-	-	-
Book value in the balance sheet 31.12	**291**	**-81**	**-230**	**-19**
Accrued fees and provisions	-	-	-	-
Booked value in balance 31.12	**291**	**74**	**849**	**1 214**

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

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

As at 31 December 2019, Buildings includes right-of-use assets of 291 MM NOK related to leased office premises.

2018 *All amounts in millions of NOK*	**Machines, fittings, equipment**	**Leasing portfolio (operational)**	**Total**
Acquisition cost 1.1	160	682	842
Rate difference opening balance	-	1	1
Acquisition cost 1.1 rate 31.12	160	683	843
Additions during the year	21	438	459
Disposals during the year	-62	-286	-348
Impairment	-	-	-
Rate difference year's acquisition cost	-1	1	-
Acquisition cost 31.12	**118**	**836**	**954**
Acc. ordinary depreciation 1.1	-84	-181	-265
Rate difference 01.01	-	-	-
Acc. ordinary depreciation 1.1 rate 31.12	-84	-181	-265
Year's ordinary depreciation*	-26	-118	-144
Impairment	-	-1	-1
Rate difference year's depreciation average rate	-	-	-
Reversed depreciation on disposals	53	122	175
Book value in the balance sheet 31.12	**-57**	**-178**	**-235**
Accrued fees and provisions	-	-28	-28
Booked value in balance	**61**	**630**	**691**

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

Note 24 - Intangible assets

2019

All amounts in millions of NOK	**Intangible assets (software)**	**Goodwill**	**Total**
Acquisition cost 1.1	662	790	1 452
Rate difference opening balance	2	-7	-5
Acquisition cost 1.1 rate 31.12	664	783	1 447
Additions during the year	185	-	185
Disposals during the year	-	-	-
Impairment	-149	-	-149
Rate difference year's acquisition cost	-12	-	-12
Acquisition cost 31.12	**688**	**783**	**1 471**
Acc. ordinary depreciation 1.1	-360	-	-360
Rate difference 01.01	-2	-	-2
Acc. ordinary amortization 1.1 rate 31.12	-362	-	-362
Year's ordinary depreciation*	-73	-	-73
Reversal of depreciation of impaired assets	54	-	54
Rate difference year's depreciation average rate	2	-	2
Reversed depreciation on disposals	-	-	-
Acc. amortization 31.12	**-379**	**-**	**-379**
Book value in the balance sheet 31.12	**310**	**783**	**1 093**

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

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

2018

All amounts in millions of NOK	**Intangible assets (software)**	**Goodwill**	**Total**
Acquisition cost 1.1	629	784	1 413
Rate difference opening balance	-10	6	-4
Acquisition cost 1.1 rate 31.12	619	790	1 409
Additions during the year	138	-	138
Disposals during the year	-87	-	-87
Impairment	-	-	-
Rate difference year's acquisition cost	-8	-	-8
Acquisition cost 31.12	**662**	**790**	**1 452**
Acc. ordinary depreciation 1.1	-313	-	-920
Rate difference 01.01	-	-	-3
Acc. ordinary amortization 1.1 rate 31.12	-313	-	-313
Year's ordinary depreciation*	-137	-	-137
Impairment	-	-	-
Rate difference year's depreciation average rate	3	-	3
Reversed depreciation on disposals	87	-	87
Acc. amortization 31.12	**-360**	-	**-360**
Book value in the balance sheet 31.12	**303**	**790**	**1 093**

Note 25 - Leasing

Financial leases (as lessor):
The Group owns assets leased to customers under finance lease agreements. Finance lease agreements are included and reported as "loans to customers" in the balance sheet, and are valued at the present value of future cash flows.

All amounts in millions of NOK	**2019**	**2018**
Gross investment in the lease:	-	-
Due in less than 1 year	5 639	6 487
Due in 2 - 5 years	15 247	14 861
Due later than 5 years	57	71
Total gross investment in the lease	**20 943**	**21 419**
Present value of minimum lease payments receivable:		
Due in less than 1 year	5 445	6 250
Due in 1 - 5 years	8 097	11 506
Due later than 5 years	45	55
Total present value of minimum lease payments receivable	**13 587**	**17 811**
Unearned finance income	**7 356**	**3 608**

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

All amounts in millions of NOK	**2019**	**2018**
Future minimum lease payments under non-cancellable operating leases	-	-
Due in less than 1 year	253	202
Due in 1 - 5 years	587	405
Due later than 5 years	-	-
Total future minimum lease payments under non-cancellable operating leases	**840**	**607**

Financial leases (as leesee):

Right-of-use assets

2019

All amounts in millions of NOK	**Buildings**	**Machines, fittings, equipment**	**Total**
Costs			
At 31 December 2018 - Restated	309	18	328
Additions during the year	38	3	42
At 31 Desember 2019	**348**	**22**	**370**
Accumulated depreciation			
At 31 December 2018 - Restated	-	-	-
Charge for the year	-56	-7	-64
At 31 Desember 2019	**-56**	**-7**	**-64**
Carrying Amount			
At 31 Desember 2019	291	14	**306**
At 31 Desember 2018 - Restated	309	18	**328**

The Group leases several assets including buildings, machines and IT equipment. The average lease term is 3 years.
If there is an option to extent the lease term of the right-of-use asset, we have calculated the probability for extension. This is the basis for lease term in the calculation.

	2019
Amounts recognised in profit and loss	
Depreciation expenses and right-of-use assets	57
Interest expense on lease liabilities	4
Expense relating to short-term leases	41
Expense relating to leases of low value assets	4

At 31 December 2019, the Group is committed to 41 MNOK for short-term leases.

The Group has not provided comparative information for periods before the date of initial application of IFRS 16 for the new disclosures introduced by IFRS 16, as permitted by IFRS 16 paragraph C7.

Note 26 - Repossessed Assets

All amounts in millions of NOK

	2019	2018
Vehicles	11	12
Net	**11**	**12**

Note 27 - Changes in liabilities arising from financing activities

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

2019

All amounts in millions of NOK

Liability	2018	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair value	Other changes	2019
Debt to credit institutions	**40 253**	-9 499	-580	-	-	**30 174**
Debt established by issuing securities	**52 929**	367	107	-	-	**53 403**
Subordinated loan capital	**1 731**	708	-18	-	-	**2 421**

2018

All amounts in millions of NOK

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

Note 28 - Leasing liabilities

Maturity analysis:

All amounts in millions of NOK	2019
Less than a year	50
From 1 year to 3 years	100
From 3 year to 5 years	87
More than 5 years	64
Total of leasing liabilities	**301**
Less: Unearned interest	-
Total of leasing liabilities, less unearned interest	**301**

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Note 29 - Pension expenses and provisions

All amounts in millions of NOK

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

In Sweden the bank has a collectively agreed pension scheme for the banking sector, the BTP plan. The plan includes both defined benefit and defined contribution sections. Old-age, early retirement, disability and death benefits are provided under the BTP plan which are funded via insurance with different insurance providers. Starting 1 July 2015, the results below include the former GE Money Bank pension schemes acquired in Sweden (BTP plan consistent with description above).

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

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

Pension expenses for defined benefit plans	**2019**	**2018**
Present value of year's pension earnings	-14	-13
Curtailment (gain) / loss	-	-
Settlement (gain) / loss	-	-
Interest cost on accrued liability	-9	-9
Interest income on plan assets	7	7
Allowance for taxes	-2	-3
Net Pension expenses	**-18**	**-18**

Pension expenses for defined contribution plans	**2 019**	**2 018**
Total expenses	110	119

Pension liabilities in balance sheet	**2 019**	**2 018**
Pension funds at market value	304	264
Estimated pension liability	-444	-390
Net pension liability	**-140**	**-126**

The movement in the defined benefit obligation and fair value of plan assets over the year is as follows:

	Present value of obligation	Fair value of plan assets	Net pension liability
At 1 January 2019	**-390**	**264**	**-126**
Current service cost	-14	-	-14
Curtailment gain / (loss)	-	-	-
Settlement gain / (loss)	-	-	-
Interest expense / Income	-9	7	-2
	-23	**7**	**-16**
Remeasurements:			
- Return on plan assets	-	27	27
- Gain/(Loss) from change in demographic assumptions	-	-	-
- Gain/(Loss) from change in financial assumptions	-76	-	-76
- Gain/(Loss) from plan experience	28	-	28
- Change in asset ceiling	-	-	-
	-48	**27**	**-21**
Exchange rate differences	10	-7	3
Contributions:	-	-	-
- Employer	-	20	20
- Plan participants	-	-	-
Payments from plans:	-	-	-
- Benefit payments	7	-7	-
Acquired in a business combination	-	-	-
Settlement	-	-	-
Others	-	-	-
	17	**6**	**23**
At 31 December 2019	**-444**	**304**	**-140**

	Present value of obligation	Fair value of plan assets	Net pension liability
At 1 January 2018	**-336**	**248**	**-88**
Current service cost	-13	-	-13
Curtailment gain / (loss)	-	-	-
Settlement gain / (loss)	-	-	-
Interest expense / Income	-9	7	-2
	-22	**7**	**-15**
Remeasurements:			
- Return on plan assets	-	-	-
- Gain/(Loss) from change in demographic assumptions	-	-	-
- Gain/(Loss) from change in financial assumptions	-47	-	-47
- Gain/(Loss) from plan experience	-3	-	-3
- Change in asset ceiling	-	-	-
	-50	**-**	**-50**
Exchange rate differences	9	-7	2
Contributions:			
- Employer	-	25	25
- Plan participants	-	-	-
Payments from plans:			-
- Benefit payments	9	-9	-
Acquired in a business combination	-	-	-
Settlement	-	-	-
Others	-	-	-
	18	**9**	**27**
At 31 December 2018	**-390**	**264**	**-126**

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

	2019			2018		
	Norway	**Sweden**	**Total**	**Norway**	**Sweden**	**Total**
Present value of obligation	-13	-431	-444	-13	-376	-390
Fair value of plan assets	-	304	304	-	264	264
Total	**-13**	**-127**	**-140**	**-13**	**-112**	**-126**

The following assumptions have been used calculating future pensions:

	2019		2018	
	Norway	Sweden	Norway	Sweden
Discount rate	1,80%	1,60%	2,70%	2,50%
Inflation	N/A	1,75%	N/A	2,00%
Salary growth rate	2,25%	3,25%	2,75%	3,25%
Pension growth rate	2,00%	1,75%	1,45%	2,00%
Rate of social security increases	2,00%	1,60%	2,50%	2,75%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2019		2018	
	Norway*	Sweden	Norway*	Sweden
Retiring at the end of the reporting period:				
- Male	-	22	-	22
- Female	-	24	-	24
Retiring 20 years after the end of the reporting period:				
- Male	-	23	1	23
- Female	-	25	-	25

The Mortality table K2013 is used for Norway and DUS14 (White collar) for Sweden.
*The Norwegian defined benefit schemes were terminated in 2017 and the table show remaining members.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

		Impact on defined benefit obligation - Norway	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 6,57%	Increase by 7,09%
Salary growth rate	1,00%	Increase by 0,97%	Decrease by 0,95%

		Impact on defined benefit obligation - Sweden	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 27,10%	Increase by 31,92%
Salary growth rate	1,00%	Increase by 1,26%	Decrease by 1,14%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognized within the statement of financial position. The main defined benefit pension schemes in Sweden are funded via insurance policies. The insurance companies have placed the assets in consolidated portfolios of domestic and foreign interest bearing securities, shares, properties and other investment instruments. The defined benefit pension scheme in Norway is unfunded.
The group's expected contributions for defined benefit plans, including pension payments paid directly by the company and pension related taxes, for the next financial year amount to 20 377 TNOK.
The weighted average duration of the defined benefit obligation is 7.2 years in Norway and 28.3 years in Sweden.

Expected maturity analysis of undiscounted pension benefit payments:

At 31 December 2019	Less than 1 year	Between 1 - 2 years	Between 2 - 5 years	Between 5 - 10 years	Total
Pension benefit payments	8	5	19	43	**75**

Note 30 - Remuneration

All amounts in thousands of NOK

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

The overall objectives are to support the Group’s strategies for recruiting, retaining, developing and rewarding employees who contribute to creating shareholder value at the Group and to support the Group’s performance culture. The Guidelines are intended to ensure the credibility, effectiveness and fairness of the Groups’s remuneration practices and the adequacy, proportionality and balance of the ratio of fixed versus variable salary. Additionally, the Guidelines intend to ensure that the overall remuneration structure reflects sound and effective risk management principles. As a result, a key element in these Guidelines is to counteract risk-taking that exceeds the level of tolerated risk at the Group while, at the same time, offer a flexible remuneration structure. The Policy shall further ensure that the total variable remuneration payed out will not conflict with the requirement of maintaining a sound capital base. Senior Management Team and Material Risk Takers are included in the Corporate Bonus Scheme (CBS). The CBS is decided by the Banco Santander S.A. Board of Directors and the Group Remuneration Committee on an annual basis. Each participant of the bonus scheme has a Base Bonus level which is the reference bonus.

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

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

Granted options are not part of the corporate plan.
Remuneration for members of the Board of directors is subject to approval of the General Assembly.

Pension schemes

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

Norway

1. Defined Contribution: 7% up to 7G and 18% from 7G to 12G
2. Pension scheme for wages above 12G: 18% paid over payroll

Sweden

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

BTP1 – Santander pays a monthly premium, but the actual outcome of pension is unknown.

1. 2 % on salary up to 7,5 “Inkomstbasbelopp” (IBB) - Valbar del
2. 2,5 % on salary up to 75 “Inkomstbasbelopp” (IBB) – Trygg del
3. 30 % of salary between 7,5 – 30 IBB.

BTP2 is defined by promising different per cent of the pension entitling salary:

1. 10 % on salary up to 7,5 “Inkomstbasbelopp” (IBB)
2. 65 % of the salary-parts between 7,5 and 20 IBB
3. 32.5 % on salary-parts between 20 and 30 IBB

The pension is normally paid from the age of 65.

Denmark

Pensions Scheme with employer contribution 11.0 % of salary, and employee contribution 5.25 % of salary (Optional additional payment).

Finland

The Group does not offer any pension scheme for employees in Finland.

