Annual Report

2022

Santander Consumer Bank

Highlights 2022

Profit Before Tax, MM NOK
3 584
+7%

Gross Outstanding Loans, MM NOK
187 401
+7%

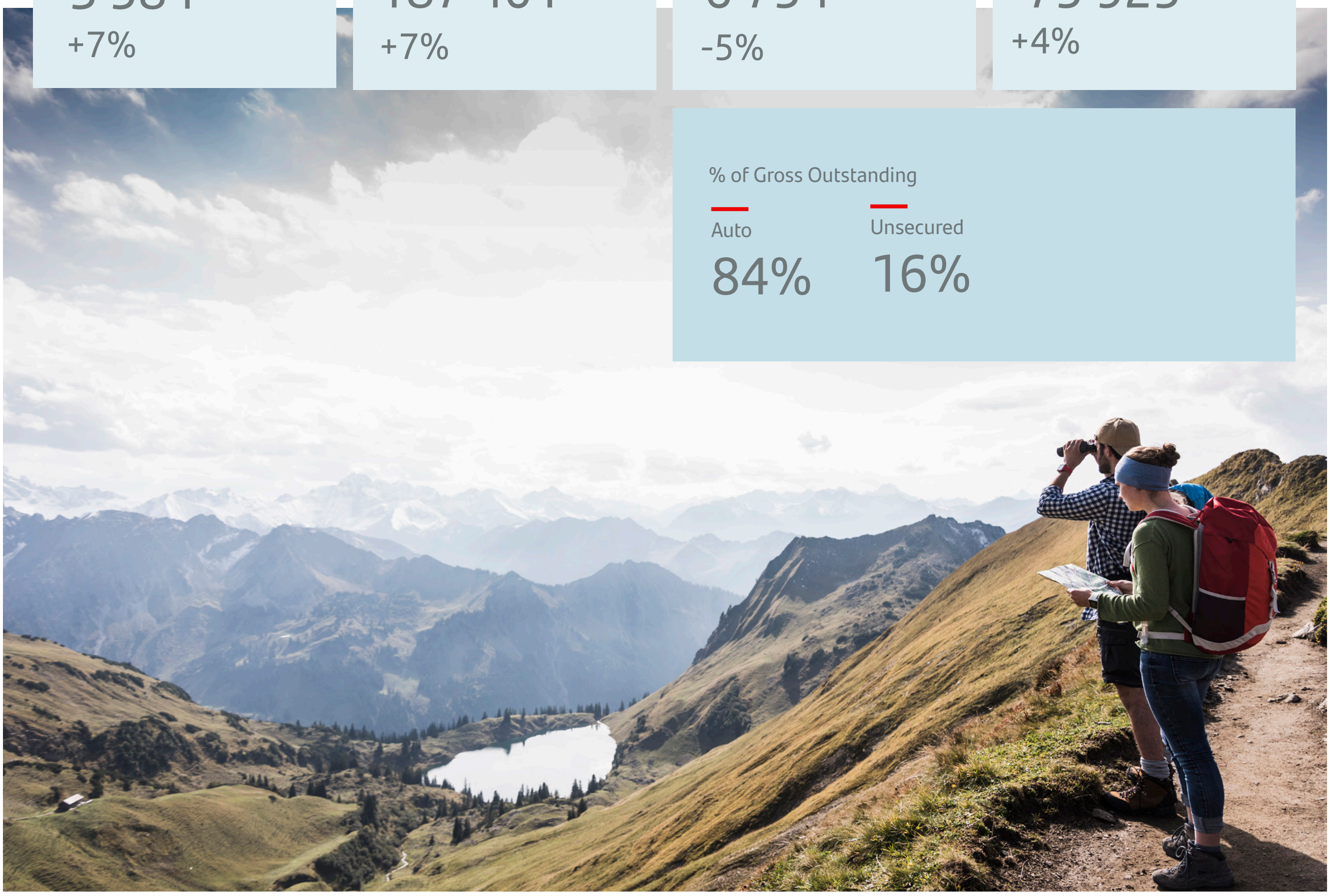
Net Interest income, MM NOK
6 754
-5%

Deposits, MM NOK
75 925
+4%

% of Gross Outstanding

Auto
84%

Unsecured
16%



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Chief Executive Officer's letter

A trusted partner in uncertain times

Every day we proudly serve 1.6 million customers and partners across the four Nordic countries. We follow our principles of being 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, customers, shareholders, and communities.

"We will continue to advise our customers on the best economic choices they can make in their daily life."

Michael Hvidsten,
CEO Santander Consumer Bank Nordics

After two years of a global pandemic disrupting the lives of us all, we had high hopes for a return to normal in 2022. As we close the book on 2022, we look back at a challenging year, with war in Europe and a substantial shift in the macroeconomic environment.

The Nordics are probably better prepared for challenging times than many other countries. But no one is immune to the global economic impacts that we have observed this year: shortage of raw materials, severe delays in deliveries of key components, and a cost-of-living increase that includes higher interest rates, and higher prices on energy, fuel, and food.

Our aim is to be a trusted partner in uncertain times. While we are closely monitoring the impact on customers and partners going forward, it's positive to observe that we had lower losses on loans to customers in 2022. We will continue to advise our customers on the best economic choices they can make in their daily life.

Meeting the challenges
In a world that is more complex and co-dependent than ever before, we face many challenges: the changing macroeconomic environment, the climate crisis, tighter regulations, and a race for new technology that results in fierce competition are just a few examples. None of them can be disregarded, rather they command us to operate in a more responsible way with a long-term focus.

While many will look unfavorably back at 2022, it was also a year in which we made important progress.

The growing trend towards the adoption of electric powered vehicles is an example. As the Nordic's largest auto finance provider, we are making a significant contribution to the green transition within the mobility sector. While the EV-share of our auto finance portfolio has increased over several years, we have not seen numbers like this before: during 2022, 47% of all new cars financed by Santander were EVs, 30% were hybrids.

With a new energy loan launched in Denmark and impressive growth within our green energy finance portfolio, we are delivering on our responsible banking agenda.

Our Nordic teams are dedicated to serve all our customers and partners in the best way possible. We are drawing on the strengths and experiences in the local markets, combined with our global presence to make people and business prosper in a responsible way.

Global Corporate Culture

A strong and inclusive culture: our bedrock
for building a more responsible bank

The Santander Way

Our purpose

To help people and business prosper.

Our aim

To be the best open financial services platform by acting responsibly and earning the lasting loyalty of our people, customers, shareholders and society.

Our how

Everything we do should be Simple, Personal and Fair.

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 1.6 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.

Globally[1]

Number of employees
206 462

Number of customers
160 million

Nordic Region

Number of employees
1 148

Number of customers
1.6 million

Women in managerial positions
65

Men in managerial positions
110

Average age of employees
39.8 years

Average years of service
7.5 years

[1]Santander Financial Report 2022

Banco Santander - building a more responsible bank

Meeting our commitments

Banco Santander announced in 2019 a series of public commitment targets to reflect its Responsible Banking ambitions and to embed ESG criteria within its business operations. They are "SMART" (Specific, Measurable, Achievable, Realistic and Time-bound) and are supportive of the targets set out in the Paris Agreement on climate change. These targets also establish public commitments related to exposure to the power generation industry related to greenhouse gas emissions.

In 2022, Banco Santander was ranked amongst the world's most sustainable banks in the Dow Jones Sustainability Index 2022[2] and among the top three in Europe; scoring 83 points out of 100, placing it in the 98th percentile of all banks reviewed. Banco Santander has featured on the Dow Jones Sustainability Index for the past 22 years. This index, an international corporate sustainability benchmark, measures companies' sustainable performance against economic, environmental, and social criteria.

Banco Santander scored well in every category: economic (86), environmental (76), and social (83). It also highlighted areas of improvement, such as financial inclusion, environmental and social reporting and climate strategy, privacy protection, and customer relationship management. Banco Santander also achieved good results in other similar benchmarks, including MSCI, Sustainalytics, CDP, ISS, Bloomberg Gender-Equality Index, FTSE4Good Index, and Vigeo Eiris of Moodys.

Banco Santander ended the first half of the year as the world's leader in renewable energy finance, with over 2.4 Bn EUR in 33 funding transactions and a worldwide market share of 6.4%, according to Infralogic's ranking.

In the past decade, Banco Santander has been a leading bank in renewable energy finance, ranking among the top three in the world in number of transactions and the top five in funding volume.

13 CLIMATE ACTION

Net Zero Ambition

To reach net zero carbon emissions group-wide by 2050, in line with the Paris Agreement.

In supporting the fight against climate change and the green transition, Banco Santander continues to make progress on its goal to reach net zero carbon emissions group-wide by 2050, in line with the Paris Agreement. This year, it outlined three new interim targets to decarbonize its portfolios by 2030:

29 % reduction	in absolute emissions financed in the energy sector;
33 % reduction	in emissions intensity in aviation sector;
32% reduction	in emissions intensity in the steel sector.

The targets add to those announced in February 2021, which include a 46% reduction in emissions financed in the in the power generation sector.

[2]Santander press release December 10, 2022

To achieve these targets, Banco Santander is focused on supporting customers in their green transition. Banco Santander remains committed to earmarking 220 Bn EUR for green financing between 2019 and 2030 and has also set an intermediate target of 120 Bn EUR for 2025. As of September 2022, 78.7 Bn EUR had been mobilized.

Furthermore, Banco Santander has financially empowered more than nine million citizens by providing access to the banking system, financial education, and financing for individuals and SMEs with difficulties accessing credit. It has awarded more than 387 000 scholarships and grants and has helped more than six million people through its community investment programs, collaborating with NGOs and other social entities. It has been recently recognized as global Bank of the Year for Financial Inclusion by The Banker magazine.

Global Bank of the Year

Recognized by The Banker magazine as Bank of the year for Financial Inclusion

Our progress with sustainability in the Nordics 2022

ESG component	Strategic ambition	2022 Highlights
Environment Support climate transition	Deliver on Banco Santander's **Net Zero** ambition **by 2050**, helping our customers in their transition to a sustainable and low carbon economy	→ As a member of the Banco Santander Group, the ambition to become Net Zero by 2050 is fully embraced. → The Group[3] continues to support and finance the green transition in transportation. As a leader in the Nordic auto finance market, the Group's share of all new BEV (Battery Electric Vehicles) financed in the Nordics in 2022 was 13.9%. → The financing of home energy solutions is an increasingly attractive business segment for the Group. The Finnish market is the Group's largest market for home energy financing. The Group's home energy solutions business has grown significantly in 2022 by 266% (by number of contracts). → The Group has progressed initiatives to capture and report climate related aspects on both its own operations as well as its financing activities, aligned with emerging regulatory requirements. → The Group is implementing the groupwide Santander Sustainable Funding Framework for future issuances of green bonds. → 100% of the energy supplied to the Group's offices in the Nordic countries came from renewable energy sources.
Society Contribute to generate positive returns to society	Support **productive inclusion** across our **main stakeholders**, employees, customers, and communities	→ In April 2022, the Group launched its new brand concept "When it feels right" to encourage responsible consumption. → In 2022, the Group has continued to place strong focus on responsible lending and compliance with regulations. → In 2022, the Group has mobilized to adopt and respond to the Norwegian Transparency Act in relation to human rights and decent working practices in its value chain. → The Group is a proud sponsor of many sporting events across the Nordics, in addition to supporting selected charities. → The Group has continued to operate a Flexiworking working model to promote a healthy work-life balance amongst employees.
Governance Embed ESG across the organization	**Incorporate ESG** in behaviors, policies, processes, and governance throughout the Group	→ During 2022, the Group has further progressed the operationalization of its Responsible Banking agenda, including the publication of its inaugural Sustainability Report for 2021. → The Group has adopted the Santander groupwide Santander Responsible Banking framework. → The Group has continued its focus on embedding ESG risks and opportunities into its risk management and other strategic management processes. → The Group rolled out of a broad program of mandatory training on internal control and governance related aspects, including mandatory ESG training for all employees. → The Group further incorporated Responsible Banking updates into the Board of Directors' agenda for 2023.

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

Annual Report of the Board of Directors 2022

Results

Net interest income, MM NOK
6 754

Gross margin, MM NOK
7 056

Profit before tax, MM NOK
3 584

Key figures Santander Consumer Bank Group

All amounts in million NOK

	2022	2021	2020
Net interest income	**6 754**	**7 087**	**7 638**
*Growth**	-5%	-7%	6%
Gross margin	**7 056**	**7 406**	**7 816**
*Growth**	-5%	-5%	3%
Profit before tax	**3 584**	**3 359**	**2 701**
*Growth**	7%	24%	-25%
Profit after tax	**2 707**	**2 566**	**2 130**
*Growth**	5%	20%	-26%
Total assets	**202 894**	**192 357**	**198 892**
*Growth**	5%	-3%	10%
Net Loans to customers	**182 976**	**170 640**	**176 263**
*Growth**	7%	-3%	9%
Customer deposits	**75 925**	**73 304**	**81 142**
*Growth**	4%	-10%	24%

* *Year on year*

Financial performance

Review of the Annual Accounts

The Group's profit before tax for the year 2022 amounted to 3 584 MM, up 7% compared to last year. The main driver of the increase was lower losses on loans to customers and reduced operating expenses, which offset the reduction in Gross margin. Outstanding loans to customers increased by 7% driven by higher sales in auto product across all Nordic countries.