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

Key management compensation:

The tables below show the accrued salary, bonus, pension and compensations for CEO and other Key management:

	Salary	Bonus	Pension	Other benefits	Total 2019	Total 2018
Michael Hvidsten, Chief Executive Officer	3 838	1 206	165	768	5 977	5 279
Knut Øvernes, Managing Director Norway	2 255	534	154	544	3 487	3 241
Bo Jakobsen, Managing Director Denmark	2 771	513	447	375	4 106	4 059
Peter Sjöberg, Managing Director Finland	2 420	468	-	315	3 203	3 148
Juan Calvera, Nordic IT & OPS Director	1 906	482	151	366	2 905	2 689
Olav Hasund, Nordic Auto Director	2 118	329	160	539	3 146	2 923
Martin Brage - Managing Director Sweden	2 049	149	947	253	3 398	3 060
Anders Bruun-Olsen, Nordic Financial Management Director	1 918	485	152	333	2 888	2 717
Karen Therese Edelberg, Chief Compliance Offiser	1 611	300	147	536	2 594	1 959
Mira Naumanen - Nordic Compliance Director (Until 01.06.2019)	1 245	-	383	52	1 679	2 277
Mika Ylinen - Nordic Collection Director	1 235	138	-	157	1 530	1 495
Trond Debes, Nordic Legal, HR & Internal Comminication Director	1 666	358	146	246	2 416	2 387
Morten Johansson Helland, Nordic Org & Cost Director	1 574	225	149	318	2 266	1 648
Tatjana Toth, Chief Controlling Officer (Until 30.04.2018)	-	-	-	-	-	2 771
Espen Hovland, Chief Control Officer (As of 07.05.2018)	1 435	307	276	186	2 204	1 585
Andres Diez - Chief Risk Officer	1661	181	144	303	2 289	2 072
Rocío Sánchez Aragonés - Nordic Internal Audit Director	871	177	-	180	1 227	2 530
Total	**30 572**	**5 852**	**3 421**	**5 471**	**45 315**	**45 840**

	Number of shares earned in	Total Number of shares earned, but not issued per	Value of the shares earned, but not issued per (thousand NOK)
Bonus shares (part of CBS program)	2019	31/12/2019	31/12/2019
Michael Hvidsten, Chief Executive Officer	13 462	19 600	803
Knut Øvernes, Managing Director Norway	4 906	7 992	327
Bo Jakobsen, Managing Director Denmark	3 939	6 218	254
Peter Sjöberg, Managing Director Finland	4 901	7 152	293
Juan Calvera, Nordic IT & OPS Director	4 967	7 178	294
Olav Hasund, Nordic Auto Director	3 827	5 432	222
Martin Brage - Managing Director Sweden	2 732	3 329	136
Anders Bruun-Olsen, Nordic Financial Management Director	4 722	7 093	290
Karen Therese Edelberg, Chief Compliance Offiser	2 154	2 154	88
Mika Ylinen, Nordic Collection Director	2 178	2 722	111
Trond Debes, Nordic Legal, HR & Internal Comminication Director	2 870	4 563	187
Morten Johansson Helland, Nordic Org & Cost Director	2 237	2 237	91
Espen Hovland, Chief Control Officer	2 453	2 453	100
Andres Diez - Chief Risk Officer	3 231	4 187	171
Rocío Sánchez Aragonés - Nordic Internal Audit Director	2 453	3 410	139
Total	**61 032**	**85 720**	**3 506**

Defined share value	2019	2018	2017
Share value - Banco Santander (EUR) *	4	4	6
Share value - Banco Santander (NOK) *	36	42	57

*Value of shares is an estimate based on the Santander S.A. share price from BME Stock Exchange as of 31.12.2019, and the exchange rate as of 31.12.2019.

Board of Directors		2019	2018
Erik Kongelf	Chairman	550	550
Bruno Montalvo Wilmot	Deputy Chairman	-	-
Federico Alvarez De Toledo Ysart	Member	-	-
Jyri Oskar Vilamo	Deputy	-	-
Javier Anton San Pablo	Member	-	-
Henning Strøm	Member	450	450
Niels Aall	Member	450	450
Mette Kjærsund	Varamedlem styret, ansatterepresentant	25	25
Berndt Ola Tillberg	Observer	25	25
Jim Grøtner	Deputy Employee representative	200	200
Sigrid Dale (From 01.11.2017)	Employee representative	200	200
Arja Pynnonen	Employee representative	10	10
Total		**1 910**	**1 910**

	2019		2018	
Staff (permanent employees only)	Number of employees as of 31.12	FTE year as of 31.12.2019	Number of employees as of 31.12	FTE year as of 31.12.2018
Norway	578	522	645	545
Sweden	312	296	364	351
Denmark	217	215	268	244
Finland	165	159	191	182
Total	**1 272**	**1 192**	**1 468**	**1 322**

Audit services and advisory services (without VAT)	2019	2018
Audit services	18 601	18 019
Other attestation services	194	214
Total*	**18 795**	**18 233**

*All amounts in thousands of NOK

Note 31 - Ownership interests in group companies

Santander Consumer Bank AS owns 100% of the shares in Santander Consumer Finance OY. Santander Consumer Bank AS retains most of the risk and rewards of the sale of loans to the securitization-vehicles. These are fully consolidated into the Nordic Group Financial statement.

Interests in unconsolidated entities

In order to manage the bank's risk exposure the bank has entered into a financial guarantee in the form of a synthetic securitization with a limited number of investors. The selected portfolio consisted of SEK 8.2 Billion IRB Auto Loans. In the transaction investors has agreed to invest in notes linked to the mezzanine risk of the portfolio.
An Irish SPV, Svensk Autofinans Syn I DAC was established to provide the financial guarantee to SCB AS. At the same time, the SPV issued credit linked notes (CLN) which mirrors the risk of the financial guarantee. The proceeds from the issuance of the notes are put in a deposit account in SCB AS to fully collateralize the financial guarantee.
The received collateral amount is recognized in Other Liabilities, wheras the financial guarantee premium SCB AS pays for the guarantee is recognized in the Fee and Commision Expenses in the Profit and Loss statement.
The SPV is not included in the consolidated financial statement in accordance with IFRS 10, as SCB AS does not control the SPV.

	2 019		**2 018**	
Company name	**Assets***	**Liabilities***	**Assets***	**Liabilities***
Svensk Autofinans Syn I DAC	768	768	-	-

**Figures in millions of SEK*

Note 32 - Receivables and liabilities to related parties

Debt to related parties: *Amounts in millions of NOK*	**2019**	**Accrued interest 2019**	**2018**	**Accrued interest 2018**
Santander Consumer Finance S.A.	30 042	5	39 912	10
Total	**30 042**	**5**	**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	-
MNOK 250, maturity July 2025, 3 months NIBOR +3.135% (Santander Consumer Finance S.A)	250	3	250	2
MSEK 750, maturity December 2024, 3 months STIBOR +2.2825% (Santander Consumer Finance S.A)*	-	-	728	-
MNOK 500, maturity September 2027, 3 months NIBOR + 1,66% (Santander Consumer Finance S.A)	500	1	500	-
MSEK 750, maturity December 2029, 3 months STIBOR +2.08% (Santander Consumer Finance S.A)	708	1	-	-
MSEK 750, maturity December 2030, 3 months STIBOR +2.29% (Santander Consumer Finance S.A)	708	-	-	-
Total	**2 416**	**5**	**1 728**	**2**

* Subordinated loan at MSEK 750 with maturity December 2024 was redeemed by exercising the call option in December 2019.

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 33 - 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:

	2019	2018
Interest income	16	13
Interest expenses	-130	-132
Interest payments additional Tier 1 capital	-141	-169
Fees	-	10
Other	-23	-22
Net transactions	**-277**	**-301**

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

Note 34 - Contingent liabilities & commitments and provisions

All amounts in millions of NOK

	2019	2018
Contingent liabilities*	74	74
Commitments (Granted undrawn credits)	28 960	28 296

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

On September 11, 2019, the Court of Justice of the European Union has resolved a preliminary ruling raised by a Polish court on the interpretation of Article 16 paragraph 1 of Directive 2008/48 EC (hereinafter, the Directive) concerning consumer credit agreements. The decision of the CJEU resolves on the reduction of the total cost of consumer loans due to the early repayment of the loan and in particular with respect to the commissions charged to customers. The ruling does not conclude about certain aspects such as the method of calculation of cost reduction. The Group is evaluating what impact this ruling could have in the Nordic countries and have based on available information not made any provisions.

Note 35 - Result over total assets

All amounts in millions of NOK

	2019	2018
Profit after tax (PAT)	2 869	3 139
Total assets (Assets)	180 941	176 108
PAT over Assets	1,59%	1,78%

Note 36 – Business combinations

On 4 November 2019, The Group announced that they had entered into an agreement with Ford Motor Company to acquire their captive finance operations, Forso Nordic AB. Forso Nordic AB is headquartered in Sweden, Gothenburg, with a subsidiary in Finland and branches in Norway and Denmark. The total outstanding portfolio, consisting of auto loans and leasing contracts, is approximately 1 300 MM EUR, which is 8% of the total balance of The Group. The acquisition will be fully financed through an intra group loan from the parent company of Santander Consumer Bank AS. The agreement also includes a long term partnership offering financial services to Ford dealers and customers in the Nordic region.

The transaction is expected to take place within Q1 2020. The Group is currently evaluating the accounting consequence for the Group.

3 | Notes

Santander Consumer Bank AS

Note 1 - Risk Management

The Bank's business activities are exposed to a variety of risks represented by credit risk, market risk, liquidity risk, capital risk and operational risk. Through Advanced Risk Management program (ARM), the business ensures to minimize potential adverse effects on the Bank's financial performance. Risk management is carried out by a central risk department under policies approved by Risk Approval Committee and Board of Directors. The risk department identifies and evaluates risks in close co-operation with the Bank's operating units as part of regular risk identification and assessment process. Risk appetite statement issued by the Board outlines the level of risk that the Bank's is willing to assume to achieve its strategic goals. Through this, the Bank can adequately maintain constraints reflecting the views of all relevant parties.

Credit risk

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

Credit process and policies describe the guiding principles for the type of customer that the Bank wants. Processes are divided into "Standardized" and "Non-Standardized". Standardized credits follow a standard, very much automated credit approval process. Non-Standardized credits either do not meet the score requirements, are of a significant credit amount or a credit limit, or else are classified as stock finance. Non-Standardized credits are handled individually and are granted according to delegated credit authorities in accordance with current credit policy.

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

The bank uses both Advanced IRB approach (A-IRB) and Standardized Approach for capital adequacy calculations for credit risk.

Market risk

Market risk is the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. The Bank's strategy is to avoid taking on market risk in excess of what follows directly from the operation of the Bank.

Market risk in the Bank concentrates mainly around structural interest rate risk and structural currency risk. The Bank does not have a trading portfolio.

Standardized Approach is exercised for the regulatory capital calculation for market risk.

Interest rate risk

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

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

Currency risk

Currency risk is the risk of changes in the value of a currency position due to foreign exchange fluctuations, adversely affecting the Bank.

The bank strives for a composition of the balance sheet that minimizes currency risk by ensuring that assets, liabilities and incoming and outgoing cash flows are denominated in the same currency. Practical considerations and requirements laid down by the parent company will also be taken into consideration in connection with the management of currency risk.

The bank's currency risk is connected to currency positions as a result of operations in Sweden and Denmark and from funding activities in EUR markets. Limits are set for each currency net open exposure as well as the total exposure. Routines which ensure that The Bank's currency exposure is continuously monitored and controlled are in place.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The credit spread risk on the Bank's liquidity portfolio is managed through strict limits on type of bonds to be held, minimum rating and maximum maturities, bonds are also held to maturity rather than sold in the market. The CVA risk is considered minimal as the Bank's derivatives have CSA agreements.

Liquidity risk

Liquidity risk is the possibility of failing to meet payment obligations on time or at an excessive cost. This includes losses due to forced sales of assets or impacts on margins due to a mismatch between estimated cash inflows and outflows.

The Bank manages liquidity risk through minimizing the maturity gap between assets and liabilities, maintaining a portfolio of High Quality Liquid Assets and diversification of funding. Funding sources are adequately diversified, both in terms of type of funding, currency, domestic market, and investors. Funding sources include deposits, secured issuances (ABS), unsecured issuances as Euro Medium Term Notes (EMTN) and commercial papers and intragroup loans. The Tank is mostly self-funded and rather independent from the parent company in its funding.

The main metrics for measuring liquidity risk is the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The Bank also conducts liquidity stress testing on a monthly basis. The Bank controls liquidity risk through limits for LCR, NSFR and the minimum stress test survival horizon. Please refer to Note 7 for further information.

Capital risk

Capital Risk is the risk of the Bank not having an adequate amount or quality of capital to meet its internal business objectives, regulatory requirements or market expectations.

The main metrics for managing capital risk are CET1, Tier1, Total Capital ratio, Leverage ratio, Return on Risk Weighted Assets (RoRWA), Return of Tangible Assets (ROTE) and Capital Contribution. The Bank controls capital risk through limits for CET1, Tier1, Total Capital ratio, Leverage ratio and Return on Tangible Assets.

Operational risk

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

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

Note 2 - Risk classification

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

	Balance		Loss reserves	
All amounts in millions of NOK	**2019**	**2018**	**2019**	**2018**
Current - not past due date	120 043	119 880	-874	-783
Current - past due date	5 668	5 728	-433	-442
Total impaired loans	3 837	3 007	-2 142	-1 766
Total gross loans to customers - submitted	**129 548**	**128 615**	**-3 450**	**-2 991**

Ageing of past due but not impaired loans	**2019**	**2018**	**2019**	**2018**
1 - 29 days	4 238	4 455	-173	-206
30 - 59 days	1 009	908	-152	-143
60 - 89 days	421	365	-108	-94
Total loans due but not impaired	**5 668**	**5 728**	**-433**	**-442**

	Balance		Loss reserves	
Ageing of impaired loans	**2019**	**2018**	**2019**	**2018**
90 - 119 days	309	243	-153	-129
120 - 149 days	261	203	-130	-104
150 - 179 days	211	168	-106	-89
180 + days	1 682	1 077	-993	-693
Economic doubtful*	1 374	1 316	-761	-751
Total impaired loans	**3 837**	**3 007**	**-2 142**	**-1 766**

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

Note 3 - Net foreign currency position

All amounts in millions of NOK	Balance		Net positions	
2019	**Asset**	**Debt**	**In NOK**	**in foreign currency**
SEK	43 054	42 984	70	74
DKK	43 457	43 328	129	98
EUR	21 966	21 814	152	15
Total	**108 478**	**108 127**	**351**	

A 5,00 % appreciation of SEK against NOK will result in a Agio gain of NOK 3,7 MM in other comprehensive income
A 5,00 % depreciation of SEK against NOK will result in a Agio gain of NOK 3,7 MM in other comprehensive income
A 5,00 % appreciation of DKK against NOK will result in a Agio gain of NOK 4,9 MM in other comprehensive income
A 5,00 % depreciation of DKK against NOK will result in a Agio gain of NOK 4,9 MM in other comprehensive income
A 5,00 % appreciation of EUR against NOK will result in a Agio gain of NOK 0,8 MM in other comprehensive income
A 5,00 % depreciation of EUR against NOK will result in a Agio gain of NOK 0,8 MM in other comprehensive income

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

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

Note 4 - 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.

2019 Unsecured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Loans not past due date	27 149	671	-	27 820
Standard monitoring	746	1 290	-	2 036
Special monitoring	-	172	-	172
Default	-	-	2 461	2 461
Gross carrying amount	**27 895**	**2 133**	**2 461**	**32 489**
Loss allowance	-431	-329	-1 449	-2 209
Carrying amount	**27 464**	**1 804**	**1 012**	**30 280**
Loss allowance (off balance exposures)	-46	-14	-22	-82
Loss allowance (%)				6,80%

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.

2019 Secured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Loans not past due date	90 532	1 312	-	91 844
Standard monitoring	2 295	1 306	-	3 601
Special monitoring	5	233	23	261
Default	-	-	1 353	1 353
Gross carrying amount	**92 832**	**2 851**	**1 376**	**97 059**
Loss allowance	-388	-160	-693	-1 241
Carrying amount	**92 444**	**2 691**	**683**	**95 818**
Loss allowance (%)				1,28%

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.

2019 Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Investment grade	9 527	-	-	9 527
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross carrying amount	**9 527**	**-**	**-**	**9 527**
Loss allowance	-1	-	-	-1
Carrying amount	**9 526**	**-**	**-**	**9 526**
Loss allowance (%)				0,01%

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	0

Key macroeconomic variables:
The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The macro economic variables found impacting credit risk and ECL are GDP, unempolyment rate and Housing Price Index. The macro economic forecast used is available for two years (2020-2021), after which the same macro economic factors are assumed for the rest of the years until remaining maturity of the financial exposures are captures. Forward looking scenarios have been considered for SICR assessment, meaning if there is a worsening of economy in the forecast period the share of SICR exposure will be higher. The macro economic variables used for ECL estimates for the year ended December 2019 are shown below. The table show data for five years, two years with forecasts and three years assuming the same factors as period ending 2021.

Norway					
Macro Variables	**2020**	**2021**	**2022**	**2023**	**2024**
Unemployment rate					
Base scenario	3,88	3,72	3,72	3,72	3,72
Upside scenario 1	3,45	3,25	3,25	3,25	3,25
Upside scenario 2	3,25	3,05	3,05	3,05	3,05
Downside scenario 1	4,97	4,77	4,77	4,77	4,77
Downside scenario 2	6,16	5,91	5,91	5,91	5,91
	-	-	-	-	-
House price index	-	-	-	-	-
Base scenario	7,64	7,51	7,51	7,51	7,51
Upside scenario 1	8,55	8,25	8,25	8,25	8,25
Upside scenario 2	9,60	8,96	8,96	8,96	8,96
Downside scenario 1	3,67	3,82	3,82	3,82	3,82
Downside scenario 2	-0,63	1,12	1,12	1,12	1,12
	-	-	-	-	-
Domestic GDP	-	-	-	-	-
Base scenario	2,79	2,71	2,71	2,71	2,71
Upside scenario 1	3,26	3,00	3,00	3,00	3,00
Upside scenario 2	3,74	3,43	3,43	3,43	3,43
Downside scenario 1	2,43	2,58	2,58	2,58	2,58
Downside scenario 2	2,07	2,45	2,45	2,45	2,45

Sweden					
Macro Variables	**2020**	**2021**	**2022**	**2023**	**2024**
Unemployment rate					
Base scenario	6,30	6,20	6,20	6,20	6,20
Upside scenario 1	5,53	5,39	5,39	5,39	5,39
Upside scenario 2	4,67	4,46	4,46	4,46	4,46
Downside scenario 1	8,56	8,67	8,67	8,67	8,67
Downside scenario 2	10,21	10,56	10,56	10,56	10,56
	-	-	-	-	-
House price index	-	-	-	-	-
Base scenario	3,85	3,70	3,70	3,70	3,70
Upside scenario 1	4,58	4,16	4,16	4,16	4,16
Upside scenario 2	5,46	4,56	4,56	4,56	4,56
Downside scenario 1	1,29	2,82	2,82	2,82	2,82
Downside scenario 2	0,18	2,29	2,29	2,29	2,29
	-	-	-	-	-
Domestic GDP	-	-	-	-	-
Base scenario	1,76	1,53	1,53	1,53	1,53
Upside scenario 1	2,29	1,86	1,86	1,86	1,86
Upside scenario 2	2,73	2,02	2,02	2,02	2,02
Downside scenario 1	0,48	1,09	1,09	1,09	1,09
Downside scenario 2	-0,07	0,83	0,83	0,83	0,83

Macro Variables	Denmark	2020	2021	2022	2023	2024
Unemployment rate						
Base scenario		5,43	5,58	5,58	5,58	5,58
Upside scenario 1		4,68	4,70	4,70	4,70	4,70
Upside scenario 2		4,14	4,11	4,11	4,11	4,11
Downside scenario 1		6,91	7,42	7,42	7,42	7,42
Downside scenario 2		8,20	8,74	8,74	8,74	8,74
		-	-	-	-	-
House price index		-	-	-	-	-
Base scenario		3,20	3,05	3,05	3,05	3,05
Upside scenario 1		4,14	3,41	3,41	3,41	3,41
Upside scenario 2		5,00	3,79	3,79	3,79	3,79
Downside scenario 1		0,63	1,56	1,56	1,56	1,56
Downside scenario 2		-0,90	0,99	0,99	0,99	0,99
		-	-	-	-	-
Domestic GDP		-	-	-	-	-
Base scenario		1,61	1,46	1,46	1,46	1,46
Upside scenario 1		2,26	1,65	1,65	1,65	1,65
Upside scenario 2		2,82	1,86	1,86	1,86	1,86
Downside scenario 1		0,41	0,76	0,76	0,76	0,76
Downside scenario 2		-0,30	0,50	0,50	0,50	0,50

Scenario weights applied in the ECL estimates for the period ended 31 December 2019 are shown below. ECL is estimated for all scenarios, and applying the weights shown below the final ECL requirement is estimated.

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

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

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

Below is a calculation of forward looking scenario impact for period ending 31 December 2019. For the period ending 31 December 2019, forward looking ECL parameters had resulted in additional reserves of 68,2 MM NOK for AS.

Forward looking impact	Local currency	Exchange rate	NOK
Norway	34,1	1,0000	34,1
Sweden	21,9	0,9442	20,7
Denmark	10,2	1,3202	13,4
Total			68,2

2018 Unsecured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Loans not past due date	26 420	1 092	-	27 512
Standard monitoring	1 317	829	-	2 146
Special monitoring	-	192	-	192
Default	-	-	1 801	1 801
Gross carrying amount	**27 737**	**2 113**	**1 801**	**31 651**
Loss allowance	-469	-240	-1 161	-1 870
Carrying amount	**27 268**	**1 873**	**640**	**29 781**
Loss allowance (%)				6,28%

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

2018 Secured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Loans not past due date	85 986	5 945	-	91 932
Standard monitoring	2 061	1 514	-	3 574
Special monitoring	71	177	16	264
Default	-	-	1 193	1 193
Gross carrying amount	**88 118**	**7 636**	**1 209**	**96 963**
Loss allowance	-345	-198	-578	-1 121
Carrying amount	**87 773**	**7 438**	**631**	**95 842**
Loss allowance (%)				1,17%

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.

2018 Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Investment grade	8 026	-	-	8 026
Standard monitoring	-	-	-	-
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross carrying amount	**8 026**	**-**	**-**	**8 026**
Loss allowance	-1	-	-	-1
Carrying amount	**8 025**	**-**	**-**	**8 025**
Loss allowance (%)				0,01%

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

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

	Maximum exposure to credit risk
Financial derivatives	38

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	**469**	**240**	**1 161**	**1 870**
Transfers:				
Transfer from Stage 1 to Stage 2	-209	1 022	-	**813**
Transfer from Stage 1 to Stage 3	-8	-	145	**137**
Transfer from Stage 2 to Stage 3	-	-697	1 125	**428**
Transfer from Stage 2 to Stage 1	84	-633	-	**-549**
Transfer from Stage 3 to Stage 2	-	41	-229	**-188**
Transfer from Stage 3 to Stage 1	-	-	-	**-**
Assets remaining in same Stage	98	314	-98	**314**
Methodological changes	-43	100	-67	**-10**
Financial assets derecognised that are not write-offs	-72	-61	-119	**-252**
of which 'account that have closed in the period'	-72	-61	-119	**-252**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-460	**-460**
New financial assets originated or purchased	118	-	-	**118**
Changes in PDs/LGDs/EADs	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-6	3	-9	**-12**
Loss allowance as at 31 December 2019	**431**	**329**	**1 449**	**2 209**

Secured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2019	**345**	**198**	**578**	**1 121**
Transfers:				
Transfer from Stage 1 to Stage 2	-110	423	-	**313**
Transfer from Stage 1 to Stage 3	-12	-	228	**216**
Transfer from Stage 2 to Stage 3	-	-202	517	**315**
Transfer from Stage 2 to Stage 1	50	-280	-	**-230**
Transfer from Stage 3 to Stage 2	-	38	-258	**-220**
Transfer from Stage 3 to Stage 1	-	-	-1	**-1**
Assets remaining in same Stage	-9	81	56	**128**
Methodological changes	22	-62	25	**-15**
Financial assets derecognised that are not write-offs	-116	-37	-103	**-256**
of which 'account that have closed in the period'	-116	-37	-103	**-256**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-348	**-348**
New financial assets originated or purchased	222	-	-	**222**
Changes in PDs/LGDs/EADs	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-3	-	-1	**-4**
Loss allowance as at 31 December 2019	**388**	**160**	**693**	**1 241**

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	-	-	-	**-**
of which 'account that have closed in the period'	-	-	-	**-**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-	**-**
New financial assets originated or purchased	-	-	-	**-**
Changes in PDs/LGDs/EADs	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-	-	-	**-**
Loss allowance as at 31 December 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**	**123**
Transfers:				
Transfer from Stage 1 to Stage 2	-9	48	-	**39**
Transfer from Stage 1 to Stage 3	-	-	11	**11**
Transfer from Stage 2 to Stage 3	-	-8	17	**9**
Transfer from Stage 2 to Stage 1	7	-48	-	**-41**
Transfer from Stage 3 to Stage 2	-	5	-23	**-18**
Transfer from Stage 3 to Stage 1	-	-	-	**-**
Assets remaining in same Stage	6	9	15	**30**
Methodological changes	-38	1	-5	**-42**
Financial assets derecognised that are not write-offs	-23	-6	-15	**-44**
of which 'account that have closed in the period'	-23	-6	-15	**-44**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-5	**-5**
New financial assets originated or purchased	23	-	-	**23**
Changes in PDs/LGDs/EADs	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-2	-	-	**-2**
Loss allowance as at 31 December 2019	**46**	**15**	**22**	**83**

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

Write off under management was 1 897 MM NOK per 31.12.2019.

Unsecured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2018	**502**	**262**	**1 087**	**1 851**
Transfers:	-	-	-	
Transfer from Stage 1 to Stage 2	-80	187	-	**107**
Transfer from Stage 1 to Stage 3	-126	-	492	**366**
Transfer from Stage 2 to Stage 3	-	-45	124	**79**
Transfer from Stage 2 to Stage 1	10	-61	-	**-51**
Transfer from Stage 3 to Stage 2	-	6	-56	**-50**
Transfer from Stage 3 to Stage 1	-	-	-5	**-5**
Assets remaining in same Stage	-55	-9	30	**-34**
Methodological changes	-	-	-	**-**
Financial assets derecognised that are not write-offs	-69	-27	-86	**-182**
of which 'account that have closed in the period'	*-69*	*-27*	*-86*	**-182**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-17	-72	-423	**-512**
New financial assets originated or purchased	309	-	-	**309**
Changes in PDs/LGDs/EADs	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-5	-1	-2	**-8**
Loss allowance as at 31 December 2018	**469**	**240**	**1 161**	**1 870**

Secured loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2018	359	136	504	**999**
Transfers:	-	-	-	
Transfer from Stage 1 to Stage 2	-100	167	-	**67**
Transfer from Stage 1 to Stage 3	-56	-	292	**236**
Transfer from Stage 2 to Stage 3	-	-16	118	**102**
Transfer from Stage 2 to Stage 1	7	-38	-	**-31**
Transfer from Stage 3 to Stage 2	-	16	-37	**-21**
Transfer from Stage 3 to Stage 1	-	-	-6	**-6**
Assets remaining in same Stage	-38	-23	-55	**-116**
Methodological changes	-	-	-	**-**
Financial assets derecognised that are not write-offs	-110	-29	-59	**-198**
of which 'account that have closed in the period'	*-110*	*-29*	*-59*	**-198**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-4	-14	-178	**-196**
New financial assets originated or purchased	290	-	-	**290**
Changes in PDs/LGDs/EADs	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-3	-1	-1	**-5**
Loss allowance as at 31 December 2018	**345**	**198**	**578**	**1 121**

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

Off balance exposure*	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2018	47	8	15	**70**
Transfers:	-	-	-	
Transfer from Stage 1 to Stage 2	-4	7	-	**3**
Transfer from Stage 1 to Stage 3	-6	-	12	**6**
Transfer from Stage 2 to Stage 3	-	-1	1	**-**
Transfer from Stage 2 to Stage 1	-	-4	-	**-4**
Transfer from Stage 3 to Stage 2	-	1	-3	**-2**
Transfer from Stage 3 to Stage 1	-	-	-	**-**
Assets remaining in same Stage	11	4	12	**27**
Methodological changes	-	-	-	**-**
Financial assets derecognised that are not write-offs	-5	-1	-8	**-14**
of which 'account that have closed in the period'	*-5*	*-1*	*-8*	**-14**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-	**-**
New financial assets originated or purchased	37	-	-	**37**
Changes in PDs/LGDs/EADs	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-	-	-	**-**
Loss allowance as at 31 December 2018	**81**	**14**	**27**	**122**

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

Write off under management was 2 647 MM NOK per 31.12.2018.

Note 6 - Gross carrying amount

All amounts in millions of NOK

During 2019 the Outstanding distribution by stages and the resulting ECL has been impacted most by two factors:

1. New metholodgy and parameter update in June 2019, including the following points:
    - New Significant Increase in Credit Risk (SICR) methodology, based on comparison between PD at origination and PD at reporting date, replacing old method of comparing Behavior Score and Admission Score.
    - Use of updated data up to December 2017 instead of June 2017

Stage 2 exposure decreases (~50%) with new SICR implementation for Norway and Sweden.
Marginal increase in Stage 2 exposures for Denmark where SICR was not implemented in the 2018 parameter methodology.
LLR decreases less compared to exposure decrease due to concentration of exposures with higher PD in new SICR stage 2.

Pure portfolio performance based on Riskbucket distribution, the yearly evolution has been as follows:

• Norway:
Performing buckets (200.5 million NOK decrease in Secured portfolios and 1.03 billion NOK decrease in Unsecured portfolios):
- Up to date: 264.5 million NOK reduction in Secured portfolios and 907.6 million NOK reduction in Unsecured portfolios
- 1-30 days past due: 41.6 million NOK reduction in Secured portfolios and 123.8 million NOK reduction in Unsecured portfolios.
- 31-60 days past due: 70.1 million NOK increase in in Secured portfolios and 11.6 million NOK decrease in Unsecured portfolios
- 61-90 days past due: 26.5 million NOK increase in Secured portfolios and 15.1 million NOK increase in Unsecured portfolios.

Non-performing buckets:
- 90+ days past due: 112.1 Million NOK increase in Secured portfolios and 30.7 million NOK increase in Unsecured portfolios.

• Sweden:
Performing buckets (443.8 million NOK decrease in Secured portfolios and 395.1 million NOK decrease in Unsecured portfolios):
- Up to date: 446.5 million NOK increase in Secured portfolios and 412.1 million NOK increase in Unsecured portfolios
- 1-30 days past due: 11.9 million NOK reduction in Secured portfolios and 30.7 million NOK reduction in Unsecured portfolios.
- 31-60 days past due: 11.1 million NOK increase in in Secured portfolios and 5.0 million NOK increase in Unsecured portfolios
- 61-90 days past due: 1.9 million NOK decrease in Secured portfolios and 8.7 million NOK increase in Unsecured portfolios.

Non-performing buckets:
- 90+ days past due: 2.2 Million NOK decrease in Secured portfolios and 275.1 million NOK increase in Unsecured portfolios.

• Denmark:
Performing buckets (414.8 million NOK increase in Secured portfolios and 161.5 million NOK increase in Unsecured portfolios):
- Up to date: 443.0 million NOK increase in Secured portfolios and 151.2 million NOK increase in Unsecured portfolios
- 1-30 days past due: 16.5 million NOK reduction in Secured portfolios and 3.4 million NOK decrease in Unsecured portfolios.
- 31-60 days past due: 3.8 million NOK increase in in Secured portfolios and 7.0 million NOK increase in Unsecured portfolios
- 61-90 days past due: 4.5 million NOK increase in Secured portfolios and 6.7 million NOK increase in Unsecured portfolios.

Non-performing buckets:
- 90+ days past due: 56.9 Million NOK increase in Secured portfolios and 357.0 million NOK increase in Unsecured portfolios.