During 2022, the Group experienced healthy sales results within its Auto business, driven by high demand for both new and used vehicles. On the other hand, the Group saw lower sales within its Unsecured business compared to 2021 (-9%) due to lower sales in Consumer loans. The Consumer loans market in the Nordics decreased in 2022 compared to 2021 due to the macroeconomic environment with accelerating inflation and rapid key interest rate hikes. The Group's outstanding loans to customers amounted to 182 976 Bn NOK at year end 2022, an increase of 7% or 12.3 Bn NOK compared to year end 2021. The increase was mainly driven by strong sales in Auto business and lower Loan Loss Reserves due to a portfolio mix tilted more towards auto.

The Group's financial results for 2022 showed a net interest income of 6 754 MM NOK, representing a decrease of 333 MM NOK from 2021. The change in net interest income was due to higher interest expenses of 761 MM NOK, offset by higher interest income of 428 MM NOK compared to 2021. In 2022, the cost of funds has substantially increased following the significant increase in XIBOR rates in all Nordic markets, and as a result the Group experienced higher interest expense of 761 MM NOK compared to 2021. Of the increase in interest income, approximately 697 MM NOK was due to increased interest income from the Auto business driven by both higher volumes and yields. On the other hand, the Group's interest income from the Unsecured business decreased with approximately 191 MM NOK from mainly driven by lower volumes compared to 2021. In addition, FX had a negative impact on interest income of approximately 134 MM NOK compared to 2021.

Net fees and commission income increased by 50 MM NOK compared to last year. The increase was caused by higher income from insurance products of 28 MM NOK compared to last year, driven by true-up on insurance bonus from CNP for 2018-2022.

Operating expenses for the year were 2 622 MM NOK compared to 2 870 MM NOK in 2021. The decrease of 248 MM NOK was mainly driven by continuous focus on cost control and running a more efficient bank, in addition to a one-off related to VAT refunds in Sweden and Finland.

Other income and costs ended at -58 MM NOK, an increase of 48 MM NOK from 2021. The main driver for the costs in 2022 was the fine of 150 MM NOK from the Norwegian FSA related to AML as communicated to the market in November. The cost related to the AML fine have been offset by several minor non-recuring items with positive impact.

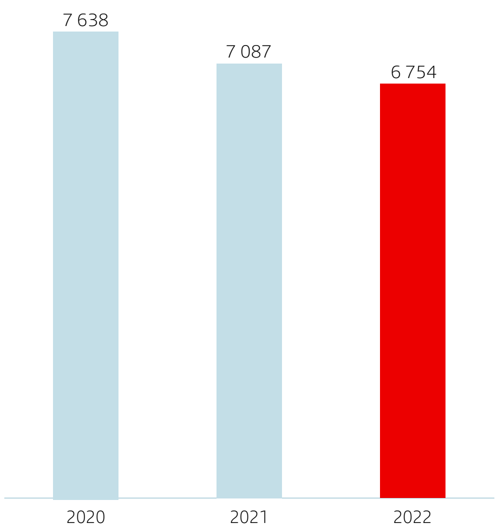
Net impairment losses improved by NOK 374 million year-on-year, driven by a solid credit performance, with a higher weight of the secured lending portfolio (auto), and a positive impact from non-recurring items.

The Group's profit before tax amounted to 3 584 MM NOK, an increase of 7% compared to last year due to the reasons explained above.

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

Net interest income

MM NOK



Allocation of profits

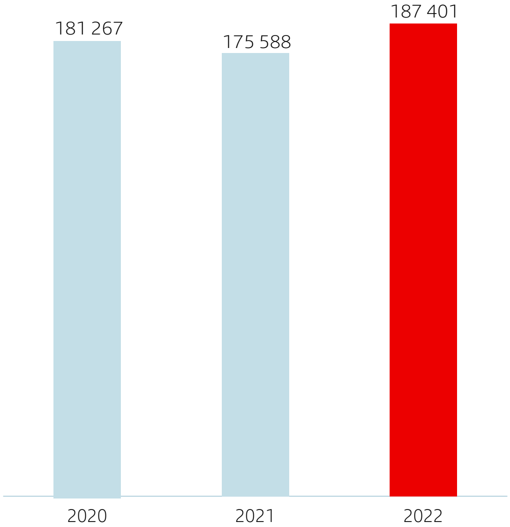
The profit of the year is proposed allocated in the following way: 2.2 Bn NOK in dividends, the remaining is allocated towards other equity.

Loans and deposits performance

Loans to Customers

The Group's gross outstanding loans to customers came to 187 401 MM NOK per December 2022. This is an increase of 7% (11 813 MM NOK) compared to December 2021.

Gross loans to customers
MM NOK



Auto financing

The Group maintained its position as market leader in the Nordic auto finance market with a strong focus on partnerships with dealers and importers.

Sales of new cars in 2022 ended at 790 502 units. Personal Cars (PC) and Light Commercial Vehicles (LCV) in the Nordic markets saw a decline of 9.0%. Used car sales decreased by 10.8% to 3 156 612 units compared to the previous year. In total, car sales have decreased significantly (10.5%), but with major variations between the months and countries as well as between the new and used car sales market.

Throughout 2022 three major factors have driven the sales figures. Firstly, the impact of the COVID-19 pandemic and disruptions in supply which caused ongoing declining sales. Secondly, the demand for Electric Vehicles (EV) continues to rise, whereas new Hybrid vehicles saw a decline for the first time. Thirdly, the impact of the war in Ukraine and consequently consumer confidence and rising energy costs, which again impact car sales.

Financing the green shift

The Corporate Average Fuel Economy (CAFE) regulations have come into effect, penalizing manufacturers which have a higher average CO2 emission. To meet the requirements, manufacturers increased production and registration of cars with a zero and low CO2 emission, especially in markets with higher demand for EVs (including Norway and Sweden). Most manufacturers have been facing semiconductor shortages and prioritize the vehicles with low emissions to meet requirements and send higher emission vehicles to their most profitable markets, therefore reducing supply in low profit markets (such as Denmark).

These developments have led to an acceleration of EV and Hybrid car adoption in the Nordic market. Where Norway has led with an EV passenger car share well over 80% in the last few months of 2022, the changes in the other markets are remarkable: Sweden and Finland sold 50% more new EVs despite a declining overall market, and Denmark saw EV sales increase by 17%. During 2022, 47% of all new cars financed by Santander are EVs, 30% are hybrids. Finance penetration is significantly higher for EVs than for non-EVs, helped by the strong partnerships the Group has across the region.

The Nordic market

The Swedish market, which is the largest in the Nordic, experienced a growing share of EVs, over 33% in 2022 compared to 19% during 2021. Total new car sales decreased by 4.0%, while the used car sales market decreased by 14.4%. The Swedish market is prioritized by manufacturers due to high profit margins and growing EV sales. The removal of a government climate bonus which benefited low emission cars by amounts up to 70 000 SEK is expected to negatively impact EV orders and sales during 2023, but also significantly increased registrations in December 2022.

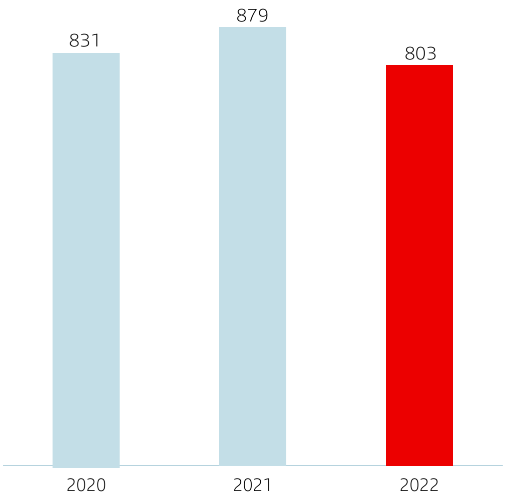
In the Norwegian market, sales have decreased substantially until December 2022. As a tax change is coming into effect in January, the December 2022 registrations were at record levels (over 20% of the annual registrations in a single month). New car registration decreased by 3.1% during 2022 after an all-time record in new car sales during 2021. EU-regulation caused many manufacturers to increase their efforts in one of Europe's largest EV markets. The Norwegian currency has weakened versus the Euro and other major currencies, causing profits for manufacturers to dwindle and forcing price increases. Used car sales decreased by 3.1%, as supply dries up, and used EVs can be more easily (and profitably) sold in other European markets, reducing the need to export to Norway.

In the Danish market, sales decreased by 19.1% for new vehicles and 9.9% for used vehicles. Denmark is the only Nordic market where Diesel have increased its market share (to14%). As Gasoline maintained and EVs increased, it is visible that the share of Hybrid vehicles is declining.

The Finnish market experienced a decrease in new car sales of 15.9%, dropping below 100 000 vehicles. A decline of 11.1% in used car registration resulted in the total car registration being down by 11.8%. The EV and (mild)-Hybrid vehicles made up 70% of car registrations in 2022. Consumer confidence reached the lowest level ever recorded during the last months of 2022.

Sales of new cars (PC and LCV*)

Units in thousands (Market total)



*Personal Cars and Light Commercial Vehical

Innovation changes the market

In all markets we see increased dealer consolidation where the distribution of a brand is concentrated on fewer owners, often private importers taking over from manufacturers. The Swedish Hedin Group purchasing the major Finnish dealer group Laakkonen is an example of further consolidation across the Nordics.

Sweden has become the testing ground for the Agent Model, where manufacturers sell directly to consumers and the dealerships solely operate as a delivery point. Where EV manufacturers already operate direct to consumer (e.g., Tesla, Nio, Lynk&Co), for traditional manufacturers this is a major change. Mercedes was the first manufacturer to change, while others recently announced their intentions to change as well (e.g., Stellantis, Nissan Sweden).

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. The Group expects 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.

Nordic market leader

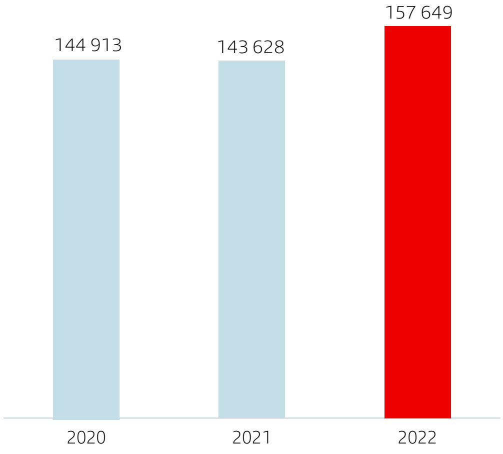
The competition has increased with parties such as leasing companies entering car financing in different market segments, causing pressure on the margins. The Group has maintained its position as market leader in the Nordic auto finance market. The main focus is on partnerships with dealers and importers and OEM-owned national sales companies. Important partnerships have been renewed, and the Group has ensured operations and processes have been optimized to protect margins and increase focus on market developments.

Overall, in the Nordics, the Group is the market leader, but positions vary by month and by market. In the Swedish car finance market, which is dominated by captive lenders for the two largest brands (Volvo and Volkswagen), the Group became the leader in Private Lease financing during 2022.

Total outstanding auto financing is 157 649 MM NOK, an increase of 9.8% compared to last year.

Gross Auto Financing

MM NOK



2023 expectations

The impact of the new emission target for car sales in Europe will continue to be significant. To avoid large penalties, there is a need to reach lower average emission targets each year. The manufacturers continue to invest in new technology, consolidate, and create partnerships between brands.

Incentives for low emission cars is being rolled back in some of the markets, such as tax benefits that are significantly reduced in Sweden and Norway. In addition, energy costs have risen. EV sales will however continue to grow as supply and consumer demand remain high.

Increased regulations and the impacts of the war in Ukraine continue to impact consumer confidence and sales. Built up order banks from manufacturers will soften the sales impact with deliveries continuing while new orders are at lower levels. Some (smaller) manufacturers may choose to exit from certain markets and sell their importerships to private importers or exit completely. At the same time there is an opportunity with regards to car brands, as many new, mostly Chinese brands are entering the Nordic market, exclusively focusing on EV cars.

In car finance, bundled products will continue, but the growth for mobility solutions is delayed as mobility has reduced since the COVID-19 pandemic changed consumer behavior. In the largest cities, we anticipate increased focus from governments on reducing car traffic and providing incentives for other mobility solutions such as car sharing and public transportation, which will pick up again after 2023.

OEMs are expected to grow their online presence, enabling customers to order cars and car related services online. Dealer relationships will change when alternative distribution models are implemented. The Group will support 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 existing partnerships and is well positioned to meet the changes foreseen within the auto area.

Unsecured lending

The Group's unsecured lending-portfolio consists of Consumer Loans, Checkout lending, and Cards & payment. Consumer Loans remains the main unsecured financing product. The Group aspires to be the leading Nordic Consumer Finance platform.