2. An increase in NPL ratio for unsecured portfolios of Sweden and Denmark has taken place as a result from implementation of new 720 DPD write-off policy, decreasing NPL coverage ratio for the same reason. As the days to wirte-off a contract has increased, the NPLs have accumulated in the portfolio, increasing the Stage 3 balances and reserves especially in the unsecured portfolios.
Relevant release in Stage 3 reserves in Norway, due to new WO policy implementation which has produced old defaulted contracts to be written off.

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

Unsecured loans	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**
Gross carrying amount as at 1 January 2019	**27 737**	**2 112**	**1 802**	**31 651**
Transfers:				
Transfer from Stage 1 to Stage 2	-7 214	7 214	-	**-**
Transfer from Stage 1 to Stage 3	-276	-	276	**-**
Transfer from Stage 2 to Stage 3	-	-2 087	2 087	**-**
Transfer from Stage 2 to Stage 1	4 970	-4 970	-	**-**
Transfer from Stage 3 to Stage 2	-	418	-418	**-**
Transfer from Stage 3 to Stage 1	1	-	-1	**-**
Financial assets derecognised during the period other than write-offs	-5 102	-511	-208	**-5 821**
of which 'account that have closed in the period'	-5 102	-511	-208	**-5 821**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-1 045	**-1 045**
New financial assets originated or purchased	7 668	-	-	**7 668**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	111	-43	-32	**35**
Gross carrying amount as at 31 December 2019	**27 895**	**2 133**	**2 461**	**32 489**

Secured loans	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**
Gross carrying amount as at 1 January 2019	**88 118**	**7 637**	**1 209**	**96 964**
Transfers:				
Transfer from Stage 1 to Stage 2	-7 929	7 929	-	**-**
Transfer from Stage 1 to Stage 3	-721	-	721	**-**
Transfer from Stage 2 to Stage 3	-	-1 500	1 500	**-**
Transfer from Stage 2 to Stage 1	10 115	-10 115	-	**-**
Transfer from Stage 3 to Stage 2	-	675	-675	**-**
Transfer from Stage 3 to Stage 1	3	-	-3	**-**
Financial assets derecognised during the period other than write-offs	-19 719	-792	-225	**-20 736**
of which 'account that have closed in the period'	-19 719	-792	-225	**-20 736**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-497	**-497**
New financial assets originated or purchased	43 614	-	-	**43 614**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-20 649	-983	-654	**-22 286**
Gross carrying amount as at 31 December 2019	**92 832**	**2 851**	**1 376**	**97 059**

Commercial papers and bonds	Stage 1 12-month ECL	Stage 2 12-month ECL	Stage 3 12-month ECL	Total
Gross carrying amount as at 1 January 2019	**8 025**	**-**	**-**	**8 025**
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	**-**
Transfer from Stage 1 to Stage 3	-	-	-	**-**
Transfer from Stage 2 to Stage 3	-	-	-	**-**
Transfer from Stage 2 to Stage 1	-	-	-	**-**
Transfer from Stage 3 to Stage 2	-	-	-	**-**
Transfer from Stage 3 to Stage 1	-	-	-	**-**
Financial assets remaining in same Stage	8 025	-	-	**8 025**
Financial assets derecognised during the period other than write-offs	-9 330	-	-	**-9 330**
of which 'account that have closed in the period'	-	-	-	**-**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-9 330	-	-	**-9 330**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-	**-**
New financial assets originated or purchased	*10 626*	-	-	**10 626**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	205	-	-	**205**
Gross carrying amount as at 31 December 2019	**9 526**	**-**	**-**	**9 526**

Off balance exposure	Stage 1 12-month ECL	Stage 2 12-month ECL	Stage 3 12-month ECL	Total
Gross carrying amount as at 1 January 2019	**18 828**	**192**	**128**	**19 148**
Transfers:				
Transfer from Stage 1 to Stage 2	-1 608	1 608	-	**-**
Transfer from Stage 1 to Stage 3	-89	-	89	**-**
Transfer from Stage 2 to Stage 3	-	-128	128	**-**
Transfer from Stage 2 to Stage 1	1 288	-1 288	-	**-**
Transfer from Stage 3 to Stage 2	-	155	-155	**-**
Transfer from Stage 3 to Stage 1	-	-	-	**-**
Financial assets derecognised during the period other than write-offs	-8 055	-210	-107	**-8 372**
of which 'account that have closed in the period'	-8 055	-210	-107	**-8 372**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-	**-**
New financial assets originated or purchased	2 426	-	-	**2 426**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	12 019	226	82	**12 327**
Gross carrying amount as at 31 December 2019	**24 809**	**556**	**164**	**25 529**

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

Unsecured loans	Stage 1 12-month ECL	Stage 2 12-month ECL	Stage 3 12-month ECL	Total
Gross carrying amount as at 1 January 2018	**27 278**	**2 145**	**1 670**	**31 093**
Transfers:				
Transfer from Stage 1 to Stage 2	-1 354	1 354	-	**-**
Transfer from Stage 1 to Stage 3	-877	-	877	**-**
Transfer from Stage 2 to Stage 3	-	-231	231	**-**
Transfer from Stage 2 to Stage 1	479	-479	-	**-**
Transfer from Stage 3 to Stage 2	-	99	-99	**-**
Transfer from Stage 3 to Stage 1	9	-	-9	**-**
Financial assets derecognised during the period other than write-offs	-4 519	-573	421	**-4 671**
of which 'account that have closed in the period'	-4 519	-573	421	**-4 671**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-2	-3	-1 241	**-1 246**
New financial assets originated or purchased	9 230	-	-	**9 230**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-2 507	-200	-48	**-2 755**
Gross carrying amount as at 31 December 2018	**27 737**	**2 112**	**1 802**	**31 651**

Secured loans	Stage 1 12-month ECL	Stage 2 12-month ECL	Stage 3 12-month ECL	Total
Gross carrying amount as at 1 January 2018	**82 536**	**5 657**	**1 053**	**89 246**
Transfers:				
Transfer from Stage 1 to Stage 2	-6 002	6 002	-	**-**
Transfer from Stage 1 to Stage 3	-795	-	795	**-**
Transfer from Stage 2 to Stage 3	-	-323	323	**-**
Transfer from Stage 2 to Stage 1	1 475	-1 475	-	**-**
Transfer from Stage 3 to Stage 2	-	98	-98	**-**
Transfer from Stage 3 to Stage 1	20	-	-20	**-**
Financial assets derecognised during the period other than write-offs	-20 370	-1 354	-11	**-21 735**
of which 'account that have closed in the period'	-20 370	-1 354	-11	**-21 735**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-1	-1	-483	**-485**
New financial assets originated or purchased	41 971	-	-	**41 971**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-10 716	-967	-350	**-12 033**
Gross carrying amount as at 31 December 2018	**88 118**	**7 637**	**1 209**	**96 964**

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

Off balance exposure	Stage 1 12-month ECL	Stage 2 12-month ECL	Stage 3 12-month ECL	Total
Gross carrying amount as at 1 January 2018	**16 971**	**110**	**82**	**17 163**
Transfers:				
Transfer from Stage 1 to Stage 2	-140	140	-	**-**
Transfer from Stage 1 to Stage 3	-85	-	85	**-**
Transfer from Stage 2 to Stage 3	-	-7	7	**-**
Transfer from Stage 2 to Stage 1	61	-61	-	**-**
Transfer from Stage 3 to Stage 2	-	11	-11	**-**
Transfer from Stage 3 to Stage 1	-	-	-	**-**
Financial assets derecognised during the period other than write-offs	-1 635	-22	-39	**-1 696**
of which 'account that have closed in the period'	-1 635	-22	-39	**-1 696**
of which 'foreclosed'	-	-	-	**-**
of which 'sold'	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**
Write-offs	-	-	-	**-**
New financial assets originated or purchased	*3 970*	-	-	**3 970**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-314	21	4	**-289**
Gross carrying amount as at 31 December 2018	**18 828**	**192**	**128**	**19 148**

Note 7 - Liquidity risk

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

All amounts in millions of NOK

2019	*=< 1 months*	*1 - 3 months*	*3 - 12 months*	*1 - 5 years*	>5 years	With no specific maturity	Total
Cash and receivables on central banks	66	-	-	-	-	-	66
Deposits with and receivables on financial institutions	2 434	-	-	-	-	-	2 434
Loans to customers	2 544	5 145	25 628	76 694	17 654	-	127 666
Commercial papers and bonds	411	3 097	4 878	1 179	-	-	9 565
Financial derivatives	-	7	-	-	-	-	7
Loans to subsidiaries and SPV's	48	2 519	1	10 071	-	-	12 639
Investment in subsidiaries	-	-	-	-	-	1 281	1 281
Other financial assets	-	-	-	-	-	1 311	1 311
Total cash from assets	**5 503**	**10 768**	**30 507**	**87 945**	**17 654**	**2 592**	**154 969**
Debt to credit institutions	6 722	1 817	11 241	2 049	-	-	21 829
Deposits from customers	62 806	274	928	1 477	-	-	65 485
Debt established by issuing securities	1 437	6 718	1 845	28 353	-	-	38 353
Financial derivatives	-	-	-	-	-	-	-
Other financial liabilities	112	-	388	-	-	-	500
Subordinated loan capital	3	15	55	854	2 093	-	3 020
Total cash from debt	**71 080**	**8 824**	**14 457**	**32 733**	**2 093**	**-**	**129 187**
Net liquidity risk	**-65 578**	**1 944**	**16 050**	**55 212**	**15 561**		

All amounts in millions of NOK

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

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

Liquidity coverage ratio

Liquidity Coverage Ratio (LCR) measures the capability to meet obligations in the next 30 days by means of liquidity assets. It is defined as LCR = liquidity assets / (cash outflows - cash inflows). The minimum LCR level (CRD IV) is 100% for SEK and DKK and 50% for NOK as per 31.12.2019. With a stable basis of High Quality Liquid Assets, SCB AS fulfills the minimum LCR requirements.

Liquidity Coverage Ratio (LCR) %	2019	2018
Liquidity Coverage Ratio (LCR) Total	156	126
Liquidity Coverage Ratio (LCR) NOK	96	88
Liquidity Coverage Ratio (LCR) SEK	181	129
Liquidity Coverage Ratio (LCR) DKK	245	219
Liquidity Coverage Ratio (LCR) EUR	332	-

Note 8 - Interest rate risk

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

Santander Consumer Bank AS

All amounts in millions of NOK

2019	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Cash and receivables on central banks	66	-	-	-	-	-	**66**
Deposits with and receivables on financial institutions	2 434	-	-	-	-	-	**2 434**
Loans to customers	2 213	108 801	7 687	7 279	117	-	**126 097**
Commercial papers and bonds	1 387	5 675	2 464	-	-	-	**9 526**
Financial derivatives	7	-	-	-	-	-	**7**
Other non interest bearing assets	-	2 482	-	9 930	-	4 250	**16 662**
Total assets	**6 107**	**116 958**	**10 151**	**17 209**	**117**	**4 250**	**154 792**
Debt to credit institutions	8 101	11 238	2 469	-	-	-	**21 808**
Deposits from customers	10 873	52 196	932	1 484	-	-	**65 485**
Debt established by issuing securities	13 706	22 665	1 148	-	-	-	**37 519**
Subordinated loan capital	250	2 171	-	-	-	-	**2 421**
Other non interest bearing liabilities	-	-	-	-	-	4 111	**4 111**
Equity	2 250	-	-	-	-	21 198	**23 448**
Total liabilities and equity	**35 180**	**88 270**	**4 549**	**1 484**	**-**	**25 309**	**154 792**
Net interest risk exposure	**-29 073**	**28 688**	**5 602**	**15 725**	**117**	**-21 059**	

The tables below show the same as the table above, but split per country. The accumulated tables below will not reconcile with the table above due to difference in classification between assets and liabilities in the presented tables.

Santander Consumer Bank AS Norway

All amounts in millions of NOK

2019	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	2 168	48 212	5 335	3 639	52	5 247	**64 653**
Liabilities	6 795	30 823	500	-	-	26 535	**64 653**
Net balance	**-4 627**	**17 389**	**4 835**	**3 639**	**52**	**-21 288**	**-**
Repricing gap	-4 627	17 389	4 835	3 638	52	-21 288	-
Cumulative gap	-4 627	12 762	17 598	21 236	21 288	-	

A +1,00 % parallell increase in market rates will result in a 98,58 million NOK increase in profit in Norway.

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

All amounts in millions of EUR

2019	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	18	-	50	-	-	141	**209**
Liabilities	27	28	154	-	-	-	**209**
Net balance	**-9**	**-28**	**-104**	**-**	**-**	**141**	**-**
Repricing gap	-9	-28	-104	-	-	141	-
Cumulative gap	-9	-37	-141	-141	-141	-	

A +1,00 % parallell increase in market rates will result in a 0,58 million EUR decrease in profit in Norway.

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

2019	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	3 298	39 401	1 413	267	12	3 157	**47 548**
Liabilities	15 823	27 544	500	-	-	3 681	**47 548**
Net balance	**-12 525**	**11 857**	**913**	**267**	**12**	**-524**	**-**
Repricing gap	-12 525	11 857	913	267	12	-524	-
Cumulative gap	-12 525	-668	245	512	524	-	

A +1,00 % parallell increase in market rates will result in a 17,38 million SEK decrease in profit in Sweden.

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

2019	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	543	21 083	2 010	2 539	41	2 216	**28 432**
Liabilities	6 959	17 387	1 033	1 119	-	1 934	**28 432**
Net balance	**-6 416**	**3 696**	**977**	**1 420**	**41**	**282**	**-**
Repricing gap	-6 416	3 696	977	1 420	41	282	-1
Cumulative gap	-6 416	-2 720	-1 743	-323	-282	-	

A +1,00 % parallell increase in market rates will result in a 26,56 million DKK decrease in profit in Denmark

Santander Consumer Bank AS

All amounts in millions of NOK

2018	0 - 1 months	1 - 3 months	3-12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Cash and receivables on central banks	65	-	-	-	-	-	**65**
Deposits with and receivables on financial institutions	1 216	-	-	-	-	-	**1 216**
Loans to customers*	31 235	66 341	21 891	8 946	201	-2 991	**125 624**
Commercial papers and bonds	3 245	3 209	1 571	-	-	-	**8 025**
Financial derivatives	4	8	30	8	-	-	**50**
Loans to subsidiaries and SPV's	138	2 246	998	5 490	-	-	**8 872**
Other non interest bearing assets	-	-	-	-	-	3 547	**3 547**
Total assets	**35 903**	**71 804**	**24 490**	**14 444**	**201**	**556**	**147 400**
Debt to credit institutions	8 416	18 580	1 916	357	-	-	**29 269**
Deposits from customers	5 487	21 183	26 547	1 428	-	-	**54 645**
Debt established by issuing securities	8 052	29 195	-	-	-	-	**37 247**
Financial derivatives	4	7	27	0	-	-	**38**
Subordinated loan capital	247	1 484	-	-	-	-	**1 731**
Other non interest bearing liabilities	-	-	-	-	-	2 860	**2 861**
Equity	1 939	-	-	-	-	19 670	**21 609**
Total liabilities and equity	**24 145**	**70 449**	**28 490**	**1 785**	**-**	**22 530**	**147 400**
Net interest risk exposure	**11 758**	**1 356**	**-4 000**	**12 659**	**201**		

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

The tables below show the same as the table above, but split per country. The accumulated tables below will not reconcile with the table above due to difference in classification between assets and liabilities in the presented tables.