The Group's overall outstanding volume for the Unsecured lending was 29 753 MM NOK compared to 31 960 MM NOK in 2021.

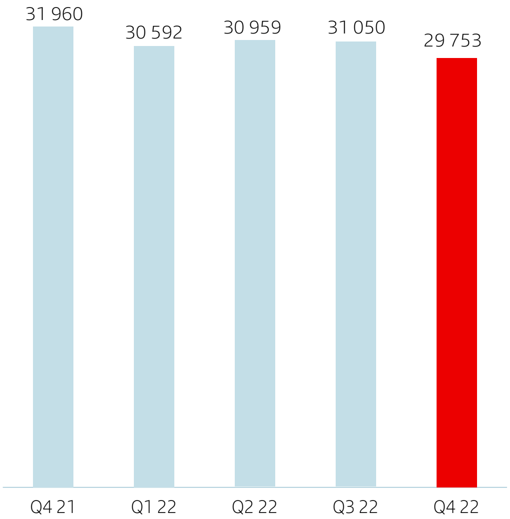
The Group's consumer loans portfolio in 2022 has decreased by 7% in outstanding volumes compared to 2021. The Norwegian market has the largest portfolio decrease of 21% compared to 2021.

The Group's Consumer Loans sale was 13% below in 2022 compared to 2021. The Swedish market has the largest decrease with a 37% reduction of sales, while Norway accounted for the largest increase of 56% in 2022 compared to 2021. The Danish market had an increase of 24% in 2022 compared to 2021, and the Finnish market saw a 1% increase in 2022 compared to 2021. The Group's Cards and Checkout lending sales have increased with 6% in 2022 compared to 2021. The increase in credit card volume is to a high degree an effect of the removal of the lock-down measures during the COVID-19-pandemic in the Nordics and the rest of Europe, causing an increase in travel related spending.

The durable product, part of the Checkout lending business area, has continued to grow in 2022 compared to 2021 and ended with a significant increase with 33% growth within portfolio.

Gross Consumer Financing

MM NOK



Consumer Loans

2022 has been a very challenging year and we see a decreased within the Consumer loans market in the Nordics. This is primarily driven by legislation aimed at protecting consumers, well in line with the Group's Responsible Banking agenda. Consequently, the Group observed a fast transformation into a debt consolidation market. The Nordic market has been impacted by COVID-19, also in 2022, and the macroeconomic environment with accelerating inflation and rapid key interest rate hikes have contributed to deterioration in the Nordic economic outlook.

Adapting to new market conditions

The market dynamics are forcing the Group to adapt, improve and optimize products and digital processes to stay attractive. The Group has strengthened its market share in Denmark and kept its market share in Finland and Norway, while losing market shares in Sweden, primarily driven by lack of some product offerings in the portfolio. During 2022, the Group has secured optimized pricing for different customer segments, applied new PSD2 data (EUs revised Payment Services Directive) in underwriting, and further automated and simplified the application processes in Denmark, Finland, and Norway.

As previous years, brokers continue to gain market share and are growing in all four markets. In the Finnish market, the Group has secured an attractive offer after the removal of temporary COVID-19 legislation and is experiencing growth. In the Norwegian market, focus has been on price- and process improvements to compete on equal terms as our competitors, which have given an increase with 56% in new sales.

The Group focuses on optimizing the Nordic capabilities and portfolio growth by continuing the work with harmonizing the product offer and decreasing time-to-market. The Group is convinced this will further increase its attractiveness as a large player in the region.

2023 expectations

The Group expects continuous growth in the broker channel, an even stronger shift towards debt-consolidation across the region, increased consumer protection from the FSA's, increased competition on price and continuous focus on digitalization and optimizing customer journeys. The Group is meeting the changes in the market with several interesting development initiatives to be implemented in 2023 which will strengthen the Group's position in this highly competitive market.

Checkout lending

2022 has been an interesting year from a Nordic Checkout lending perspective. The market dynamics continue to be characterized by the turmoil in the economy and aftermath of the COVID-19 pandemic, which becomes evident for a product segment centered in a retail environment. The Macro environment has a negative effect on the product segment with increasing inflation and cost of living affecting the conditions for the customers. Within green energy financing, the Group is experiencing continued growth.

Changing consumer behavior

The Group observes a shift in consumer spending where, notably, the Do It Yourself (DYI) and Home Electronics retailers have gained traction. The Group is well positioned with good coverage of retailers in the DIY and Home Electronics segments across the region.

The Group also observed that the significant shift in sales from physical stores to e-commerce continued in 2022. The e-commerce share of the Group's total transactions is now significant. The move to e-commerce will be beneficial for the Group, with solid solutions in place in most of the markets in the region.

A Nordic offering

During 2022, the Group continued the journey towards becoming a true regional player with the ability to offer the merchants competitive commercial offers for all channels. The Nordic Checkout Lending team have adapted into a Nordic organization and continue to build and leverage market expertise over the region from a commercial perspective.

The Group has successfully managed to defend and grow the position as a leading player with a positive merchant base growth across markets. In addition, some competitors have changed focus or even pulled out of the market, leading to new market opportunities.

Enhanced regulations

It has been another year with continuous focus from a regulatory perspective, with new regulations being implemented with the intention to further strengthen the consumer protection in the region. The practical implication for the Group is an even more thorough credit evaluation to secure compliance. From a commercial perspective, this has impacted approval rates negatively, especially in Norway and Denmark.

Financing the green shift

The Group's focus on green energy financing continues. In 2022, the Group has increased the focus on financing of green energy solutions for homeowners, primarily financing of solar panels and ground water heating systems. This is an attractive and growing market segment, which fits well with the Group's Responsible Banking agenda. In the Danish and Finnish markets, the Group has established agreements with a range of merchants. The Group anticipates further business growth in this sector and over the region in the coming years.

2023 expectations

For 2023, the Group expects a continued increase of e-commerce share of sale volumes across all retail segments. Solid plans are in place to launch updated customer journeys and solutions for the merchants that will further strengthen the position as a leading player in the Checkout Lending market in the region. The Group observed an increased number of exciting requests for proposal - opportunities with key merchants in the region, which hopefully will contribute to continuous growth in 2023. The market outlook for 2023 looks promising for the Group's Checkout lending business in the Nordics.

Credit cards

In 2022, the Group observed an increase in credit card volume. To a high degree this is an effect of the removal of the lock-down measures during the COVID-19-pandemic in the Nordics and the rest of Europe, causing an increase in travel related spending. In Q4 2022, the macroeconomic factors have affected the product area negatively and the Group is facing new uncertainty.

Improving product offering

The Group is revisiting the card value proposition to make it even more attractive to segments besides travel. The Group is also improving the product offering through Eco cards, biometric features, virtual cards, and optimizing customer journeys with Mobile wallet solutions across the region.

The Group has consolidated the card payment infrastructure in the region to minimize costs and streamline products and processes. The old legacy core systems are now decommissioned as planned, providing Nordic consolidated capabilities across the region, which is important for attractiveness and competitiveness. The Group has invested in repositioning the future Cards and Payments offering in the region and has made plans for strong growth and increased profitability in this business area in the years to come.

Nordic consumers are among the fastest in the world in terms of adoption mobile payment solution and checkout options. The Group has had a high focus on the continued adoption to the payment's ecosystem, ensuring continued secure and fast payment options. The Group has introduced several initiatives to ensure that we continue to meet and go beyond consumer expectations, from a product, platform, and experience point of view.

Digital first

The use of the physical card will continue to be a part of the Payment ecosystem for years to come. But as the adoption of digital payment solutions evolve, so does the possibilities of giving customers more control of their exposure. The Group's My Cards App is being launched in all countries, which gives cardholders the possibility to manage their own risk and exposure, while creating a possibility of safe and instant issuance of a new virtual Card, or pushing the Cards to Payment solutions, regardless of where you are in the world.

Deposits

After the peak reached during the pandemic, the focus in 2022 has been on creating a loyal customer base, while growing balances in line with asset growth.

Managing balances against a changing macroeconomic backdrop

With a changing macroenvironment due to high inflation and increasing interest rates, the Group will look to ensure deposits continue as the primary funding source. Improving the customer experience remains a high priority.

Total outstanding volume for the Group is 75 925 MM NOK as of Q4 2022, representing an increase of 2 621 MM NOK (4%) compared to year-end 2021. The Group operates deposit platforms in three of its four home markets: Denmark, Norway, and Sweden.

Volumes in the Danish platform have grown to represent the largest share of deposits within the three markets. Outstanding balances as of Q4 2022 were 29 896 MM NOK, ending the year 584 MM NOK (2%) higher compared to year end 2021. In 2020, the Group closed the Danish deposit products to new customers to maintain balances at current levels. The high level of balances resulted from the dynamics in the Danish deposit market, where the Group was one of the few banks offering non-negative yields. With the removal of negative yields from the market in Q3 2022, all products have been re-opened for new customers.

Denmark has the most diverse product range by offering a demand product, a notification product, and term deposits. The notification product requires customers to notify any withdrawals 31 days in advance of the actual withdrawal. In the Danish market, the Group also offers its only deposit product with fixed interest rates, with a term of two years.

In Norway, the Bank[4] launched a notification product to complement its demand product offering and to align its product offerings with Sweden and Denmark in Q3 2021. At the same time, the business also introduced a tiered structure to its pricing model to manage pricing competitively and to reward small savers. In Norway, The Bank had an outstanding balance of 25 131 MM NOK as of end Q4 2022, representing a 2 339 MM NOK (10%) increase compared to year-end 2021.

Sweden offers both a demand product and a notification product. In addition, the unit has an ongoing cooperation with a broker. While the Group's strategy is focused on maintaining its in-house products, the cooperation provides additional flexibility for managing the Swedish deposits portfolio. Outstanding volumes in Sweden stood at 20 898 MM NOK as of end of Q4 2022, which is 302 MM NOK (1%) lower compared to year- end 2021.

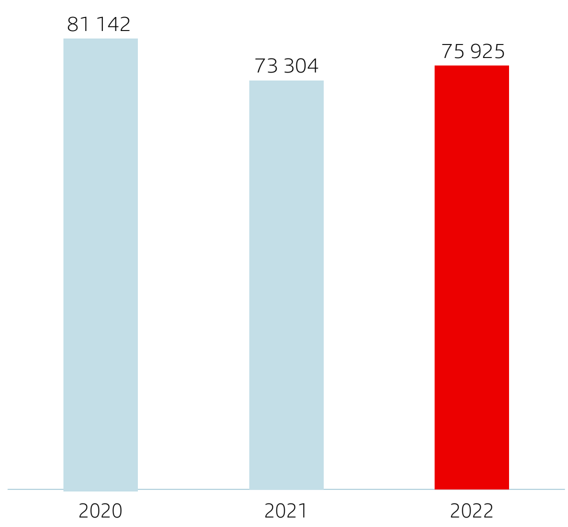
Helping people prosper

The Group continues to focus on improving the customer experience through the optimization of mobile responsive onboarding solutions, net banks, apps, and chat bots. In the Danish market, a new Private Netbank and App were launched in 2020. In addition, new features, such as saving goals and the possibility to view personal balances in third party banks were introduced in the Danish market through the Group's new financial tool named Prosper.

The Group is a member of the Norwegian Banks' Guarantee Fund. Customer Deposits are covered according to the local guarantee limits, providing our Deposits customers a guaranteed amount per debitor of 100 000 EUR in the Danish and Swedish market and 2 MM NOK in the Norwegian market.

Gross customer deposits

MM NOK



[4]The Bank refers to Santander Consumer Bank, excluding its subsidiary in Finland, Santander Consumer Finance OY.

Insurance

The insured customer base continued to grow to more than 500 000 insured customers across the Nordic countries. The COVID-19 pandemic and the macro situation in Europe has increased the awareness among consumers and partners of the importance of insurance. With insurance income representing almost 6.2% of total revenue in 2022, it is firmly positioned as a strategic priority for the Group.

Enhancing digital capabilities

The Group continues to focus on improving the customer experience through the optimization of its current and new products.

As the market progresses towards a highly digital customer journey, the Group has decided to ramp up the internal IT capabilities over the next 3 years to cater for new digital products as well as to decrease the time to market for the Group's products and services. This is expected to translate into increased sustainable insurance revenue for the Group.

New product for auto leasing in the Swedish market

In the Swedish private leasing market, the Group identified the potential for launching a dedicated Credit Protection Insurance (CPI) product for leasing, which was launched at the end of 2021. As a result of the CPI for auto leasing, the current conversion rate has increased to more than 35% on new contracts, which greatly impact the Group's insurance profitability.

Digital point of sales for the Norwegian market

Due to implementation of the Insurance Distribution Directive, traditional distribution through the Group's dealer network for auto has become increasingly difficult. As a result, the Group launched a new sales channel, called Digital POS, for the Group's dealer network in the Norwegian market.

With the implementation of a digital point of sale solution, the Group will ensure that all auto customers are given an insurance offer, which will decrease the acquisition cost, thereby making the point-of-sale channel more profitable.