Santander Consumer Bank AS Norway

All amounts in millions of NOK

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

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

Santander Consumer Bank AS Norway

All amounts in millions of EUR

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

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

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

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

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

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

2018	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	19 876	705	2 074	2 714	52	1 822	27 244
Liabilities	2 300	10 608	8 373	4 417	-	1 545	27 244
Net balance	**17 576**	**-9 903**	**-6 299**	**-1 703**	**52**	**277**	**-**
Repricing gap	17 576	-9 903	-6 299	-1 703	52	277	-
Cumulative gap	17 576	7 673	1 375	-329	-276	-	-

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

Note 9 - Capital adequacy

All amounts in millions of NOK

Balance sheet equity	**2019**	**2018**
Paid in equity	9 652	9 652
Share premium	891	891
Other equity	10 774	8 920
Tier 1 Capital	2 250	2 250
Other reserves	-119	-105
Total Equity	**23 448**	**21 609**

Common Equity Tier 1 Capital		
(-) Profit not eligible as capital	-	-1 000
Cash-flow hedge adjustment	-	-
IRB Expected Loss - Reserves	-249	-196
Goodwill	-291	-294
Other intangible assets	-297	-274
Deferred tax assets	-	-
Adjustment Prudent Valuation (AVA)	-8	-7
Tier 1 Capital	-2 250	-2 250
Total common Equity Tier 1 Capital (with full IFRS9 impact)	**20 353**	**17 588**
Capital adjustment according to IFRS9 Transitional rules	318	355
Total common Equity Tier 1 Capital (with IFRS9 transitional rules)	**20 671**	**17 944**

Tier 1 Capital		
Paid in Tier 1 capital instruments	2 250	2 250
Total Tier 1 Capital (with full IFRS9 impact)	**22 603**	**19 838**
Total Tier 1 Capital (with IFRS9 transitional rules)	**22 921**	**20 194**

Total Capital		
Paid up subordinated loans	2 416	1 711
Subordinated loans not eligible	-	-
Total Capital (with full IFRS9 impact)	**25 020**	**21 549**
Total Capital (with IFRS9 transitional rules)	**25 337**	**21 905**

Risk exposure on Standard Approach		
Regional governments or local authorities	64	73
Institutions	363	386
Corporates	8 725	8 778
Retail Standard Approach	47 832	49 918
Exposures in default SA	1 324	902
Covered bonds	385	443
Other Exposures	15 129	11 075
Total Risk exposure amount on Standard Approach	**73 821**	**71 575**

Risk exposure on Internal Rating Based Approach		
Retail Other	22 923	23 589
Total Risk exposure amount on Internal Rating Based Approach	**22 923**	**23 589**
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**96 745**	**95 164**
Foreign exchange (zero if under threshold)	-	-
Risk exposure amount for position, foreign exchange and commodities risks	-	-
	-	-
Basic indicator approach	11 892	11 772
Risk exposure amount for operational risk	**11 892**	**11 772**
Standardized method	**52**	**105**
Risk exposure amount for credit valuation adjustment	**52**	**105**
	-	-
Total risk exposure amount (with full IFRS9 impact)	**108 689**	**107 040**
Risk Exposure adjustment according to IFRS9 Transitional rules	316	354
Total risk exposure amount (with IFRS9 transitional rules)	**109 006**	**107 394**

Total exposure for Leverage Ratio		
Derivatives: Add-on under market-to-market method	177	430
Off-balance sheet items with 10% CCF	2 700	2 286
Off-balance sheet items with 20% CCF	202	782
Off-balance sheet items with 50% CCF	37	37
Adjusted On balance sheet exposure	**153 947**	**146 629**
Total exposure for Leverage Ratio (with full IFRS9 impact)	**157 063**	**150 164**
Exposure adjustment according to IFRS9 Transitional rules	423	473
Total exposure for Leverage Ratio (with IFRS9 transitional rules)	**157 486**	**150 637**

Minimum Regulatory Capital		
Minimum Core Equity	4,50%	4,50%
Pillar 2 Requirement	3,30%	2,30%
Pilar 2 Guidance	1,00%	0,00%
Countercyclical Buffer (combined)	2,10%	1,47%
Conservation Buffer	2,50%	2,50%
Systemic Risk Buffer	3,00%	3,00%
Minimum Regulatory Capital ratio (CET1)	**16,40%**	**14,47%**

Minimum Regulatory Capital		
Minimum Core Equity	4 891	4 817
Pillar 2 Requirement	4 000	2 462
Pilar 2 Guidance	1 087	-
Countercyclical Buffer (combined)	2 282	1 573
Conservation Buffer	2 717	2 676
Systemic Risk Buffer	**3 261**	**3 211**
Minimum Regulatory Capital amount (full IFRS9 impact)	**18 238**	**14 739**
Surplus of Core Equity Tier 1 capital (full IFRS9 impact)	2 115	2 849
Minimum Regulatory Capital amount (with IFRS9 transitional rules)	**17 877**	**14 788**
Surplus of Core Equity Tier 1 capital (after IFRS9 transitional rules)	2 794	3 155

Common equity tier 1 capital ratio (full IFRS9 impact)	**18,73%**	**16,43%**
Common equity tier 1 capital ratio (with IFRS9 transitional rules)	**18,96%**	**16,71%**
CET1 regulatory requirements	16,40%	13,77%
Tier 1 capital ratio (full IFRS9 impact)	**20,80%**	**18,53%**
Tier 1 capital ratio (with IFRS9 transitional rules)	**21,03%**	**18,80%**
Tire 1 regulatory requirements	17,90%	15,27%
Total capital ratio (full IFRS9 impact)	**23,02%**	**20,13%**
Total capital ratio (with IFRS9 transitional rules)	**23,24%**	**20,40%**
Total capital regulatory requirements	19,90%	17,27%
Leverage ratio (full IFRS9 impact)	**14,39%**	**13,21%**
Leverage ratio (with IFRS9 transitional rules)	**14,55%**	**13,41%**
LR regulatory requirements	5,00%	5,00%

Specification of IFRS Transition rules (based on initial impact)		
IFRS 9 Increase in Loss Reserves	-498	-498
- whereof Internal Rating Based	-	-
Tax impact from increased loss reserves	124	124
Deferred tax assets impact on capital	-	-
Initial IFRS9 net impact on capital	-374	-374
Base amount for IFRS9 transitional rule on capital	374	374
Transition %	85%	95%
Capital adjustment due to Transitional rule	**318**	**355**
Std Approach value adjustments Spec Reserves	-498	-498
- whereof Retail (75%RW)	-496	-496
- whereof Covered Bonds (10%RW)	-2	-2
Deferred tax assets impact on Risk Exposure Amount (250%RW)	-	-
Initial IFRS9 net impact on Risk Exposure Amount	-372	-372
Base amount for IFRS9 transitional rule on Risk Exposure Amount	372	372
Transition %	85 %	95 %
Risk Exposure adjustment due to Transitional rule	**316**	**354**
Impact from Transitional rules on capital ratios (same impact for Tier 1 and 2)	0,24 %	0,28 %

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

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

Note 10 - Segment information

All amounts in millions of NOK

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

2019

	Unsecured loans	Secured loans	Financial lease	Operational lease	Total
Norway	10 321	37 506	10 439	-	**58 267**
Sweden	15 155	17 683	5 600	-	**38 438**
Denmark	7 013	23 472	2 359	424	**33 266**
Total	**32 489**	**78 661**	**18 398**	**424**	**129 971**

2018

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

P&L and Balance sheet per country

2019

	Norway	Sweden	Denmark	Eliminations	Total Group
Total interest income	4 029	1 608	1 829	-	7 466
Total interest expenses	-975	-228	-149	-	-1 352
Net interest income	**3 054**	**1 380**	**1 680**	**-**	**6 114**
Fee and commission income	188	184	156	-	528
Fee and commission expenses	-128	-29	-27	-	-184
Value change and gain/loss on foreign exchange and securities	4	1	-5	-	-1
Other operating income	550	8	97	-	656
Other operating expenses	-30	-25	-53	-	-108
Gross margin	**3 638**	**1 520**	**1 848**	**-**	**7 005**
Salaries and personnel expenses	-599	-292	-258	-	-1 149
Administrative expenses	-471	-438	-371	-	-1 280
Depreciation and amortisation	-100	-59	-69	-	-228
Net operating income	**2 467**	**730**	**1 150**	**-**	**4 348**
Other income and costs	27	-2	-10	-	15
Impairment losses on loan, guarantees etc.	-418	-137	-211	-	-766
Profit before taxes	**2 076**	**591**	**929**	**-**	**3 596**
Income tax expense	-276	-137	-226	-	-638
Profit after tax	**1 801**	**455**	**703**	**-**	**2 959**

Cash and receivables on central banks	66	-	-	-	66
Deposits with and receivables on financial institutions	1 217	1 066	150	-	2 434
Total gross loans to customers	57 665	34 612	32 843	4 427	129 548
Write-downs	-1 594	-957	-899	-	-3 450
Commercial papers and bonds	3 425	3 810	2 292	-	9 526
Financial derivatives	7	-	-	-	7
Investments in subsidiaries	1 281	-	-	-	1 281
Other assets	20 700	484	1 658	-7 461	15 381
Total assets	**82 767**	**39 014**	**36 044**	**-3 034**	**154 792**
Debt to credit institutions	2 392	8 075	14 330	-2 990	21 808
Deposits from customers	26 477	19 816	19 191	-	65 484
Debt established by issuing securities	27 886	7 958	1 675	-	37 519
Financial derivatives	-	-	-	-	-
Other liabilities	2 760	3 062	755	-44	6 533
Equity	23 252	103	93	-	23 448
Total liabilities and equity	**82 767**	**39 014**	**36 044**	**-3 034**	**154 792**

P&L and Balance sheet per country

2018

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

Note 11 - Net interest income

Amounts in millions of NOK

	2019	2018
Interest and similar income on loans to and receivables from credit institutions	359	398
Interest and similar income on loans to and receivables from customers	7 048	6 547
Interest and similar income on comm. paper, bonds and other securities	59	59
Total interest income	**7 466**	**7 004**
Interest and similar expenses on debt to credit institutions	-159	-156
Interest and similar expenses on deposits from and debt to customers	-788	-666
Interest and similar expenses on issued securities	-346	-288
Interest on subordinated loan capital	-54	-46
Other interest expenses and similar expenses	-6	-5
Total interest expense	**-1 352**	**-1 161**
Net interest income	**6 114**	**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.

To credit institutions	**2019**	**2018**
Interest expenses	-159	-156
Average loan	25 538	29 657
Average nominal interest rate	**0,62%**	**0,53%**

To customers	**2019**	**2018**
Interest expenses	-788	-666
Average deposit	60 065	52 631
Average nominal interest rate	**1,31%**	**1,27%**

To bondholders	**2019**	**2018**
Interest expenses	-346	-288
Average issued notes and bonds	37 383	36 516
Average nominal interest rate	**0,92%**	**0,79%**

Subordinated loan capital	**2019**	**2018**
Interest expenses	-54	-46
Average subordinated loan capital	2 076	1 742
Average nominal interest rate	**2,58%**	**2,64%**

Total of tables above	**2019**	**2018**
Interest expenses	-1 346	-1 156
Loan	125 062	120 546
Average nominal interest rate	**1,08%**	**0,96%**

Note 12 - Other operating income and expenses

Amounts in millions of NOK

	2019	2018
Operational leasing income	95	1
Dividends from investments	509	-
Other	51	96
Total other operating income	**656**	**96**
Ordinary depreciation operational leasing	-24	-12
Fee to The Norwegian Banks' Guarantee Fund	-64	-57
Other	-20	-36
Total other operating expenses	**-108**	**-105**

Note 13 - Tax

All amounts in millions of NOK

Income tax	**2019**	**2018**
Tax payable	-619	-976
Adjustments in respect of prior years	113	6
Currency effects foreign tax credits	-	-
Total current tax	**-506**	**-970**
Change in temporary differences	-132	108
Currency effects	-	-
Adjustments in respect of prior years	-	-
Total change in deferred tax	**-132**	**108**
Income tax expense	**-638**	**-862**
Profit before tax	3 597	3 469
Estimated income tax at nominal tax rate 25%	-899	-867
Tax effects of:		
- Income not subject to tax*	126	-
- Non deductible expenses	-4	-1
Adjustments in respect of prior years*	139	6
Tax charge	**-638**	**-862**

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

		2019	
	Before tax	**Tax (charge)/ credit**	**After tax**
Actuarial assumption related to pension	163	41	122
Cash flow hedges	20	5	15
Currency translation differences	17	4	13
Shares in VN Norge AS - value adjustment	-31	-	-31
Other comprehensive income	**169**	**50**	**119**
Tax payable	-	4	-
Deferred tax	-	46	-
Tax in OCI	-	**50**	-

Deferred tax in the balance sheet	**2019**	**2018**
Deferred tax assets/deferred taxes as at 1 January	468	593
Changes recognized in income statement	132	-107
Changes recognized in OCI	7	-27
Currency adjustment	-3	-
Adjustments in respect of prior years**	289	8
Net Deferred tax assets/deferred taxes at 31 December	**893**	**468**

Deferred taxes related to the following temporary differences	2019	2018
Fixed assets	3 481	2 306
Net pension commitments	-140	-126
Financial instruments	-20	-20
Net other taxable temporary differences	216	-292
Total deferred tax position	**3 537**	**1 868**
Fixed assets	883	577
Net pension commitments	-35	-31
Financial instruments	-5	-5
Net other taxable temporary differences	50	-73
Net Deferred tax assets/deferred taxes at 31 December	**893**	**468**

Tax effect of different tax rates in other countries.
The Bank has operations in Sweden and Denmark whose tax rates are different from that in Norway (25%). Taxes are paid in Norway, and later credited by amount paid in other countries.

2019 figures: No changes in tax rates
2018 figures: No changes in tax rates

*The Bank have received a dividend of MM EUR 55 in December 2019 which is not taxable income. The adjustment in respect of prior years relates to a settle of dispute with the Norwegian tax authorities.
**The Bank have reclassified MM NOK 289 from tax payable to deferred tax in the balance sheet, the reclassification did not affect recognized income tax in the statement of profit and loss.

Note 14 - Loans to customers

All amounts in millions of NOK

	2019	2018
Credit Card	7 016	7 026
Unsecured loans	25 473	24 625
Auto loans	97 059	96 964
- Instalment loans	*78 661*	*78 226*
- Financial leasing	*18 398*	18 738
Total gross loans to customers	**129 548**	**128 615**
- Loan loss allowance - Stage 1	-819	-814
- Loan loss allowance - Stage 2	-489	-438
- Loan loss allowance - Stage 3	-2 142	-1 739
Total net loans to customers	**126 098**	**125 624**

Note 15 - Impairment losses on loan, guarantees etc.

All amounts in millions of NOK

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

	2019	2018
Change in loss allowance - Unsecured loans	-353	-53
Change in loss allowance - Secured loans	-127	-37
Change in loss allowance - Commercial papers and bonds	-	1
+/- FX rate adjustment opening balance	-	-
+ Total realized losses	-1 247	-1 698
- Recoveries on previously realized losses	260	558
- Gain on sold portfolios	702	1 388
Impairment losses on loan, guarantees etc.	**-765**	**159**

Note 16 - Loans and impairment by main sectors

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:

2019	Gross carrying amount	Accumulated impairment	Total
Private individuals	108 476	-3 152	105 324
Wholesale and retail trade	8 562	-128	8 434
Construction	4 687	-75	4 612
Other financial corporations	2 160	-	2 160
Transport and storage	1 535	-31	1 504
Professional, scientific and technical activities	907	-11	896
Manufacturing	889	-13	876
Real estate activities	510	-12	498
Accommodation and food service activities	328	-6	322
Governments	324	-3	321
Other services	319	-8	311
Information and communication	288	-6	282
Human health services and social work activities	222	-2	220
Education	197	-2	195
Agriculture, forestry and fishing	113	-1	112
Electricity, gas, steam and air conditioning supply	25	-	25
Mining and quarrying	5	-	5
Public administration and defence, compulsory social security	1	-	1
Total	**129 548**	**-3 450**	**126 098**

2018	Gross carrying amount	Accumulated impairment	Total
Private individuals	108 310	-2 686	105 624
Wholesale and retail trade	9 023	-148	8 875
Construction	4 166	-56	4 110
Real estate activities	3 038	-36	3 002
Transport and storage	1 775	-37	1 738
Manufacturing	768	-8	760
Human health services and social work activities	501	-6	495
Accommodation and food service activities	300	-5	295
Agriculture, forestry and fishing	216	-3	213
Governments	214	-	214
Education	178	-2	176
Electricity, gas, steam and air conditioning supply	79	-1	78
Mining and quarrying	30	-1	29
Other financial corporations	12	-	12
Public administration and defence, compulsory social security	2	-	2
Professional, scientific and technical activities	-	-	-
Information and communication	-	-	-
Other services	-	-	-
Total	**128 614**	**-2 991**	**125 624**

Note 17 - Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 31 December 2019	Financial assets fair value at through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Cash and receivables on central banks	-	-	66	66
Deposits with and receivables on financial institutions	-	-	2 434	2 434
Loans to customers	-	-	126 098	126 098
Commercial papers and bonds	-	-	9 526	9 526
Financial derivatives	7	-	-	7
Loans to subsidiaries and SPV's	-	-	12 412	12 412
Other ownership interests	-	31	-	31
Total financial assets	**7**	**31**	**150 536**	**150 574**
		Non-financial assets		4 218
		Total assets		**154 792**

Classification of financial liabilities 31 December 2019	Financial liabilities fair value at through P&L	Financial liabilities at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	21 808	21 808
Deposits from customers	-	-	65 484	65 484
Debt established by issuing securities	-	-	37 519	37 519
Financial derivatives	-	-	-	-
Other financial liabilities	-	-	500	500
Subordinated loan capital	-	-	2 421	2 421
Total financial liabilities	**-**	**-**	**127 732**	**127 732**
		Non-financial liabilities and equity		27 060
		Total liabilities and equity		**154 792**

Classification of financial assets 31 December 2018	Financial assets fair value at 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
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 fair value at 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 18 - Issued securities

All amounts in millions of NOK

	2019	2018
Issued certificates	1 999	1 751
Senior unsecured issued securities	35 520	35 496
Total issued securities	**37 519**	**37 247**

Changes in liability issued securities	Book value 31.12.2018	New issues/ repurchase	Monthly payments and at maturity	Book value 31.12.2019
Issued certificates	1 751	1 999	-1 751	1 999
Senior unsecured issued securities	35 496	14 675	-14 651	35 520
Total issued securities	**37 247**	**16 674**	**-16 402**	**37 519**

Certificates

Issuer	Net nominal value	Currency	Interest	Call date	Book value 31.12.2019
Certificates					
Santander Consumer Bank AS	250	NOK	Fixed	2020-02-12	252
Santander Consumer Bank AS	100	NOK	Fixed	2020-04-08	100
Santander Consumer Bank AS	150	NOK	Fixed	2020-05-08	150
Santander Consumer Bank AS	250	NOK	Fixed	2020-05-22	251
Santander Consumer Bank AS	100	SEK	Fixed	2020-01-29	94
Santander Consumer Bank AS	100	SEK	Fixed	2020-01-09	94
Santander Consumer Bank AS	100	SEK	Fixed	2020-01-13	94
Santander Consumer Bank AS	70	SEK	Fixed	2020-03-24	66
Santander Consumer Bank AS	100	SEK	Fixed	2020-02-07	94
Santander Consumer Bank AS	200	SEK	Fixed	2020-02-17	189
Santander Consumer Bank AS	50	SEK	Fixed	2020-03-18	47
Santander Consumer Bank AS	200	SEK	Fixed	2020-05-08	189
Santander Consumer Bank AS	150	SEK	Fixed	2020-06-10	141
Santander Consumer Bank AS	150	SEK	Fixed	2020-06-15	141
Santander Consumer Bank AS	100	SEK	Fixed	2020-03-18	94
Totals issued certificates					**1 999**

Specification of issued securities

Bonds

Issuer	Net nominal value	Currency	Interest	Call date	Book value 31.12.2019
Senior unsecured issued securities					
Santander Consumer Bank AS	1100	NOK	Floating	2022-01-17	1 107
Santander Consumer Bank AS	1091	NOK	Floating	2020-01-17	1 097
Santander Consumer Bank AS	700	NOK	Floating	2020-09-21	701
Santander Consumer Bank AS	800	NOK	Floating	2022-11-21	803
Santander Consumer Bank AS	650	NOK	Floating	2021-02-26	651
Santander Consumer Bank AS	700	NOK	Floating	2021-08-27	701
Santander Consumer Bank AS	1000	NOK	Floating	2022-02-07	1 003
Santander Consumer Bank AS	800	NOK	Floating	2024-03-14	802
Santander Consumer Bank AS	500	NOK	Floating	2024-11-13	501
Santander Consumer Bank AS	500	EUR	Fixed	2020-02-17	4 948
Santander Consumer Bank AS	500	EUR	Fixed	2023-03-01	4 983
Santander Consumer Bank AS	500	EUR	Fixed	2022-01-21	4 969
Santander Consumer Bank AS	500	EUR	Fixed	2024-09-11	4 889
Santander Consumer Bank AS	1000	SEK	Floating	2020-03-30	944
Santander Consumer Bank AS	1000	SEK	Floating	2021-06-14	945
Santander Consumer Bank AS	500	SEK	Floating	2023-01-18	472
Santander Consumer Bank AS	500	SEK	Floating	2021-03-22	474
Santander Consumer Bank AS	605	SEK	Floating	2022-05-11	571
Santander Consumer Bank AS	750	SEK	Floating	2023-08-13	708
Santander Consumer Bank AS	750	SEK	Floating	2021-10-18	708
Santander Consumer Bank AS	1000	SEK	Floating	2025-01-15	946
Santander Consumer Bank AS	1000	SEK	Floating	2022-09-19	944
Santander Consumer Bank AS	500	DKK	Floating	2021-09-20	664
Santander Consumer Bank AS	750	DKK	Floating	2022-04-02	989
Totals issued bonds					**35 520**

Note 19 - Valuation Hierarchy

All amounts in millions of NOK

2019

Financial instruments measured at fair value			**Quoted market price Level 1**	**Using Observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
Financial assets						
Name	**Type**	**Notional**				
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 12	-	7	-	7
Total financial trading derivatives			**-**	**7**	**-**	**7**
Name	**Type**					
VISA	Equity		-	31	-	31
Total other ownership interests			**-**	**31**	**-**	**31**
Total Assets			**-**	**38**	**-**	**38**
Derivatives designated for hedge accounting - assets						
Name	**Type**	**Notional**				
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	19	-	19
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	58	-	58
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	17	-	17
Total derivatives designated for hedging - assets**			**-**	**94**	**-**	**94**
Derivatives designated for hedge accounting - liabilities						
Name	**Type**	**Notional**				
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	29	-	29
Total derivatives designated for hedging - liabilities*			**-**	**29**	**-**	**29**

* Government bonds are included in the balance sheet line "commercial papers and bonds". The balance sheet line also include B and C tranche bonds from the SPVs that are not booked at fair value. See note 18.
** Derivatives designated for hedge accounting are included in the balance sheet line "Other Assets" for the derivatives that represent an asset and in "Other liabilities" for derivatives that represent a liability for the entity.

2018

Financial instruments measured at fair value			**Quoted market price Level 1**	**Using Observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
Financial assets						
Name	**Type**	**Notional**				
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 75	-	50	-	50
Total financial trading derivatives			**-**	**50**	**-**	**50**
Name	**Type**					
VISA	Equity		-	26	-	26
Total other ownership interests			**-**	**26**	**-**	**26**
Total Assets			**-**	**76**	**-**	**76**

Financial liabilities						
Name	**Type**	**Notional**				
Bilkreditt 7 Pass-trough	Cross Currency Swap	MM EUR 56	-	38	-	38
Total financial trading derivatives			**-**	**38**	**-**	**38**
Total Liabilities			**-**	**38**	**-**	**38**

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

* Government bonds are included in the balance sheet line "commercial papers and bonds". The balance sheet line also include B and C tranche bonds from the SPVs that are not booked at fair value. See note 18.
** Derivatives designated for hedge accounting are included in the balance sheet line "Other Assets" for the derivatives that represent an asset and in "Other liabilities" for derivatives that represent a liability for the entity.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which 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.

Offsetting of financial assets and financial liabilities
The disclosure in the table below include financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar arrangements. The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.
The Group receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:
• derivatives
• sale-and-repurchase, and reverse sale-and-repurchase agreements

This collateral is subject to standard industry terms including, when appropriate, an ISDA credit support annex.

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

All amounts in millions of NOK

2019	Gross amounts	Amounts offset in the statement of financial position	Net amount presented in the financial statements	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Collateral	Net amount after possible netting
Financial assets						
Derivatives	101	-	101	-	109	-8
Reverse repurchase arrangements	1 071	-	1 071	1 071	-	-
Financial liabilites						
Derivatives	29	-	29	-	23	6
Repurchase arrangements	-	-	-	-	-	-

All amounts in millions of NOK

2018	Gross amounts	Amounts offset in the statement of financial position	Net amount presented in the financial statements	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Collateral	Net amount after possible netting
Financial assets						
Derivatives	200	-	200	-	199	1
Reverse repurchase arrangements	97	-	97	97	-	-
Financial liabilites						
Derivatives	38	-	38	-	37	1
Repurchase arrangements	-	-	-	-	-	-

Note 20 - Hedging

Fair Value Hedge
Fair value hedges are used to protect the Bank against exposures to changes in the market prices of recognized fixed interest-notes issued in EUR. The Bank uses cross currency interest rate swaps and interest rate swaps that qualify as hedging instruments, and designates these to the hedge relationship at time of inception if all criterias for hedge accounting are met. Changes in fair value of the hedging instruments are recognized in the income statement together with changes in the fair value of the hedged liability that are attributable to the hedged risk.

For the fair value hedges the Bank assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in fair value of the hedged item using the dollar offset method. This method is a quantitative method that consists of comparing the change in fair value or cash flows of the hedging instrument (including any counterparty credit risk) with the change in fair value of the hedged item attributable to the hedged risk. As counterparties credit risk is not hedged this is a source of ineffectiveness.

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

	2019			2018		
All amounts in millions of NOK	Assets	Liabilities	Gains (losses) recognized in P&L	Assets	Liabilities	Gains (losses) recognized in P&L
Hedged item (Issued Bonds)	-	7 346	-14	-	10 232	26
Hedge instruments (Cross currency swaps)	61	33	10	-	49	-81
Fair value hedge item adjustment	-	22	-	2	35	-
Nominal of hedging instruments	-	7 346	-	-	10 232	-
Net exposure over P&L			**-4**			**-55**

	2019	2018
Inefficiency	Ineffectiveness recognized in P&L	Ineffectiveness recognized in P&L
Fair value hedging ineffectiveness	-4	-55

Cash Flow Hedge
Cash flow hedging is applied for the exposure to variation in future interest payments due to exchange rate risk on issued notes in foreign currency (EUR). Cross currency swaps (NOK swapped to EUR) are used as hedging instruments and they are designated into hedge relationships at inception when all criterias for hedge accounting are met.

Further, cash flow hedging is applied for the exposure of variation in future interest payments from issued floating rate-notes with floating EURIBOR-rate. Interest rate swaps (fixed interest swapped to floating) are used as hedging instruments and they are designated into hedge relationships at inception when all criterias for hedge accounting are met.

The portion of the gain or loss in the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. Gains or losses on hedging instruments that have been accumulated in equity are recognized in profit or loss in the same period as interest expense from the hedged liability. The ineffective portion of the gain or loss on hedging instruments is recognized in profit or loss.

The Bank assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in cash flows of the hedged item (prospectively and retrospectively) using the hypotethical derivative method. This method assess hedge ineffectiveness by comparing the change in fair value of the actual derivative designated as the hedging instrument and the change in fair value of a “hypothetical derivative” that would result in perfect hedge effectiveness for the designated item. The hypothetical derivative would have terms that exactly match the critical terms of the hedged item with the lower of the two cumulative changes always appearing in Equity.

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

	2019			2018		
All amounts in millions of NOK	Assets	Liabilities	Amount recognized in OCI	Assets	Liabilities	Amount recognized in OCI
Hedged item (Bonds)	-	7 346	-	-	10 296	**-**
Hedge instruments (Cross currency interest rate swaps)	37	-	20	-	-	20
Hedge instruments (Interest rate swaps)	-	-	-	-	-	**-**
Nominal of hedging instruments	-	7 346	-	-	-	**-**
Net exposure over P&L			20			**20**

Inefficiency	2019 Ineffectiveness recognized in P&L	2018 Ineffectiveness recognized in P&L
Cash flow hedging ineffectiveness	2	-12

Periods when the cash flows are expected to occur and when they are expected to affect profit or loss;

	2019			2018		
	< 1 year	1-5 years	Over 5 years	< 1 year	1-5 years	Over 5 years
Cash inflows (assets)	-	-	-		-	-
Cash outflows (liabilities)	2 458	4 888	-		10 296	-
Net cash flows	**2 458**	**4 888**	**-**		**10 296**	**-**

Reclass from OCI to profit and loss:	2019	2018
Reclassified amount	-	47

Fair value hedge of shares in subsidiary
The Bank's shares in Santander Consumer Finance OY is denominated in EUR, as the Groups functional currency is NOK it is exposed for translation risks. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiary (EUR) and the Bank's functional currency (NOK), which causes the value of the shares to fluctuate when translating them to NOK.

Loans from external parties nominated in EUR is designated as hedging instruments and designated into the hedging relationship when all criterias for hedge accounting are met. The Bank assesses whether the EUR nominated loans designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in cash flows of the hedged item (prospectively and retrospectively) using the dollar offset method.

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

	2019			2018		
All amounts in millions of NOK	Assets	Liabilities	Amount recognized in P&L	Assets	Liabilities	Amount recognized in P&L
Hedged item (Shares in SCF OY)	1 281	-	-11	1 292	-	14
Hedge instrument (EUR-loan)	-	-1 292	11	-	-1 303	-14
Net exposure over OCI			**-**			**-**

Inefficiency	2019 Ineffectiveness recognized in P&L	2018 Ineffectiveness recognized in P&L
Net investment hedging ineffectiveness	-	-

Interest Rate Benchmark Reform: Amendments to IFRS 9; IAS 39 and IFRS 7
The Group is closely monitoring the market and the output from the various industry working groups managing the transition to new benchmark interest rates. The Group has established a project to manage the transition for any of its contracts that could be affected.