Digital point of sale in the Finnish market

Historically, the Group has only sold insurance in the Finnish market through telemarketing. In an effort to give the best possible customer experience and improve customer retention, the Group decided to launch a new point of sale solution for the Finnish dealers in 2022. But as sales have not proved to be as expected, the Group have decided to implement a digital point of sale solution similar to the one operating in Norway, which will be live during Q1 2023.

Enhanced regulations

The EU Insurance Distribution Directive regulate how insurance is distributed, with a goal of increasing consumer protection. It has as its main aim to ensure that customers receive clear and adequate information provided by competent sales professionals. The Norwegian market has already responded to this regulation by adopting either free-start models or digital onboarding.

A sales ban was imposed by the NFSA, upon request from the DFSA, on all Norwegian distributors with cross-border services in Denmark in the summer of 2021. The Group therefore had to cease all insurance sales activities in the Danish market during Q3 2021. The Group has since then successfully implemented a new lead generation model, ensuring full coverage possibilities for all the Group's customers. The Bank is now successfully registered by the NFSA as a full insurance intermediary and will send a notification to the DFSA on the Bank's behalf so that the ban can be lifted, and normal sales can resume once again during Q1 2023

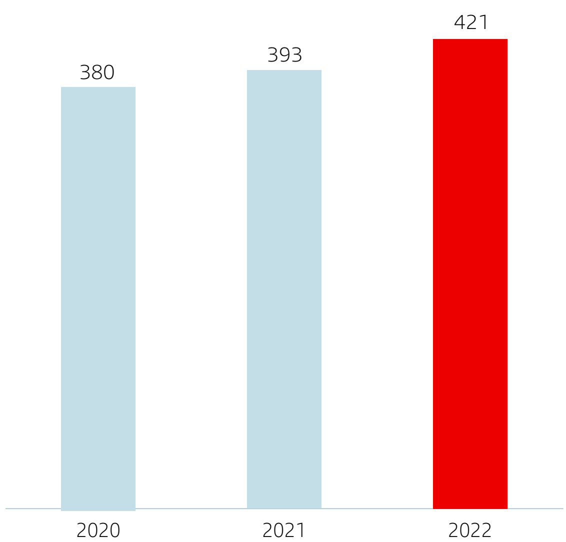
New legislation for telemarketing in the Finnish Market

In 2022, the national telemarketing law in Finland was tightened. The new bill includes a provision requiring companies to provide their offers to customers in writing, which would effectively end the right of telemarketers to "close" offers by phone.

The Group expects this to impact its insurance sales in Finland, but mitigations actions have been made to ensure a solid sales process.

Insurance income

MM NOK



Risk Management

The Group's risk management function, underpinned by a strong risk culture and a solid governance structure, is key to making sure we remain a robust safe and sustainable bank that helps people and businesses prosper.

Credit Risk

Credit quality indicators have maintained the positive trend observed in the previous quarter.

Cost of Credit	NPL Ratio	Coverage Ratio
0.44%	2.62%	91.32%
▼ 10 bps vs. Q4.21	▼ 7 bps vs. Q4.21	▼ 8,38 pp vs. Q4.21

Structural and Liquidity risk

Robust liquidity buffer with ratios above regulatory limits.

LCR	NSFR
184%	107%
▲ 5 pp vs. Q4.21	Stable vs. Q4.21

Operational Risk

Operational risk losses were impacted due to the administrative fine of 150 MM NOK which was announced by the NFSA.

The Group is continuing to work on the mitigation actions and improvements as detailed in the Group's AML Program.

Capital Risk

Capital ratios above regulatory requirements.

CET1 %
18.69%
▲ 21 bp vs. Q4.21

Risk Management Framework

The primary role of the risk management function is to protect customers, business, colleagues, shareholders, and the communities that the Group serve, while ensuring ability to support the strategy and provide sustainable growth.

The Group uses a comprehensive and forward-looking risk management approach across the organization and across all risk types, underpinned by our risk culture, RiskPro, and Santander's values. The Group's risk management framework fosters continuous monitoring, promotes risk awareness, and encourages sound operational and strategic decision-making. Moreover, it supports a consistent approach to identifying, assessing, managing, and reporting the risks that the Group assumes, in accordance with its risk appetite statement. The Group continues to actively review and develop its risk management framework and enhance its approach to managing risk.

The Group relies on the following advanced risk management processes and tools to efficiently and holistically manage and monitor risk:

Risk Appetite and Structure of Limits

Risk appetite is the volume and type of risks we deem prudent for our business strategy under normal and stressed circumstances. It is expressed in qualitative terms as well as limits, which are structured around five axes (Results volatility, Solvency, Liquidity, Concentration, and Non-financial risks).

Risk Profile Assessment (RPA)

A robust methodology that allows us to analyze the various risk types the Group is exposed to, based on the main principles of the identification and risk assessment model, such as: self-assessment and exercise suitability; efficiency; and holistic, in-depth risk analysis (with common approaches and alignment for decision-making). The three lines of defense take part in the assessment, strengthening our risk culture by reviewing how risks change and pinpointing areas for improvement.

Scenario Analysis

Scenario analyses are a useful risk management tool to measure our resilience to stress situations under a forward-looking approach and, if necessary, prepare mitigating plans for expected loss, capital, and liquidity. Risk Reporting Structure

To provide senior managers with a complete, up-to-date understanding of our risk profile, the Enterprise Risk Management team regularly consolidates and reports on current and future risks so the right decisions can be made in a timely manner. Our risk reporting covers all factors set out in our risk framework, including environmental, social, and climate-related risks, as well as all those fundamental aspects that may be necessary for our risk assessment.

In 2022, critical issues such as the macroeconomic situation were monitored, with a particular focus on supply chain disruption, interest rate developments and their impact on the portfolio, raising awareness, and supporting decision making.

Executive Summary of 2022

The beginning of 2022 was marked by relative optimism following the lifting of COVID-19 related restrictions earlier in the year. The economic activity across the Nordic countries – only temporarily damped by the Omicron variant of COVID-19 and threatened by a still stretched global supply chain - was recovering strongly, supported by low unemployment rates and households' consumption. However, the rising cost of energy and increase in demand and racing commodity prices during 2021 took center stage from the very outset of 2022 and would seriously escalate in the wake of the war in Ukraine.

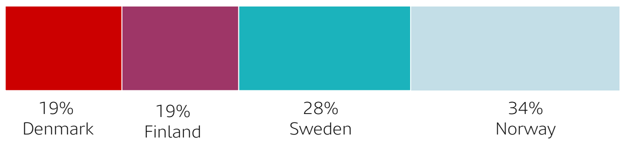
The outbreak of the war in Ukraine brought with it significant challenges. It added to the already existing uncertainty in the markets and its impact was felt throughout the global economy, causing a sharp rise in prices, additional tensions in the global supply chain - exacerbated in Europe with the gas cut-off from Russia - and a direct impact on customer and business confidence. Rapidly rising prices compelled the central banks to raise interest rates at a faster pace than initially expected, which had a direct and immediate impact on economic planning and put household budgets on the ropes through higher borrowing costs. The Group responded in good fashion and acted responsibly, supporting its customers while maintaining an adequate funding balance.

We have been actively monitoring and managing all risk related to the war in Ukraine and broader macroeconomic and geopolitical uncertainties through specialized working groups, aiming for prompt identification of potential risk events or threats that could arise and define adequate mitigation actions.

Credit Risk

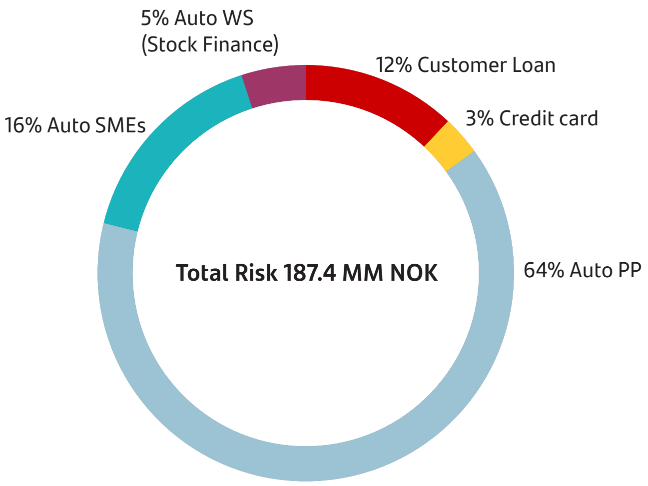
Total risk by country

The Group maintains a portfolio with a good diversification across the Nordic countries:



Total risk by product

The group maintains a portfolio with a good diversification across products:



Non-Performing Loans

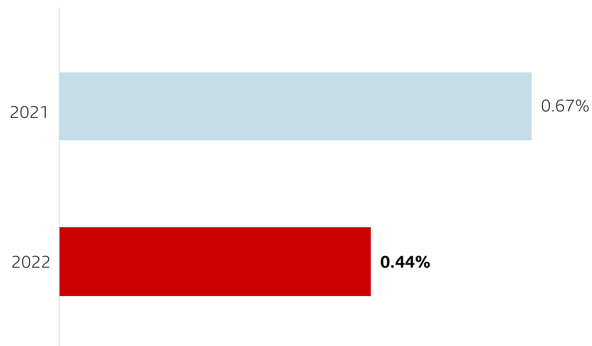
The Group's Credit Risk profile in 2022 remained stable for the total portfolio, in line with business strategy. The consolidated Non-Performing Loans (NPL) Ratio ended at 2.62% (1.45% for Secured and 8.83% for Unsecured portfolios) in Q4 2022, compared to 3.08% in Q4 2021 (1.62% for Secured and 9.63% for Unsecured). The NPL ratio has decreased slightly over the course of the year in line with credit risk strategy and was impacted favourably by credit risk performance, most notably in the first three quarters of the year.

Cost of Credit

The Group's strong reserve base at the end of 2022 reflects the changes in portfolio mix and the stable to improved quality of the portfolio, based on its risk appetite and prudent risk management model.

The total loan loss reserves have decreased from 5 015 MM NOK per Q4 2021 to 4 491 MM NOK per Q4 2022. The total reserves as of Q4 2022 of 4 491 MM NOK include 4 426 MM NOK related to loans to customers and 65 MM NOK connected to off-balance exposures. In relation with the changing of the macroeconomic environment, the "post-COVID" model adjustments booked at the end of 2021 has been transitioned as of December 2022 towards a macroeconomic and inflationary forward-looking overlay.

The aforementioned macroeconomic and inflationary forward-looking overlay was 113 MM NOK included in the reserves compared to 79 MM NOK of macroeconomic forward-looking factor reserved in 2021.



Liquidity Risk 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 has a strong liquidity position, managed at Nordic level to ensure efficient use of liquidity across the Group, and the liquidity risk management has been further strengthened during 2022. As of December 2022, the Group's LCR was 184.51 % and the NSFR was 107.16%. Both metrics are comfortably exceeding the regulatory requirements. The Group has a credit line with the parent company and can utilize this to manage short term liquidity needs and to the extent external funding might become unavailable or is considered unfavorable.

The Group's balance sheet composition is designed to ensure that interest rate risk is managed at prudent levels and within established limits. The Group's policy is not to actively take on interest rate risk in its operations and continuously monitor the sensitivity of its net interest income (NIM) and equity value (MVE) to changes in interest rates. The exposure to interest changes on both metrics are within defined limits per end of December 2022.

184%

Liquidity Coverage Ratio (LCR) remained above regulatory thresholds in 2022

Foreign currency risk

The Group is exposed to currency risks through its activities in the Swedish, Danish, and Finnish markets and from funding activities in the Euro-markets. The main source of currency exposures is retained earnings in EUR, which are accumulated in the Finnish subsidiary to meet its solvency targets. The Group minimizes currency risk by ensuring assets are funded by liabilities in the same currency. Accumulated earnings in SEK and DKK are spotted to NOK when needed to minimize the open exposure. The risk is measured through an FX exposure report, covering all significant currencies for the Group.

The total open currency exposure as of year-end 2022 was 3 165 MM NOK equivalent for consolidated SEK, DKK, and EUR exposures, which is comfortably inside the defined FX exposure limits for the Group in 2022.

Operational risk

The Group defines operational risk as the risk of losses from defects or failures in internal processes, people, systems, or external events. It covers risk categories such as fraud, technological, cyber-risk, legal and conduct risk, however it does not include events arising due to strategic or reputational risk. Operational risk is inherent to all products, activities, processes, and systems. It is generated in all business and support areas. Our operational risk management and control model is based on a continual process of identifying, evaluating, reporting, and mitigating sources of risk, regardless of whether they have materialized or not, ensuring that risk management priorities are established appropriately.

The operational risk focus in 2022 was adequate management of continuity risks due to the war in Ukraine, since the Group outsourced some of its activities around IT development to suppliers based in Ukraine, as well as bringing attention towards special operational risk areas such as fraud, cyber security, and vendor risk management.