Cross currency swaps	**Nominal amount**	**Average maturity**
EURIBOR EUR (3 months) to CIBOR DKK (3 months)	7 346	2022-07-06
Total	**7 346**	

Note 21 - Financial instruments measured at amortized cost

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

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

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

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

Loans and advances to credit institutions:
These items consist of cash, posted swap collateral and reverse repurchase agreements, and the fair value is due to their short term nature assumed to equal the book value.
Level in fair value hierarchy: Level 3

Loans to customers:
The Banks portfolio of loans to customers consists of the following main groups; credit cards, financial leasing, installment loans and unsecured loans. All loans in the portfolio is subject for continuous evaluation of whether an impairment or loan loss allowance should be booked for it. Interest rates for new business volume is assumed to be a fair representative of market rates. In order to estimate fair value of the portfolio, an adjustment has to be made for the difference between interest rates for new business volume and existing portfolio. The approach for estimation of fair value is based on a correlation model between the average nominal interest rates (TIN) (%) of the portfolio / evaluated portfolio and the average New Business TIN (%) of the last three months of the same portfolios. If the average TIN (%) of the portfolio differs from that of new business rate (average three months), fair value will be different from book value. When fair value has been identified following this rationale, it will be discounted to the present value of the moment in which the estimate is carried out.
Level in fair value hierarchy: Level 3

Deposits from customers:
Fair value is assessed to equal amortized cost as contractual maturity is short and the deposits to a limit extend is affected by changes in credit risk.
Level in fair value hierarchy: Level 3

Issued securities:
The Bank have issued securities in both EUR, SEK, DKK and NOK. Issuances of bonds in SEK/EUR/NOK are done on traded markets and quoted market prices (average of bid/ask prices) for the securities is used as fair value. The Danish market is highly illiquid and for issued bonds nominated in DKK it is assumed that the book value is the best estimate of the fair value as there is little or no relevant market data available to make other reasonable estimates.

The Bank also issue commercial papers (bonds with maturity less than one year), these securities are almost not traded among investors and reliable bid/ask prices are therefore not available for an assessment of fair value. As the securities have such short time to maturity it is assessed that the book value reflects the fair value most accurately.
Level in fair value hierarchy: Level 1 for securities with quoted market prices and level 3 for remaining.

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

Investment in notes issued by SPV's:
The bank have invested in issued securities by SPV's. These securities is a part of the SPVs underlying structure for securitization and issuance of ABS'. These notes are generally fixed rate notes, as the notes are generally very illiquid, it is difficult to find observable, representative market data, for that reason it is assumed that the book value is the best estimate for the fair value.
Level in fair value hierarchy: Level 3

		2019		2018	
All amounts in millions of NOK	**Fair value level**	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets					
Type					
Loans and advances to credit institutions	Level 3	2 500	2 500	1 281	1 281
Loans to customers	Level 3	126 098	124 414	125 623	125 623
Commercial papers and bonds	Level 1 and 3	9 526	9 526	8 025	8 025
Investment in securities issued by SPVs	Level 3	12 412	12 412	8 872	8 886
Total financial assets		**150 536**	**148 852**	**143 801**	**143 815**
Financial liabilities					
Type					
Loans and deposits from financial institutions	Level 3	21 808	21 808	29 269	29 269
Deposits from customers	Level 3	65 484	65 484	54 646	54 646
Issued securities	Level 1 and 3	37 519	37 019	37 247	37 293
Subordinated loan capital	Level 3	2 422	2 422	1 731	1 731
Total financial liabilities		**127 233**	**126 733**	**122 893**	**122 939**

Note 22 - Securitization

The Bank securitizes auto loan to customers by selling the loans to a special purpose company, which funds the purchase by issuing bonds with security in the assets. The portfolio of auto loans consists of financing of motor vehicles (including but not limited to cars, light commercial vehicles, motor homes and motorcycles) and the related collateral. At 31.12.2019, Santander Consumer Bank AS has sold auto loan portfolio to two different SPV's. (See note 33 for a list of SPVs)

According to IFRS 9, no derecognition of these sold assets is done in the company, as the company retains basically all the risk and reward of the transferred assets. The risk is retained through the company's ownership in the most subordinated tranche of the issued notes. Through the priority of payments, these notes take on all the losses before the prioritized notes. The reward is retained as SCB AS receive the margin between car loan costumer payments and payments to bondholders.

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

The table below shows the carrying amounts of all financial assets transferred that are not derecognised in their entirety and associated liabilities as of 31.12.2019.

All amounts in millions of NOK	**2019**	**2018**
Carrying amount of assets (Portfolio of auto loans)	4 427	5 822
Carrying amount of associated liabilities	4 427	5 822

Note 23 - Fixed assets

2019

All amounts in millions of NOK	**Buildings**	**Machines, fittings, equipment**	**Leasing portfolio (operational)**	**Total**
Acquisition cost 1.1	293	112	269	674
Rate difference opening balance	-	-	-3	-3
Acquisition cost 1.1 rate 31.12	293	112	266	671
Additions during the year	38	22	261	321
Disposals during the year	-	-8	-75	-83
Impairment	-	-	-	-
Rate difference year's acquisition cost	-	-	2	2
Acquisition cost 31.12	**331**	**126**	**454**	**911**
				-
Acc. ordinary depreciation 1.1	-	-48	-33	-82
Rate difference 01.01	-	-	1	1
Acc. ordinary depreciation 1.1 rate 31.12	-	-48	-32	-80
Year's ordinary depreciation*	-49	-23	-24	-96
Impairment	-	-	-9	-9
Rate difference year's depreciation average rate	-	-	-	-
Reversed depreciation on disposals	-	4	13	17
Acc. depreciation 31.12	-49	-67	-54	-170
Accrued fees and provisions	-	-		-
Book value in the balance sheet 31.12	**282**	**59**	**-54**	**287**
Accrued fees and provisions	-	-	-	-
Booked value in balance 31.12	**282**	**59**	**400**	**741**

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

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

As at 31 December 2019, Buildings includes right-of-use assets of 282 MM NOK related to leased office premises.

2018

All amounts in millions of NOK	**Machines, fittings, equipment**	**Leasing portfolio (operational)**	**Total**
Acquisition cost 1.1	138	212	350
Rate difference opening balance	-	2	2
Acquisition cost 1.1 rate 31.12	138	214	352
Additions during the year	11	128	139
Disposals during the year	-54	-73	-127
Impairment	-	-	-
Rate difference year's acquisition cost	-1	-	-1
Acquisition cost 31.12	**94**	**269**	**363**
Acc. ordinary depreciation 1.1	-77	-29	-106
Rate difference 01.01	-	-	-
Acc. ordinary depreciation 1.1 rate 31.12	-77	-29	-106
Year's ordinary depreciation*	-21	-13	-34
Impairment	-	-1	-1
Rate difference year's depreciation average rate	-	-	-
Reversed depreciation on disposals	49	10	59
Book value in the balance sheet 31.12	**-48**	**-33**	**-81**
Accrued fees and provisions	1	-28	-27
Booked value in balance	**47**	**209**	**256**

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

Note 24 - Intangible assets

2019

All amounts in millions of NOK	**Intangible assets (software)**	**Goodwill**	**Total**
Acquisition cost 1.1	626	379	1 005
Rate difference opening balance	-	-4	-4
Acquisition cost 1.1 rate 31.12	626	375	1 001
Additions during the year	182	-	182
Disposals during the year	-	-	-
Impairment	-134	-	-134
Rate difference year's acquisition cost	-8	-	-8
Acquisition cost 31.12	**666**	**375**	**1 041**
Acc. ordinary depreciation 1.1	-352	-	-352
Rate difference 01.01		-	-
Acc. ordinary amortization 1.1 rate 31.12	-352	-	-352
Year's ordinary depreciation*	-64	-	-64
Impairment	45	-	45
Rate difference year's depreciation average rate	2	-	2
Reversed depreciation on disposals	-	-	-
Acc. amortization 31.12	**-369**	**-**	**-369**
Book value in the balance sheet 31.12	**297**	**375**	**672**
Method on measurement	Acquisition cost	Acquisition cost	
Amortization method	Linear	Linear	
Plan of amortization and useful life	3 – 7 years	-	
Average useful life	5 years	-	

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

2018

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

Note 25 - Leasing

Financial leases (as lessor):
AS owns assets leased to customers under finance lease agreements. Finance lease agreements are included and reported as "loans to customers" in the balance sheet, and are valued at the present value of future cash flows.

All amounts in millions of NOK	**2019**	**2018**
Gross investment in the lease:		
Due in less than 1 year	4 716	5 611
Due in 1 - 5 years	13 633	13 061
Due later than 5 years	49	66
Total gross investment in the lease	**18 398**	**18 738**
Present value of minimum lease payments receivable:		
Due in less than 1 year	4 545	5 405
Due in 1 - 5 years	6 480	10 114
Due later than 5 years	37	51
Total present value of minimum lease payments receivable	**11 062**	**15 570**
Unearned finance income	**7 336**	**3 168**

Operational leases (as lessor)
AS owns assets leased to customers under operational lease agreements. Operational lease agreements are reported as fixed assets in the balance sheet.

All amounts in millions of NOK	**2019**	**2018**
Future minimum lease payments under non-cancellable operating leases		
Due in less than 1 year	129	88
Due in 1 - 5 years	329	170
Due later than 5 years	-	-
Total future minimum lease payments under non-cancellable operating leases	**458**	**258**

Financial leases (as leesee):
Right-of-use assets

2019

All amounts in millions of NOK	Buildings	Machines, fittings, equipment	Total
Costs			
At 31 December 2018 - Restated	293	18	**311**
Additions during the year	38	3	**41**
At 31 Desember 2019	**331**	**22**	**352**
Accumulated depreciation			
At 31 December 2018 - Restated	-	-	**-**
Charge for the year	-49	-7	**-56**
At 31 Desember 2019	**-49**	**-7**	**-56**
Carrying Amount			
At 31 Desember 2019	282	14	**297**
At 31 Desember 2018 - Restated	293	18	**311**

The Bank leases several assets including buildings, machines and IT equipment. The average lease term is 3 years.
If there is an option to extent the lease term of the right-of-use asset, we have calculated the probability for extension. This is the basis for lease term in the calculation.

	2019
Amounts recognised in profit and loss	
Depreciation expenses and right-of-use assets	56
Interest expense on lease liabilities	4
Expense relating to short-term leases	41
Expense relating to leases of low value assets	4

At 31 December 2019, SCB AS is committed to 41 MNOK for short-term leases.

The Bank has not provided comparative information for periods before the date of initial application of IFRS 16 for the new disclosures introduced by IFRS 16, as permitted by IFRS 16 paragraph C7.

Note 26 - Repossessed Assets

All amounts in millions of NOK

	2019	**2018**
Vehicles	6	7
Net	**6**	**7**

Note 27 - Changes in liabilities arising from financing activities

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

2019

All amounts in millions of NOK

Liability	2018	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair value	Other changes*	2019
Debt to credit institutions	**29 269**	-5 674	-394	-	-1 394	**21 808**
Debt established by issuing securities	**37 247**	-265	537	**-**	**-**	**37 519**
Subordinated loan capital	**1 731**	708	-18	-	-	**2 421**

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

2018

All amounts in millions of NOK

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

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

Note 28 - Leasing liabilities

Maturity analysis:

All amounts in millions of NOK	**2019**
Less than a year	46
From 1 year to 3 years	95
From 3 year to 5 years	87
More than 5 years	64
Total of leasing liabilities	**291**
Less: Unearned interest	-
Total of leasing liabilities, less unearned interest	**291**

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Note 29 - Pension expenses and provisions

All amounts in millions of NOK

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

In Sweden the bank has a collectively agreed pension scheme for the banking sector, the BTP plan. The plan includes both defined benefit and defined contribution sections. Old-age, early retirement, disability and death benefits are provided under the BTP plan which are funded via insurance with different insurance providers. Starting 1 July 2015, the results below include the former GE Money Bank pension schemes acquired in Sweden (BTP plan consistent with description above).

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

Pension expenses for defined benefit plans	**2019**	**2018**
Present value of year's pension earnings	-14	-13
Curtailment (gain) / loss	-	-
Settlement (gain) / loss	-	-
Interest cost on accrued liability	-9	-9
Interest income on plan assets	7	7
Allowance for taxes	-2	-3
Net Pension expenses	**-18**	**-18**

Pension expenses for defined contribution plans	**2019**	**2018**
Total expenses	90	98

Pension liabilities in balance sheet	**2 019**	**2 018**
Pension funds at market value	304	264
Estimated pension liability	-444	-390
Net pension liability	**-140**	**-126**

The movement in the defined benefit obligation and fair value of plan assets over the year is as follows:

	Present value of obligation	Fair value of plan assets	Net pension liability
At 1 January 2019	-390	264	-126
Current service cost	-14	-	-14
Curtailment gain / (loss)	-	-	-
Settlement gain / (loss)	-	-	-
Interest expense / Income	-9	7	-2
	-23	**7**	**-16**
Remeasurements:			
- Return on plan assets	-	27	27
- Gain/(Loss) from change in demographic assumptions	-	-	-
- Gain/(Loss) from change in financial assumptions	-76	-	-76
- Gain/(Loss) from plan experience	28	-	28
- Change in asset ceiling	-	-	-
	-48	**27**	**-21**
Exchange rate differences	10	-7	3
Contributions:	-	-	-
- Employer	-	20	20
- Plan participants	-	-	-
Payments from plans:	-	-	-
- Benefit payments	7	-7	-
Acquired in a business combination	-	-	-
Settlement	-	-	-
Others	-	-	-
	17	**6**	**23**
At 31 December 2019	**-444**	**304**	**-140**

	Present value of obligation	Fair value of plan assets	Net pension liability
At 1 January 2018	-336	248	-88
Current service cost	-13	-	-13
Curtailment gain / (loss)	-	-	-
Settlement gain / (loss)	-	-	-
Interest expense / Income	-9	7	-2
	-22	7	-15
Remeasurements:			
- Return on plan assets	-	-	-
- Gain/(Loss) from change in demographic assumptions	-	-	-
- Gain/(Loss) from change in financial assumptions	-47	-	-47
- Gain/(Loss) from plan experience	-3	-	-3
- Change in asset ceiling	-	-	-
	-50	-	-50
Exchange rate differences	9	-7	2
Contributions:			
- Employer	-	25	25
- Plan participants	-	-	-
Payments from plans:			
- Benefit payments	9	-9	-
Acquired in a business combination	-	-	-
Settlement	-	-	-
Others	-	-	-
	18	9	27
At 31 December 2018	**-390**	**264**	**-126**

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

	2019			2018		
	Norway	Sweden	Total	Norway	Sweden	Total
Present value of obligation	-13	-431	-444	-13	-377	-390
Fair value of plan assets	-	304	304	-	264	264
Total	**-13**	**-127**	**-140**	**-13**	**-113**	**-126**

The following assumptions have been used calculating future pensions:

	2019		2018	
	Norway	Sweden	Norway	Sweden
Discount rate	1,80%	1,60%	2,7%	2,50%
Inflation	N/A	1,75%	N/A	2,00%
Salary growth rate	2,25%	3,25%	2,75%	3,25%
Pension growth rate	2,00%	1,75%	1,45%	2,00%
Rate of social security increases	2,00%	1,60%	2,50%	2,75%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2019		2018	
	Norway*	Sweden	Norway*	Sweden
Retiring at the end of the reporting period:				
- Male	-	22	-	22
- Female	-	24	-	24
Retiring 20 years after the end of the reporting period:				
- Male	-	23	1	23
- Female	-	25	-	25

The Mortality table K2013 is used for Norway and DUS14 (White collar) for Sweden.
*The Norwegian defined benefit schemes were terminated in 2017 and the table show remaining members.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 6,57%	Increase by 7,09%
Salary growth rate	1,00%	Increase by 0,97%	Decrease by 0,95%

		Impact on defined benefit obligation - Sweden	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 27,10%	Increase by 31,92%
Salary growth rate	1,00%	Increase by 1,26%	Decrease by 1,14%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognized within the statement of financial position.
The main defined benefit pension schemes in Sweden are funded via insurance policies. The insurance companies have placed the assets in consolidated portfolios of domestic and foreign interest bearing securities, shares, properties and other investment instruments. The defined benefit pension scheme in Norway is unfunded.
The group's expected contributions for defined benefit plans, including pension payments paid directly by the company and pension related taxes, for the next financial year amount to 20 377 TNOK.
The weighted average duration of the defined benefit obligation is 7.2 years in Norway and 28.3 years in Sweden.

Expected maturity analysis of undiscounted pension benefit payments:

At 31 December 2019	Less than 1 year	Between 1 - 2 years	Between 2 - 5 years	Between 5 - 10 years	Total
Pension benefit payments	8	5	19	43	**75**

Note 30 - Remuneration

All amounts in thousands of NOK

The Bank has established a Remuneration Committee, and a Remuneration Policy, which was last updated in November 2018. The Policy applies to all employees in the Banks's operations in Norway, Denmark and Sweden, as well as the subsidiary in Finland. There are special regulations for Senior Management with duties of material importance to risk exposure, and the heads of the control functions. The overall objectives are to support the Bank's strategies for recruiting, retaining, developing and rewarding employees who contribute to creating shareholder value at the Bank and to support the Bank's performance culture. The Policy is intended to ensure the credibility, effectiveness and fairness of the Bank's remuneration practices and the adequacy, proportionality and balance of the ratio of fixed versus variable remuneration. Additionally, the Policy intend to ensure that the overall remuneration structure reflects sound and effective risk management principles. As a result, a key element in the Policy is to counteract risk-taking that exceeds the level of tolerated risk for the Bank while, at the same time, offer a flexible remuneration structure.

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

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

Principles for Bonus Schemes:

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

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

Granted options are not part of the corporate plan.
Remuneration for members of the Board of directors is subject to approval of the General Assembly.

Pension schemes

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

Norway

1. Defined Contribution: 7% up to 7G and 18% from 7G to 12G
2. Pension scheme for wages above 12G: 18% paid over payroll

Sweden

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

BTP1 – Santander pays a monthly premium, but the actual outcome of pension is unknown.

1. 2 % on salary up to 7,5 “Inkomstbasbelopp” (IBB) - Valbar del
2. 2,5 % on salary up to 75 “Inkomstbasbelopp” (IBB) – Trygg del
3. 30 % of salary between 7,5 – 30 IBB.

BTP2 is defined by promising different per cent of the pension entitling salary:

1. 10 % on salary up to 7,5 “Inkomstbasbelopp” (IBB)
2. 65 % of the salary-parts between 7,5 and 20 IBB
3. 32.5 % on salary-parts between 20 and 30 IBB

The pension is normally paid from the age of 65.

Denmark

Pensions Scheme with employer contribution 11.0 % of salary, and employee contribution 5.25 % of salary (Optional additional payment).

Key management compensation:

The tables below show the accrued salary, bonus, pension and compensations for CEO and other Key management:

	Salary	Bonus	Pension	Other benefits	Total 2019	Total 2018
Michael Hvidsten, Chief Executive Officer	3 838	1 206	165	768	5 977	5 279
Knut Øvernes, Managing Director Norway	2 255	534	154	544	3 487	3 245
Bo Jakobsen, Managing Director Denmark	2 771	513	447	375	4 106	3 809
Juan Calvera, Nordic IT & OPS Director	1 906	482	151	366	2 905	2 689
Olav Hasund, Nordic Auto Director	2 118	329	160	539	3 146	2 923
Martin Brage - Managing Director Sweden	2 049	149	947	253	3 398	3 060
Anders Bruun-Olsen, Nordic Financial Management Director	1 918	485	152	333	2 888	2 717
Karen Therese Edelberg, Chief Compliance Officer	1 611	300	147	536	2 594	1 959
Mira Naumanen - Nordic Compliance Director (Until 01.06.2019)	1 245	-	383	52	1 679	2 277
Trond Debes, Nordic Legal, HR & Internal Comminication Director	1 666	358	146	246	2 416	2 387
Morten Johansson Helland, Nordic Org & Cost Director	1 574	225	149	318	2 266	1 648
Tatjana Toth, Chief Controlling Officer (Until 30.04.2018)	-	-	-	-	-	2 771
Espen Hovland, Chief Control Officer (As of 07.05.2018)	1 435	307	276	186	2 204	1 585
Andres Diez - Chief Risk Officer	1 661	181	144	303	2 289	2 072
Rocío Sánchez Aragonés - Nordic Internal Audit Director	870	177	-	180	1 227	2 561
Total	**26 917**	**5 246**	**3 421**	**4 999**	**40 582**	**40 982**

Bonus shares (part of CBS program)	Number of shares earned in 2 019	Total Number of shares earned, but not issued per 31/12/2019	Value of the shares earned, but not issued per (thousand NOK) 31/12/2019
Michael Hvidsten, Chief Executive Officer	13 462	19 600	803
Knut Øvernes, Managing Director Norway	4 906	7 992	327
Bo Jakobsen, Managing Director Denmark	3 939	6 218	254
Juan Calvera, Nordic IT & OPS Director	4 967	7 178	294
Olav Hasund, Nordic Auto Director	3 827	5 432	222
Martin Brage - Managing Director Sweden	2 732	3 329	136
Anders Bruun-Olsen, Nordic Financial Management Director	4 722	7 093	290
Karen Therese Edelberg, Chief Compliance Officer	2 154	2 154	88
Trond Debes, Nordic Legal, HR & Internal Comminication Director	2 870	4 563	187
Morten Johansson Helland, Nordic Org & Cost Director	2 237	2 237	91
Espen Hovland, Chief Control Officer	2 453	2 453	100
Andres Diez - Chief Risk Officer	3 231	4 187	171
Rocío Sánchez Aragonés - Nordic Internal Audit Director	2 453	3 410	139
Total	**53 953**	**75 846**	**3 102**

Defined share value	2019	2018	2017
Share value - Banco Santander (EUR) *	4	4	6
Share value - Banco Santander (NOK) *	36	42	57

*Value of shares is an estimate based on the Santander S.A. share price from BME Stock Exchange as of 31.12.2019, and the exchange rate as of 31.12.2019.

Board of Directors		2019	2018
Erik Kongelf	Chairman	550	550
Bruno Montalvo Wilmot	Deputy Chairman	-	-
Federico Alvarez De Toledo Ysart	Member	-	-
Jyri Oskar Vilamo	Deputy	-	-
Javier Anton San Pablo	Member	-	-
Henning Strøm	Member	450	450
Niels Aall	Member	450	450
Mette Kjærsund	Varamedlem styret, ansatterepresentant	25	25
Berndt Ola Tillberg	Observer	25	25
Jim Grøtner	Deputy Employee representative	200	200
Sigrid Dale	Employee representative	200	200
Arja Pynnonen	Employee representative	10	10
Total		**1 910**	**1 910**

	2019		2018	
Staff (permanent employees only)	Number of employees as of 31.12	FTE year as of 31.12.2019	Number of employees as of 31.12	FTE year as of 31.12.2018
Norway	578	522	645	545
Sweden	312	296	364	351
Denmark	217	215	268	244
Total	**1 107**	**1 033**	**1 277**	**1 140**

Audit services and advisory services (without VAT)	2019	2018
Audit services	16 970	16 316
Other attestation services	194	214
Total*	**17 164**	**16 530**

*All amounts in thousands of NOK

Note 31 - Ownership interests in group companies

All amounts in millions of NOK

Santander Consumer Bank AS owns 100% of the shares in Santander Consumer Finance OY. The address is Risto Rytin tie 33, 00570 Helsinki, Finland.

Santander Consumer Finance own all shares in Santander Consumer Finance OY. Book value of investment in Finland is revaluated due to a hedging of the investment. See note 20 for further details.

	2019	**2018**
Number of Shares owned	600 000	600 000
Book value	1 281	1 292

Company name	**Equity**	**Total Assets**	**Result 2019**	**Result 2018**
Santander Consumer Finance OY	2 494	40 939	416	531

Interests in unconsolidated entities

In order to manage the bank's risk exposure the bank has entered into a financial guarantee in the form of a synthetic securitization with a limited number of investors. The selected portfolio consisted of SEK 8.2 Billion IRB Auto Loans. In the transaction investors has agreed to invest in notes linked to the mezzanine risk of the portfolio.
An Irish SPV, Svensk Autofinans Syn I DAC was established to provide the financial guarantee to SCB AS. At the same time, the SPV issued credit linked notes (CLN) which mirrors the risk of the financial guarantee. The proceeds from the issuance of the notes are put in a deposit account in SCB AS to fully collateralize the financial guarantee.
The received collateral amount is recognized in Other Liabilities, wheras the financial guarantee premium SCB AS pays for the guarantee is recognized in the Fee and Commision Expenses in the Profit and Loss statement.
The SPV is not included in the consolidated financial statement in accordance with IFRS 10, as SCB AS does not control the SPV.

	2019		**2018**	
Company name	**Assets***	**Liabilities***	**Assets***	**Liabilities**
Svensk Autofinans Syn I DAC	768	768	-	-

**Figures in millions of SEK*

Note 32 - Receivables and liabilities to related parties

Debt to related parties: *Amounts in millions of NOK*	**2019**	**Accrued interest 2019**	**2018**	**Accrued interest 2018**
Santander Consumer Finance S.A.	17 268	3	23 149	8
Debt to SPV on future cash flow of securitized loans	4 427	-	5 822	-
Total	**21 696**	**3**	**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	-
MNOK 250, maturity July 2025, 3 months NIBOR +3.135% (Santander Consumer Finance S.A)	250	3	250	2
MSEK 750, maturity December 2024, 3 months STIBOR +2.2825% (Santander Consumer Finance S.A)*	-	-	728	-
MNOK 500, maturity September 2027, 3 months NIBOR + 1,66% (Santander Consumer Finance S.A)	500	1	500	1
MSEK 750, maturity December 2029, 3 months STIBOR +2.08% (Santander Consumer Finance S.A)	708	1	-	-
MSEK 750, maturity December 2030, 3 months STIBOR +2.29% (Santander Consumer Finance S.A)	708	-	-	-
Total	**2 416**	**5**	**1 728**	**3**

* Subordinated loan at MSEK 750 with maturity December 2024 was redeemed by exercising the call option in December 2019.

Receivables on related parties:	2019	Accrued interest 2019	2018	Accrued interest 2018
Balance sheet line: "Commercial papers and bonds"				
B and C notes issued by SPVs	1 062	-	1 168	-
Balance sheet line :"Loans to subsidiaries and SPV's"				
Loan to subsidiary (Santander Consumer Bank OY)	12 295	68	8 680	53
Subordinated loan to SPVs	48	-	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 33 - 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:

	2019	2018
Interest income	312	425
Interest expenses	-125	-461
Interest payments additional Tier 1 capital	-141	-169
Fees	28	10
Other	-2	63
Net transactions	**73**	**-131**

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

Note 34 - Contingent liabilities & commitments and provisions

All amounts in millions of NOK

	2019	2018
Contingent liabilities*	74	74
Commitments (Granted undrawn credits)	28 749	26 789

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

On September 11, 2019, the Court of Justice of the European Union has resolved a preliminary ruling raised by a Polish court on the interpretation of Article 16 paragraph 1 of Directive 2008/48 EC (hereinafter, the Directive) concerning consumer credit agreements. The decision of the CJEU resolves on the reduction of the total cost of consumer loans due to the early repayment of the loan and in particular with respect to the commissions charged to customers. The ruling does not conclude about certain aspects such as the method of calculation of cost reduction. The Group is evaluating what impact this ruling could have in the Nordic countries and have based on available information not made any provisions.

Note 35 - Result over total assets

All amounts in millions of NOK

	2019	2018
Profit after tax (PAT)	2 959	2 607
Total assets (Assets)	154 792	147 400
PAT over Assets	1,91%	1,77%

Note 36 – Business combinations

On 4 November 2019, The Group announced that they had entered into an agreement with Ford Motor Company to acquire their captive finance operations, Forso Nordic AB. Forso Nordic AB is headquartered in Sweden, Gothenburg, with a subsidiary in Finland and branches in Norway and Denmark. The total outstanding portfolio, consisting of auto loans and leasing contracts, is approximately 1 300 MM EUR, which is 8% of the total balance of The Group. The acquisition will be fully financed through an intra group loan from the parent company of Santander Consumer Bank AS. The agreement also includes a long term partnership offering financial services to Ford dealers and customers in the Nordic region.

The transaction is expected to take place within Q1 2020. The Group is currently evaluating the accounting consequence for the Group.

To the General Meeting of Santander Consumer Bank AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Santander Consumer Bank AS, which comprise:

- The financial statements of the parent company Santander Consumer Bank AS (the Company), which comprise the balance sheet as at 31 December 2019, statements of profit and loss, changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Santander Consumer Bank AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, statements of profit and loss, changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Groups business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new Key audit matters for our audit of the 2019 financial statements.

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Key Audit Matter

Impairment of loans to customers

Loans to customers represents a considerable part of the Group's total assets. The assessment of impairment losses is a model-based framework which includes elements of management judgement. The framework is complex and includes a considerable volume of data and judgmental parameters.

We focused on this area due to the significance of the impairment considerations for the value of loans in the financial statements, and the fact that the use of judgement has a potential to affect the profit for the period. Furthermore, there is an inherent risk of errors because of the complexity and quantity of data involved in the modelling.

The use of models to determine expected impairment losses entails judgement, specifically with respect to:

- classification of the various credit portfolios by risk and asset type;
- identification of impaired loans or loans presenting a significant increase in credit risk and sorting them into stages;
- the use of concepts such as macroeconomic scenarios, expected lifetime, etc; and
- the construction of parameters such as the probability of default (PD) and loss given default (LGD).

The Group's business is concentrated on consumer finance. In this context, the Group has developed a general risk management framework which takes into account the specific characteristics of each of its markets. Its internal models are designed to enable the Group to estimate impairment provisions collectively.

We also refer to accounting principles 2.6.1 and notes 2, 4, 5 and 6 in the Annual Report for a description of the company's loans to customers.

How our audit addressed the Key Audit Matter

Our work in the area of the impairment of loans to customers focused on analysing, assessing and verifying the control environment and performing tests of details with respect to the provisions estimated collectively and individually.

As for the internal control environment, we obtained a detailed understanding of the processes and tested the controls associated with:

- the calculation, recalibration and back-testing of methodologies used by Management;
- whether the Management-approved internal models worked as intended;
- the reliability of the sources of the data used for calculation purposes and the appropriateness of the models in light of the circumstances;
- the process for periodically reviewing borrowers for stage classification and measurement.

Our testing of internal controls did not indicate material errors in the modelling.

For the main models, we carried out tests of details related to calculation and segmentation methods, methodology for estimating expected loss parameters, historical data and estimates used, criteria used to classify loans by stages and scenario information and related assumptions.

We also tested whether loans were properly classified and that any corresponding impairment losses had been duly recognised.

Any differences encountered as part of our detailed testing fell within a reasonable range.

We evaluated the appropriateness of the related disclosures in the notes and found that they satisfied the requirements in IFRS.

IT systems supporting processes over financial reporting

The Group's financial accounting and reporting processes are dependent on complex systems and there is a risk that automated accounting procedures and related IT dependent manual controls are not designed and operating effectively	For important IT-systems supporting financial reporting, the audit team performed a combination of test of controls and test of detail of relevant reports, automated controls and IT general controls. Our work gave us sufficient evidence to enable us to rely on the operation of the group's IT systems deemed relevant for our audit.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 26 February 2020

PricewaterhouseCoopers AS

Stig Arild Lund

State Authorised Public Accountant