The Financial Supervisory Authority of Norway (NFSA) published a report on November 2, 2022, from ther ICT and AML onsite inspection carried out in September 2021. The scope of the inspection was the Groups's Norwegian business and its compliance with certain provisions in the Norwegian ICT Regulation and the Norwegian AML legislation. The report documented their conclusions and their decision to impose an administrative fine of 150 MM NOK towards the Bank for inadequate follow-up of the AML (anti-money laundering) regulations. The report also included 4 corrective orders in terms of mediation of some of the deficiencies. The work to close the deficiencies indicated in the corrective orders has been a main priority for the Group. On the 1st of February 2023, The Board of Directors sent the NFSA a response to all orders, detailing the progress that has been made in all areas.

Overall, excluding the NFSA's conclusions on AML and the imposed fine, the Group's operational risk profile remained stable during 2022 and is expected to remain stable within medium-low risk profile in 2023.

Climate & Environmental risk

Climate-related and environmental risk management, under both physical & transitional perspective, is key to fulfilling the Group's objectives. The Group takes aiding customers' and households' transition to a low-carbon economy seriously, offering financial products and services to environmentally and socially responsible businesses in keeping with our sustainability commitments and the objectives of the Paris Agreement.

In 2022, work continued to further embed climate-related and environmental risk in the Group's second line of defense processes (Top Risks, Risk Appetite Statement, Risk Map, and Risk Strategy) and key strategic exercises (findings from these exercises fuel our internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP)). The management of this risk is continuously evolving, with a comprehensive and holistic approach, aiming to its full integration within all the phases of the risk cycle, and to meet supervisory and our stakeholders' expectations.

As an area of growing focus, building internal capabilities through training (ensuring that employees have the knowledge and skills) is an important step in effectively managing these risks. Our Risk-Pro culture has been proved as a key tool to raise awareness among our employees.

Risk Pro: The Group's risk culture

Santander's strong risk culture is deeply rooted in the principle: '**Risk is Everybody's Business.**' All employees are risk managers and are responsible for managing the risks they encounter, regardless of their level or role. Risk Pro culture is embedded in all steps of the employee lifecycle: recruitment, onboarding, growth and development, day-to-day operations, and leadership across all functions.

In 2022, the focus has been on deepening employees' understanding of risks they face in their daily work and ensuring they are fully equipped to manage them. The well-established non-mandatory risk training concept of the 'Risk Pro Academy' has been further developed, providing consistent, effective, and multifaced 'Risk Pro Communications'.

Integrating the 10% risk goal into the performance management system for all employees has helped to boost attention to the risk related topics in communications and training.

Having a robust risk culture is one of the key success factors that allows the Group to effectively respond to changes in economic cycles, new customer demands, increased competition, and increased regulatory pressure.

It is an integral part of what defines the Group and the way it operates: Simple, Personal and Fair.

risk pro
Everybody's business

Funding

The Group continues to pursue a diversified funding strategy. Diversification has during the last years benefited the Group both during the COVID-19 pandemic and the ongoing war in Ukraine with the Group's deposit base and access to parent liquidity remaining consistent throughout the year.

Self-funding strategy

A solid funding platform

Over the past decade, the Group has developed multiple funding channels ranging from deposit products across three of its four markets, unsecured bonds in the Norwegian, Danish, Swedish and European bond markets, including Swedish and Norwegian green bonds, and securitization transactions with assets from Finland. Parent funding provides a buffer where needed. The Group aims to maintain a consistent self-funding strategy, with variations due to seasonal fluctuations and timing of transactions.

Total outstanding bond and certificate issuance decreased in 2022, standing at 34 599 MM NOK or 22% of total funding per Q4 2022. Senior unsecured issuance and certificates outstanding year end 2022 include 2 500 MM EUR in the Euro market, 3 800 MM SEK in the Swedish market, and 5 700 MM NOK in the Norwegian market. Given strong deposits liquidity, we have temporarily scaled back our presence in the certificates of deposits market in Norway and Sweden and currently do not have any outstanding certificates as of year end 2022.

The weighted average remaining term to maturity, excluding certificate issuances, is approximately 1.9 years. This number fluctuates somewhat and typically remains around 2 years.

The Green Bond program

Santander Group has published its updated Green, Social and Sustainability Funding Global Framework. This new framework substitutes and replaces the previous Green Bond framework from the Group, aligning our structure with the best practices of the ESG / sustainable capital markets.

Ratings

The Group is rated by Fitch (A-/F2/Outlook Stable) and Moody's (A3/P2/Outlook Stable).

ABS

The Group accessed the asset-backed securities market in Q2 2022 with a 550 MM EUR transaction backed by Finnish assets. Securitizing the Finnish portfolio has been a consistent source of funding. While the Group's overall funding from securitizations has decreased since 2016 due to the change in securitization law in Norway, which has prevented us from issuing ABS backed by Scandinavian assets, the Finnish program has provided approximately 10% of the Group's funding since 2016. Total outstanding volumes in securitizations currently equals 12 709 MM NOK.

The Group looks to utilize its securitization capabilities more frequently going forward, once Norwegian legislation is harmonized with the new Securitization Regulation (Regulation (EU) 2017/2402), together with the amendment to the Capital Requirements Regulation (Regulation (EU) 2017/2401). The new Securitization Regulation establishes a standardized framework for securitization and creates a specific framework for simple, transparent, and standardized securitizations. In June 2019, the Norwegian Ministry of Finance (MoF) released a consultation paper on the adoption of the new regulations. In December 2020, the MoF published a proposal to implement the EU Securitization Regulation into Norwegian law. The proposal was adopted by the Norwegian Parliament on April 23, 2021, and is expected to enter into force once the relevant EU regulations have been implemented in the EEA Agreement. The exact timing of the latter is currently unknown but is likely to occur during 2023.

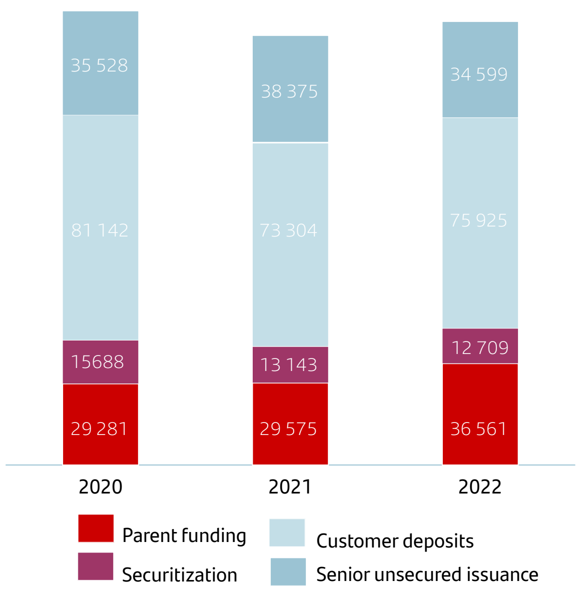
Once adopted, the legislation will align the Norwegian securitization legal framework with that under which European financial institutions currently operate.

Intragroup Funding

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.

Funding composition

MM NOK



Solvency and capital adequacy

Capital ratios remained solid and closed 2022 with a good margin above the minimum capital regulatory requirements. In June 2022, the EU Banking Package entered into force in Norwegian law implementing changes to capital requirements and to the Bank Recovery and Resolution Directive through CRR II, CRD V and BRRD II. Nordic regulators continued to communicate their expectations on increasing capital requirements through the countercyclical buffer. The Group is well positioned to meet present and future changes in capital requirements.

Capital position

The Group is jointly supervised by the Norwegian FSA and the European Central Bank (together the Joint Supervisory Team) and must comply with capital requirements for banks in Norway both at consolidated level (the Group) and at stand-alone level (SCB AS).

Since December 2018, the Group has elected capital ratios using IFRS 9 transitional rules as the official ratios required to meet the minimum capital requirements set forth by regulatory authorities. From Q1 2022 and going forward, the Group is reporting its official capital ratios under the fully loaded approach.

The Group closed 2022 with a common equity Tier 1 (CET1) ratio of 18.69%, down from 18.89% a year earlier. The corresponding number for SCB AS was a ratio of 17.92%, down from 18.34%. For both Group and SCB AS, the CET1 ratios are well above the minimum capital requirements (including Pillar 2 Guidance) with a buffer of 434 bps and 351 bps, respectively.

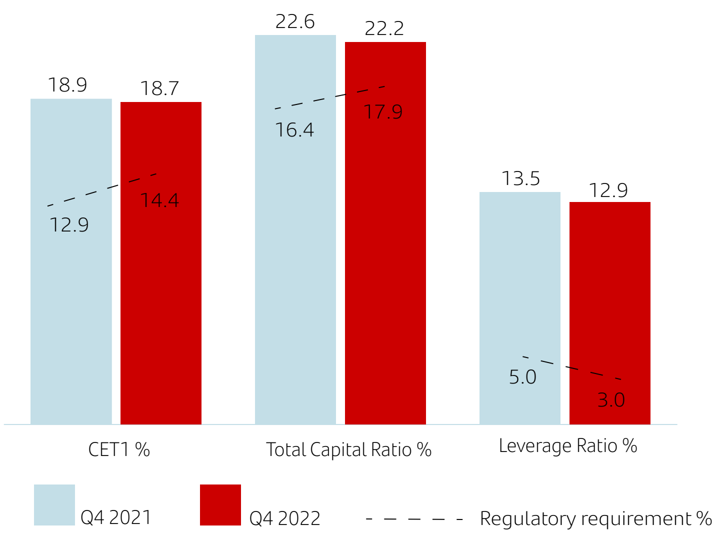
The total risk weighted assets have increased during 2022 leading to slightly lower CET1 ratios. This is mainly explained by an increase in customer loans, particularly in stock finance and retail auto portfolios, and by a weaker Norwegian kroner versus SEK, DKK, and EUR.

The leverage ratios for the Group and SCB AS closed 2022 at 12.94% and 12.98%, respectively and are well above the new regulatory requirement of 3% in force with the implementation of the “Banking Package” in Norway.

The Group plans a dividend payment of 2.2 Bn NOK corresponding to a distribution of 100% of profit after tax for SCB AS for the financial year 2022. The dividend payment impacts capital ratios in Q4 2022 and is expected to be paid in first quarter of 2023 after notification to the Norwegian FSA and approval in General Meeting.

Capital adequacy

SCB Group



SCB Group

Actuals	Q4 2021	Q4 2022
CET1 capital ratio	18,89%	18,69%
Tier 1 capital ratio	20,65%	20,39%
Total capital ratio	22,57%	22,19%
Leverage ratio	13,52%	12,94%
Capital requirements	**Q4 2021**	**Q3 2022**
CET1 capital ratio	12,89%	14,35%
Minimum Core Equity	4,50%	4,50%
Pillar 2 Requirement	3,30%	3,30%
Pillar 2 Guidance	1,00%	1,50%
Countercyclical Buffer (combined)	0,29%	1,32%
Conservation Buffer	2,50%	2,50%
Systemic Risk Buffer (combined)	1,30%	1,23%
Tier 1 capital ratio	14,39%	15,85%
Total capital ratio	16,39%	17,85%
Leverage ratio	5,00%	3,00%

SCB AS

Actuals	Q4 2021	Q4 2022
CET1 capital ratio	18,34%	17,92%
Tier 1 capital ratio	20,20%	19,73%
Total capital ratio	22,22%	21,66%
Leverage ratio	13,84%	12,98%
Capital requirements	**Q4 2021**	**Q4 2022**
CET1 capital ratio	13,01%	14,41%
Minimum Core Equity	4,50%	4,50%
Pillar 2 Requirement	3,30%	3,30%
Pillar 2 Guidance	1,00%	1,50%
Countercyclical Buffer (combined)	0,31%	1,35%
Conservation Buffer	2,50%	2,50%
Systemic Risk Buffer (combined)	1,40%	1,25%
Tier 1 capital ratio	14,51%	15,91%
Total capital ratio	16,51%	17,91%
Leverage ratio	5,00%	3,00%

Current and future capital requirements

Following communications from Nordic regulators, countercyclical buffer requirements ("CCyB") have increased during 2022. In both Denmark and Norway, the CCyB is at 2% and is expected to reach 2.5% by the end of Q1 2023. In Sweden, the CCyB is at 1% and is expected to reach 2% by Q2 2023. CCyB in Finland is expected to remain unchanged at 0%. The Group continuously updates developments on buffer requirements in its capital planning and is well positioned to meet present and future changes in capital requirements.

The Group has recently received revised Pillar 2 requirements and guidance during December 2022 applicable from January 1, 2023. The Pillar 2 requirement decreased from 3.3% to 2.7% of RWAs and can be covered by a minimum of 56.25% of CET1 and a minimum of 75% of Tier 1 capital. The Pillar 2 guidance remained unchanged at 1.5% and still needs to be entirely covered by CET1 capital.

Regulatory

Legislative amendments implementing the EU Banking Package in Norwegian law entered into force in Norway from June 1, 2022. The amendments included changes to EU's capital requirements legislation and the Bank Recovery and Resolution Directive, CRR II, CRD V and BRRD II, which entered into force in the EU from the spring of 2021. The main changes in capital regulation include: extended scope of SME discount factor, intangible assets treatment, quality of capital instruments to cover Pillar 2 Requirement, new method for calculating counterparty risk and changes in calculation of large exposures.

The Group uses the advanced IRB-approach for the private auto portfolios in Norway, Sweden, and Finland. In July 2021, the Group submitted updated IRB models to the Joint Supervisory Team incorporating new regulations and guidelines. The submitted models have not yet been approved by the regulators.

The Group received its Minimum requirement for own funds and eligible liabilities (MREL) from the Norwegian FSA in June 2022, which constitute internal MREL requirements and, as such, are to be satisfied within own funds and eligible liabilities issued or owed to or held by the Parent Company, Santander Consumer Finance, S.A., or Banco Santander, S.A. directly. The deadline to satisfy the full MREL requirement is January 1, 2024.

For further details regarding Capital Adequacy, please see (Note 9) "Capital adequacy".

Regulatory changes

The regulatory framework for the financial sector is constantly changing, and the number of initiatives from regulators continues to be high, both on EU level and nationally. The Group works continuously to ensure compliance and has frameworks to secure monitoring and implementation of new legislation. The Group strives to take on an active role in legislative processes through Finans Norge and other finance associations and networks.

Consumer protection

Consumer protection is an area of focus from European and Nordic regulators and supervisors.

In October 2022, the Norwegian Financial Supervisory Authority issued a proposal for amendments to the Norwegian Lending Regulation, and in December the Norwegian Ministry of Finance adopted changes to the Regulation, although not to the extent proposed by the NFSA. Additionally, the NFSA issued amendments to its Circular on Consumer Lending.

The new Norwegian Financial Agreements Act entered into force January 1, 2023. The Act will considerably impact financial institutions in Norway, including the Group, and further enhance consumer protection. The Act implements provisions from several EU legislative acts such as directives on mortgages, payment services, and payment accounts. During the third quarter of 2022, the Ministry of Finance also adopted several new regulations to the Act. Certain transitional rules have also been adopted, on amongst others the new Act's provisions on changes to interest rate terms in credit agreements.

During the fall of 2022, the Norwegian Ministry of Justice published a public consultation where the Norwegian Financial Supervisory Authority propose to regulate additional benefits and services connected to credits. If this is adopted, financial institutions will not be able to provide additional benefits and services connected to credits, unless they also provide debit solutions to their customers. The public consultation was due November 1, 2022, and the proposal is currently being reviewed by the Norwegian Ministry of Justice.

A proposal to expand the debt register to include secured debt, such as car loans and mortgages, was issued for public consultation during the summer of 2022. This consultation was due October 14, 2022, and the proposal is currently being reviewed by the Ministry of Children and Families. If adopted, it will provide financial institutions with a better tool when performing credit worthiness assessments of its customers.

In 2022, the Swedish Financial Supervisory Authority continued its focus on consumer protection from 2021. New guidelines on consumer credits were issued in September 2021 and entered into force on November 1, 2021, providing clarified rules on the information to be included in credit assessments of consumers, how this information shall be collected, verified, and considered in order to assess the consumer´s ability to repay.

During 2022, the Swedish Financial Supervisory Authority has issued injunctions to several institutions in the Swedish market due to unsatisfactory creditworthiness assessment practices.

In Denmark, the Consumer Ombudsman and the Danish Financial Supervisory Authority published updated guidelines in relation to creditworthiness assessments in April 2021. Although creditworthiness assessments have been and continues to be a focus area for all Nordic and European supervisors and regulators, the Danish market still somewhat stands out with the high number of Consumer Ombudsman cases related to the topic. In recent mass communication as well as direct communication to the bank from the DFSA sent out shortly before Christmas 2022, the DFSA highlights that a strong focus on creditworthiness is going to be maintained in 2023 and the years to come.

In Finland, the Ministry of Justice's proposal to implement a positive credit register from April 2024 was approved by the Finnish Parliament in July 2022. There are also several proposals for amendments to the consumer protection legislation, including changing the responsibility for supervision of credit institutions, from the Regional State Agency, AVI, to the Finnish Financial Supervisory Authority. Additionally, the Finnish Consumer Ombudsman has updated its policy on the offering of consumer credits and communicated that they will focus on monitoring creditors' compliance with the Finnish Consumer Protection Law (e.g., the law's requirements on pricing).

In May 2020, the European Banking Authority (EBA) issued new guidelines on loan origination and monitoring. Both Danish and Swedish Supervisory Authorities stated that they would comply with the guidelines from June 30, 2021. For Norway, the guidelines applied from January 1, 2022. The guidelines specify the internal governance arrangements for granting and monitoring of credit facilities throughout their lifecycle. The guidelines introduce requirements for borrowers' creditworthiness assessment and bring together the EBA's prudential and consumer protection objectives. The guidelines aim to ensure that banks have robust and prudent standards for credit risk taking, management and monitoring, and that newly originated loans are of high credit quality. The guidelines also aim to ensure that the banks' practices are aligned with consumer protection rules and AML requirements.

In June 2021, the European Commission issued a proposal for a new directive on consumer credits, repealing and replacing the Consumer Credit Directive 2008/48/EC. The proposed directive applies to credit agreements with consumers, although with a number of listed exceptions. The general aim of the new directive is to reduce the consumer detriment and risks in taking out loans in a changing market and to facilitate a cross-border provision of consumer credits and the competitiveness of the internal market. The proposal entails, inter alias, more detailed regulation regarding credit assessments, regulation on fees and charges, and caps on interest rate. In December 2022, the European Council and the European Parliament reached a provisional agreement on the directive, and next step is their approval before going through the formal steps of the adoption procedure.

The combat against money laundering and terror financing continues

The combat against money laundering and terror financing continues to be an area of high focus from European and Nordic regulators and supervisors.

In Norway, the Financial Supervisory Authority carried out several onsite inspections within the area during 2022 and issued decisions on administrative fines and corrective orders to a number of financial institutions. On November 15, 2022, the NFSA also issued new guidelines to the Norwegian AML Act.

On November 22, 2022, EBA published its final guidelines on remote customer onboarding. The date from which the guidelines will apply is yet to be determined.

In July 2021, the European Commission presented an ambitious package of legislative proposals to strengthen the EU's anti-money laundering and countering the financing of terrorism (AML/CFT) rules. The aim is to improve the detection of suspicious transactions and activities, and close loopholes used by criminals to launder illicit proceeds or finance terrorist activities through the financial system. The package also includes the proposal for the creation of a new EU authority to fight money laundering. The legislative package will be discussed by the European Parliament and Council. The Commission has stated that it is hopeful for a speedy legislative process and that the AML authority should be operational in 2024 and will start the work of direct supervision slightly later, once the directive has been transposed and the new rules start to apply.

Data Privacy and protection

Data privacy and data protection also continues to be an area of high focus from European and Nordic regulators and supervisors.

The European Commission has published new Standard Contractual Clauses (SCCs) for transferring personal data to countries outside the EEA. The new SCCs came into force on June 27, 2021. Existing contracts that include the old SCCs had to be updated within eighteen months, hence December 2022.

During the spring of 2022, the European Commission and the United States announced that they have agreed in principle on a new EU-US Data Privacy Framework, which will foster trans-Atlantic data flows and address the concerns raised by the Court of Justice of the European Union in the Schrems II decision of July 2020. In December 2022, the European Commission published a draft Adequacy decision for the EU-US Data Privacy Framework. The draft decision reflects the Commission's assessment that, following the signature of the Executive Order by President Biden in October 2022, the US legal framework provides comparable safeguards for personal data. The draft decision was in December 2022 sent to the European Data Protection Board for its opinion.

EU's Digital Operational Resilience Act ("DORA") was adopted November 28, 2022, and must be implemented within January 2025. DORA comprises both a directive and a regulation and is part of a larger digital finance regulatory initiative, which aims to 'develop a European approach that fosters technological development and ensures financial stability and consumer protection'. The package also includes a digital finance strategy, a proposal for distributed ledger technology and a proposal on markets for crypto assets. The most important aim of DORA is to prevent and mitigate the impact of cyber threats on financial entities. The EU acknowledges that financial institutions and payment systems provide essential services in the European society. Thus, Europe risks being severely impacted by a disruption of the technological services on which financial institutions and payment systems rely, regardless of whether those disruptions are the result of natural disasters or actions by hostile powers. DORA aims to enhance and streamline the financial entities' conduct of ICT risk management, establish a thorough testing of ICT systems, increase supervisors' awareness of cyber risks and ICT-related incidents faced by financial entities, as well as introduce powers for financial supervisors to oversee risks stemming from financial entities' dependency on ICT third-party service providers.

Sustainable finance

The European Commission has adopted a series of legislative proposals to achieve the goal of climate neutrality in the EU by 2050 and the intermediate target of an at least 55% net reduction in greenhouse gas emissions by 2030.

The act, which implements the EU Taxonomy Regulation, entered into force in Norway January 1, 2023. The EU Taxonomy is the first step of the EU Commission Action Plan on Financing Sustainable Growth and is a framework to facilitate environmentally and socially sustainable investments. Sustainable finance has an important role in mobilizing the necessary capital to deliver on the policy objectives under the European Green Deal as well as the EU's international commitments on climate and sustainability objectives.

On December 20, 2022, The Norwegian Ministry of Finance confirmed that the Law on Sustainable Finance (Lov om bærekraftig finans) will enter into force on January 1, 2023, and where the requirements of Article 8 shall be applied in relation to financial reporting as of December 31, 2023.

The EU Council gave its final approval to the Corporate Sustainability Reporting Directive (CSRD) on November 10, 2022. The CSRD amend the existing ESG-reporting requirements under the NFRD. It is expected that the directive will enter into force in the EU during 2023, and it is announced that Norway aims at following the implementation timeline set out by the EU.

In Norway, the Transparency Act entered into force on July 1, 2022. The act is a result of increased expectations among authorities, civil society, and consumers that companies act with increased responsibility in their value chains. Similar legislative initiatives are under development in the EU and several European countries. All enterprises within the scope of the act must carry out due diligence assessments of fundamental human rights and decent working conditions, in line with the OECD's guidelines for multinational companies. The duty to carry out due diligence is an essential obligation pursuant to the act. This must be conducted regularly and be in proportion to the size of the business, the nature of the business, the context in which the business takes place, and the severity and likelihood of negative consequences for human rights and decent working conditions.

In Denmark, the Consumer Ombudsman issued a "quick guide" on how to market products in a manner that does not conflict with the Danish Marketing Act's ban on greenwashing. A more extensive guide is expected in 2023.

Capital and Funding

Implementation of the EU's "Banking Package"

In the spring of 2019, the EU adopted what is collectively called the "Banking Package" or the "Risk Reduction Package", including changes to EU's capital requirements legislation and the Bank Recovery and Resolution Directive, CRR II, CRD V and BRRD II, and entered into force in the EU from the spring of 2021. The Norwegian implementation was delayed, and the requirements entered into force in Norway in 2022.

Implementation of EU's securitization legislation

Another regulatory development, which is key for the Group and its self-funding, is the implementation of EU's securitization legislation that was presented by the Ministry of Finance in 2020. Once the regulation is adopted, it will enable the Group to carry out securitizations once again in Norway, Denmark, and Sweden.

Supervisory Review and Evaluation Process

In September 2022, the Financial Supervisory Authority of Norway issued a new circular on its supervisory review and evaluation process (SREP).

Countercyclical capital buffer

Following communications from Nordic regulators, countercyclical buffer requirements ("CCyB") have increased during 2022. In both Denmark and Norway, the CCyB is at 2% and is expected to reach 2.5% by the end of Q1 2023. In Sweden, the CCyB is at 1% and is expected to reach 2% by Q2 2023. CCyB in Finland is expected to remain unchanged at 0%.

Corporate Governance

Santander Consumer Bank AS is a Norwegian commercial bank, operating under a banking license granted and supervised by the Financial Supervisory Authority of Norway. The Group has branches in Sweden and in Denmark, and a wholly owned subsidiary in Finland. Our offices are located in Oslo, Stavanger, Stockholm and Helsinki. The bank is fully owned by Santander Consumer Finance S.A, which in turn is owned by Banco Santander S.A.

The Group have 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. 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 composition of the Board of Directors

The Board of Directors is the Group's highest decision-making body, except for matters reserved for the general meeting.

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 2022, the Board met ten times in addition to handling certain Board items via circulation.

The composition of the Board of Directors is balanced between external and internal (employed by the shareholder Santander Consumer Finance S.A. and the Santander Consumer Bank Nordic Group) directors. The Board of Directors has eight members, 3 external members, 3 internal members, and 2 employee representatives. The chair and deputy chair of the Board are elected by the general assembly. The Board of Directors consists of 4 women and 4 men. The elected members of the Board serve for two years. If a Board member retires before their period of office has expired, a replacement for the remaining period is elected.

Each employee representative 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.

The Board has a skills matrix to ensure an overview of board competencies at all times and in order to support and ensure successful succession planning. Each year, the Board carries out a self-assessment of its competencies and work, and every other year it is carried out with an external facilitator. The Group has a Board of Directors insurance, which also includes the CEO and senior management.

The committees

The Group has a Board audit committee consisting of 3 members chosen by and among Board members, currently the Board's two external directors, one of whom has the required qualifications in auditing and accounting, and one internal director who is an employee representative. The committee carries out the tasks set forth in section 8-19 of the Norwegian Financial Undertakings Act (Finansforetaksloven). The Board audit committee's objective is to serve as an advisory and preparatory committee in relation to the Board's administrative and supervisory tasks connected to financial reporting and associated internal controls and to follow up on the internal and external audit of the Group including its operations via branches and subsidiaries.

The Group has a board risk committee consisting of 3 members chosen by and among Board members, currently consisting of 2 of the Board's external directors and 1 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 Group's overall current and future risk appetite and strategy and assists the Board in the overseeing the implementation of the Group's risk strategy.

The Group has a remuneration committee consisting of 5 members chosen by and among Board members, currently 3 of the Board's external directors (per February 2023 there is one open position) and 2 internal directors, whereas 1 is an 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, is preparatory and advisory committee for the Board with respect to the group Remuneration Policy and corresponding procedures and the monitoring and control with the effectiveness of the implementation of them.

The Group has a nomination committee consisting of 5 Board members (per February 2023 there is one open position), elected in the General Assembly, currently 3 of the Board's external directors and 2 internal directors, whereas 1 is an employee representative. The objective of the Nomination Committee is to be a preparatory and advisory to the general assembly and sole owner with respect to suitability assessments, selections, and nominations of candidates to the Board, including senior management, CEO, and succession planning.

Day-to-day management

The Board has delegated the day-to-day management to the Group's CEO. Management committees, including an Executive Management Committee, have been established in order to facilitate the work of the CEO and to ensure effectiveness and efficiency of business and to enhance the internal control of the Group. The Executive Management Committee consists of the senior managers of the Group's main functions; CEO, Commercial, Financial Control, Financial Management, Technology and Operations, Operating Office, Compliance, and Risk, currently 2 women and 6 men. The Executive Management Committee meet on a weekly basis. The Group's organizational structure includes separation of duties between the Group's functions, with defined responsibilities to ensure a healthy and prudent management.

The Group has a process for the review, approval, and implementation of internal and external regulations such as policies and procedures, outlined in a governing document approved by the Board. Further, the Group has an internal governance office focusing on ensuring an at all times strong internal governance. The Group further has a process of the identification, monitoring, and reporting to the business, management, and Board of regulatory developments relevant for the Group. The Group strives to take an active role in the public debate and in legislative processes, either via its membership in the financial institutions' associations or directly. The Group also has a process for the communications and reporting to its supervisory authorities.

The Finnish subsidiary and Board of Directors

The subsidiary in Finland, Santander Consumer Finance OY (SCF OY), has its own Board of Directors who are 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. The Board consists of 2 members and 1 deputy.

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 Group's Compliance and Conduct Program covers the following four risk areas: Regulatory Compliance Risk, Anti-Money Laundering and Countering Terrorism Financing Risk, Product Governance and Customer Protection Risk as well as Reputational Risk.

The Group has adopted the three lines of defense model. The business units and functions constitute the first line of defense and have primary responsibility for identifying, managing, and mitigating 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 defense. The third line of defense consists of the Internal Audit function, reviewing and reporting on the first and second line of defense activities.

The Compliance and Conduct function promotes adherence to rules, supervisory requirements, principles of good conduct and values by acting as a second line of defense – establishing standards, challenging, advising, and reporting – in the interest of employees, customers, shareholders and the wider community. The function performs independent assessments by performing 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.

The Compliance and Conduct function 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 CCO has direct access to the Board of Directors and the Board Risk Committee.

The Compliance & Conduct function has enhanced and further developed the Compliance and Conduct program by structuring the function in teams based on the four compliance risk areas to further specialize the work of the compliance subject matter experts in the function across the four markets of the Group. The Compliance & Conduct function reports quarterly to the management, the Board Risk Committee, and the Board of Directors.

The conduct program is continuously being improved and developed to ensure that customers are treated 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 focus is high on ensuring that the Group is not being used for any illegal activities and is complying with, and have focus on, all applicable financial crime regulations and mitigating actions. In 2022, the Group has continued to improve the financial crime program; the "Financial Crime Prevention Unit" has been transformed into the "Anti-Money Laundering Office," moving activities to Operations to align with risk ownership. Compliance and Conduct have introduced the AML taxonomy to focus on the financial crime regulations and have rebuilt the existing AML Control Framework to better address this area.

The Group's 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 Group should be governed, and therefore comprises the central component of the Santander Group's Compliance Program. 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 a digital and secure whistleblowing channel. Reporting should be made on improper conduct that is believed illegal or which violates the Group's Code of Conduct and other internal 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.

Responsible Banking - the approach to sustainability

As a founding member of the Principles for Responsible Banking and the Net Zero Banking Alliance, Banco Santander places sustainability at the center of its core activities.

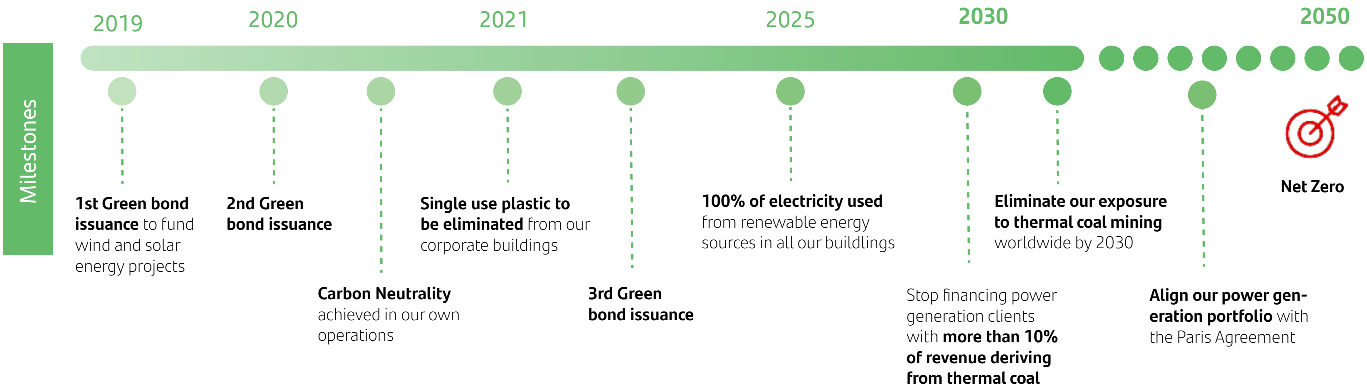
Commitment to Responsible Banking and Sustainable Finance

Banco's strategic vision is to play a major role in society's transition to a low carbon economy, supporting inclusive & sustainable growth and addressing social and environmental risks & opportunities. This is pursued through a strategy focused on helping customers transition to a low carbon economy, by offering them best in class sustainable propositions in a simple, personal, and fair way.

Banco has established a Responsible Banking agenda, based on three strategic pillars aligned to the ESG (Environment, Social and Governance) framework to guide its actions – outlined in the figure below.

3 strategic pillars	Ambition	Strategic Actions
Support climate transition	Deliver our **Net zero** ambition **by 2050** helping our **customers** in their **transition** to a sustainable and low carbon economy	• **Alignment of the sectors** with highest level of **GHG emissions** with our Net zero commitment, in line with NZBA, while taking into consideration other sustainability goals • Support **customers** in **accelerating their transition, engaging** with them and developing a **best-in-class sustainable finance and investment** proposition
Contribute to generate positive society returns	Support productive inclusion across our main stakeholders: employees, customers and communities	• **Diverse and inclusive workplace** that fosters employee wellbeing • Support **financial inclusion** of the most vulnerable customers, promoting access to banking products and services and offering financial education • **Community support**, with focus on Education, Employability and Entrepreneurship
Embed ESG across the organization	Incorporate ESG in behaviours, policies, processes and governance throughout the Group	• Consistent **tone from the top** to drive **cultural change and deliver on our commitments** (climate, diversity, training...) • **Integrate ESG** into strategic processes, Risk Management & rest of relevant functions and build capabilities

In order to be aligned with the Paris Agreement, Banco has committed to be net zero in carbon emissions by 2050 and has established the following roadmap to achieve this goal.



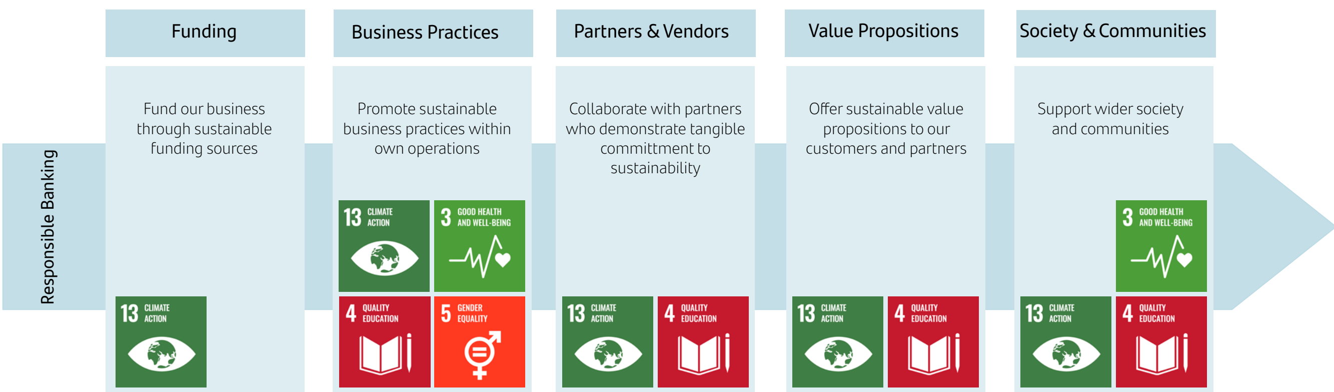
We have started using and disclosing the financed emissions intensity of our power generation portfolio, following the PCAF* standard

*PCAF: Partnership for Carbon Accounting Financials
Note. achieve Net Zero CO^2 emissions by 2050. This applies to the Group's operations (which have been carbon neutral since 2020) and emissions from our lending, advisory, and investment services.

Nordic approach to Responsible Banking

A key foundation of the Group's strategy is to perform business in a "**responsible and sustainable way**" thereby fully embracing the Banco Santander concept of "**Responsible Banking**".

The Group's approach to Responsible Banking in the Nordics is founded upon the establishment of a sustainable value chain, supporting its end-to-end business operations – as outlined below. Alignment to the value chain not only supports the Group's overarching Responsible Banking ambitions, but also contributes to supporting four of the United Nations Sustainable Development Goals ("SDGs") on which the Group places focus.



Progress on Responsible Banking in 2022

During 2022, the Group further operationalized its Responsible Banking agenda within the Nordics, through both progressing specific activities within each of the three ESG dimensions, as well as developing greater consciousness regarding Responsible Banking within the organization at large. These activities are described in more detail below.

Perhaps the single most impactful deliverable during 2022 was the publication in September 2022 of the Group's inaugural Sustainability Report 2021. The purpose of the report was first and foremost to demonstrate to the Group's stakeholders its commitment to progress its Responsible Banking agenda, but also served as a vehicle to stimulate and evolve various components of the Group's approach. In developing the report, the group embraced the GRI (Global Reporting Initiative) and TCFD (Taskforce for Climate Related Financial Disclosures) methodologies. The Group's Sustainability Report can be found on the Group's website.

Work has commenced on the next edition of the Group's Sustainability Report and is commented on further under the "Responsible Banking focus 2023" section below.

The remainder of this section is devoted to describing the status and progress of key Responsible Banking related matters during 2022. The information is presented in relation to the Group's sustainable value chain components.

Funding

Alignment to this component of the sustainable value chain entails the Group securing funding of its lending activities through sustainable funding sources.

Green Bonds

The Group issues green bonds to fund the financing of new and existing passenger electric vehicles. Fixed income markets in general, including green bonds, suffered in 2022, as a result of increased inflation, central bank rate increases, and the war in Ukraine. The Group did not issue any new green bonds in 2022 due to limited external funding needs, adverse market conditions, and elevated credit spreads. A more conducive outlook for green bonds is anticipated for 2023 and the Group expects further focus on green bonds from investors and increased transaction activity.

As per year end 2022, the Group had outstanding green bonds of 1 000 MM NOK and 2 500 MM SEK. Further information in terms of the Group's green bond issuances can be found within the Investor Relations section on the Group's website.

Deposits

During Q4 2022, the Group launched a new sustainable initiative linked to its deposits activities in Denmark, in collaboration with the Norwegian company CHOOOSE. For every new deposit customer, the Group arranges for a tree to be planted in the Rondônia province in Brazil, with the purpose of capturing CO2 in the atmosphere, increasing biodiversity and battling deforestation.

Business Practices

Alignment to this component of the sustainable value chain requires the Group to promote and embrace sustainable business practices within its own internal operations and organization.

Greenhouse gas emissions

In order to establish targets for actions needed to reduce emissions, it is necessary to first understand and measure where in an organization's business model these originate from. Emissions are typically referred to as scope 1, 2 and 3, as defined by the Greenhouse Gas Protocol, the world's most widely used greenhouse gas accounting standard:

GHGP Emissions Scope	Definition
1	Direct emissions from the organization's owned or controlled sources
2	Indirect emissions from the organization's consumption of electricity and the origin of the electricity
3	Other indirect emissions associated with the up-, mid- & downstream activities of the organization

Scope 1 emissions
The Group considers that the most significant Scope 1 emissions relate to company vehicles. The Group's Nordic Company Car policy dictates that all new company vehicle renewals are BEVs with zero emissions, with an exception only if country infrastructure is inadequate for use of BEVs. Work continues to better capture and report emissions from company vehicles and other Scope 1 emissions.

Scope 2 emissions
The Group considers that the most significant Scope 2 emissions relate to energy usage in the company's business premises – in particular electricity usage. In 2022, all of the Group's premises were supplied with 100% renewable energy.

During 2022, the Group's combined electricity usage was 2 272 201 kWh corresponding to total estimated emissions of 35.7 tCO2e (tonnes of CO2 emissions equivalent). This represents an increase of approximately 4% in electricity usage compared to 2021 (2 180 416 kWh), which is assumed to be due to increase in staff working in the offices post the COVID-19 pandemic.

Scope 3 emissions
The Group considers that its most significant Scope 3 emissions relates to financing activities, business commuting and staff commuting to office locations.

Emissions from financing activities

Emissions from financing activities are considered to represent the Group's most significant emissions – relating primarily to emissions from financed vehicles within the Group's auto financing portfolio. The Group continues its work to develop its capture and reporting of such emissions and has placed focus upon its preparedness to meet the European Banking Association's Pillar III ESG-disclosures reporting requirements, with reporting coming into effect in 2023 and with semi-annual reporting thereafter.

Emissions from business and staff commuting

Business travel - The COVID-19 pandemic, combined with the greater adoption of remote working tools, has served to reduce the volume of employee business travel between the Group's Nordic office locations, and this trend is anticipated to continue. Furthermore, employees are increasingly encouraged to travel in the most sustainable way possible. Capture of staff business travel and related emissions has thus far been challenging due to data capture capabilities. However, in 2022, the Group migrated to a central portal for business travel facilitation, integrated with the Group's travel policy, which will greatly enhance the ability to more accurately capture business travel and related emissions.

Staff commuting – Similar to business travel, staff commuting has been influenced by the COVID-19 pandemic and the Group's adoption of its Flexiworking policy, whereby employees typically work from home up to three days a week. In Q1 2022, the Group conducted a staff commuting survey in order to estimate emissions related to staff commuting. Based on captured data, the Group estimated annual emissions equivalent to 47.4 tCO2e. It is planned to conduct a similar staff commuting survey in Q1 2023.

Data Cleaning week

Data Cleaning week is a Group initiative that raises awareness, educates, and establishes routines to maintain an overview of the Group's data. The initiative is viewed as a dual-benefit practice, as it not only improves organizational performance by deleting unnecessary data but also has a positive impact on the environment by reducing energy usage and the associated carbon footprint and supporting the Group's long-term commitment to do business in a more responsible and sustainable way.

During Data Cleaning week, the Group's employees deleted over 1 TB of data from servers and mailboxes. This deep dive into data supports compliance with the General Data Protection Regulation (GDPR) requirements.

Data Cleaning

Improving organizational performance and reducing energy usage

Mandatory training

During 2022, the Group has placed focus upon deploying a series of mandatory training, in order to both raise awareness and understanding of key topics as well as to further cultivate and reinforce internal control and risk management – all in support of ensuring that the Group operates responsibly. Such training also underpins the Group's risk management philosophy that "all employees are responsible for risk management". Furthermore, the Group has deployed regular Cyber Security awareness campaigns. During 2022, the following mandatory training was conducted:

Sustainability for everyone (ESG)	BCM - Business Continuity Management
Compliance	Diversity & Inclusion
AML Advanced	Antitrust
Cyber Hero 3	PSD2
Operational Risk	Asset Owners

Governance, policies, and frameworks

The Group's governance arrangements are detailed in the section "Corporate Governance".

In support of further strengthening focus upon ESG governance, Banco Santander published its groupwide Responsible Banking framework in 2022. The framework serves to propel Santander globally towards a more sustainable business model that embeds Environmental, Social and Governance (ESG) criteria, with the framework itself laying out common principles, roles, responsibilities, key processes, and governance arrangements. The framework was adopted by the Group's Board of Directors in late Q3 2022

To ensure that it acts responsibly in everything it does, the Group incorporates best practices and requirements into policies and frameworks.

Key policies operationalizing responsible banking principles include:

- **General code of conduct**: Assembles ethical standards and rules of conduct employees must attend to and is fundamental to the compliance administration.
- **Responsible Banking framework**: mentioned previously above.
- **Corporate culture policy**: Forms the standards and principles to embed a consistent and healthy corporate culture within the Bank.
- **General sustainability policy**: Compiles overarching sustainability and responsible banking principles, including voluntary undertakings, oriented to create long-term value for the Bank's stakeholders.
- **Human rights policy**: Outlines our commitment to protect human rights, taking into consideration the UN Guiding Principles on Business and Human rights.
- **Flexi work policy**: Sets out the new work model to support a healthy work life balance within the organization.

Additional policies and frameworks supporting sustainability and responsible banking include:

Consumer protection policy	Tax policy
Code of conduct in security markets	Conflict of interest policy
Cyber security corporate framework	Financing of political parties policy
Certification policy	Nordic company car policy
Outsourcing and third-party agreements corporate framework	Brand, sustainability, and communications corporate framework
Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) policy	

ESG risk management
For more information about the Group's approach to Environmental & Climate risk management, please see the Chapter "Risk Management".

Partners and Vendors
Alignment to this component of the sustainable value chain requires the Group to ensure that the partners and vendors with which it collaborates share its own commitment to sustainability.

The Group is mobilizing its response to the new Norwegian Transparency Act (Norwegian: Åpenhetsloven) legislation, introduced in 2022, and which seeks to ensure that organization safeguards human rights and good working practices within its value chain – aligning well with the Group's Human Rights policy. Whilst the Act itself applies only to Norwegian companies that meet specific thresholds, the Group is seeking to adopt required practices across its Nordic operations and business relationships in anticipation of the future introduction of similar EU legislation (Corporate Sustainability Due Diligence Directive). The Group's approach is founded upon OECD due diligence guidelines and entails embedding requisite due diligence processes within vendor and partner onboarding processes, as well as performing specific due diligence annually upon vendors and partners where risk of human rights violations is considered to be of higher risk profile. Furthermore, the Group shall consider human rights and working conditions within the Group's organization itself as well as an assessment of current safeguards. Responding to the Act is anticipated to be challenging for firms and where clear market practices are yet to emerge.

In accordance with the Act, the Group will publish its first statement on human rights and working conditions within its value chain by no later than 30th June 2023. The statement will be published on the Group's website.

Value Propositions

Alignment to this component of the sustainable value chain requires the Group to develop and offer sustainable value propositions to its customers and partners and to support customer and partners' transition to a low carbon economy.

New Brand Platform
The Group launched in April 2022 its new brand platform "When it feels right", with the objective to connect prosperity with responsibility. The ambition is to empower and enable responsible consumer choices through customer centric finance solutions, knowledge sharing, and education. The platform relies on value-added information, motivating and guiding consumers to act responsibly and feel right about the way they finance their consumption.

Sustainable financing - Auto
The Nordic region has historically led the way in the adoption of BEVs (Battery Electric Vehicles), primarily driven by strong political will and manifested through favorable subsidies for consumers. As a consequence, manufactures of BEVs have focused heavily upon region.

As a market leader in the auto financing sector in the Nordics, this has enabled the Group to develop a market leading position in the BEV financing market. Furthermore, the Group's focus upon collaborating with manufactures and dealerships supplying BEV brands has translated into higher finance penetration rates for BEVs than for ICE (Internal Combustion Engine) vehicles.

The development of the Group's financing of BEVs in 2022 versus 2021 is illustrated below:

Nordics TOTAL	2022	2021	Difference (%)
New BEV registrations	277,614	204,449	35.79
Financed by Group	38,471	30,349	26.76
Group Market share	13.86%	14.84%	-0.99
Norway TOTAL	**2022**	**2021**	**Difference (%)**
New BEV registrations	138,870	113,715	22.12
Financed by Group	15,182	16,852	-9.91
Group Market share	10.93%	14.82%	-3.89
Sweden TOTAL	**2022**	**2021**	**Difference (%)**
New BEV registrations	95,063	57,469	65.42
Financed by Group	19,617	11,374	72.47
Group Market share	20.64%	19.79%	0.84
Denmark TOTAL	**2022**	**2021**	**Difference (%)**
New BEV registrations	29,151	23,175	25.79
Financed by Group	1,493	1,110	34.50
Group Market share	5.12%	4.79%	0.33%
Finland TOTAL	**2022**	**2021**	**Difference (%)**
New BEV registrations	14,530	10,090	44.00
Financed by Group	2,179	1,013	115.10
Group Market share	15.00%	10.04%	4.96

Looking forward - The Group's expectations are that popularity of BEVs will continue to grow in the Nordics due to increasing climate awareness as well as the implementation of regulations restricting the same of ICE vehicles i.e., Norway 2025, Sweden 2030, Finland 2035, Denmark 2035. The Group seeks to grow and its collaboration with existing and new market entrant OEMs and dealerships offering BEVs in the Nordic market and through this further support consumer's transition to a low carbon economy.

Sustainable financing - Consumer

Within the consumer finance market, the Group's focus to date has primarily been upon two financing markets; Real Estate (including solar panels, green heating systems sources and other energy efficiency and retrofit improvements) and clean mobility (bicycles and e-bikes). The Group primarily services these markets through its durables Checkout lending product.

The development of the Group's financing within the Real Estate and Clean Mobility segments in 2022 versus 2021 is illustrated below:

Looking forward - The Group's expectations are that

	Norway	Sweden	Denmark	Finland	Total 2022	Total 2021	Increase (%)
Real Estate (number of contracts)	0	0	322	5 499	5 821	1 591	266
Clean Mobility (number of contracts)	3370	425	1 226	79	2 067	1 003	106

popularity of BEVs will continue to grow in the Nordics due to increasing climate awareness as well as the implementation of regulations restricting the same of ICE vehicles i.e., Norway 2025, Sweden 2030, Finland 2035, Denmark 2035. The Group seeks to grow and its collaboration with existing and new market entrant OEMs and dealerships offering BEVs in the Nordic market and through this further support consumer's transition to a low carbon economy.

Eco cards

The Group launched its first "Eco" card in 2022 in Norway, to be subsequently rolled out in other markets. The Group selected TietoEVRY's bio-based VISA card as its Eco card solution, with the composition of cards being approximately 84% plant-based materials.

Responsible lending

The provision of consumer credit provides individuals with the capacity to purchase relevant goods and services that might otherwise not be obtainable, participate in the wider consumption-driven economy, and thus enhance their quality of life. Banks have the ultimate responsibility to ensure that credit is provided to customers in a prudent and responsible manner, to avoid the negative ramifications associated with over indebtedness.

The Group has also established policies that directly address and support this topic - in particular, the Group's Consumer Protection policy, which encompasses the following responsible lending principles:

- **Transparency** – Communication is to be clear and transparent throughout the interaction with the customer.
- **Accurate and sufficient information** that is coherent and comparable.
- **Responsible pricing** – Determining price affordability and relevance for the customer.

To monitor the performance associated with the responsible lending practice, the Group currently utilized two main KPIs as weathervane metrics for assessing it's responsible lending practices:

- **Non-performing loans ratio (NPL)** – as an indication that the Group's underwriting processes are robust, reflects customer affordability and not placing undue pressure on customers' household finances. The NPL ratio in 2022 was 2.62%, which depicts a positive development from 3.08% in 2021.
- **Number of complaints** – strongly linked to conduct risk and demonstrates the relative number of complaints the Group receives from its customers. Complaint levels are monitored on an ongoing, frequent basis. The key measurement used is the number of complaints for every 10 000 customers. An adjustment (+/-) is then made to the actual complaints metric based on the Uphold Ratio (% complaints resolved in the customer's favor). The average (average of months) complaints per 10 000 interactions - adjusted for the Uphold Ratio – was 2.25 for 2022 and was 1.69 for December – both below the internal "Alert" threshold of >3 complaints per 10 000 customers.

Financial education and inclusion

Financial inclusion relates to the design, development, and delivery of products and services that ensures ease of access to the financial system; while financial education related to developing greater knowledge and awareness of the financial system, and of personal and household finance principles, and which is essential to mitigate the lack of understanding of financial products and services amongst consumers.

To be able to support financial inclusion and provide financial education, the Group promotes better financial health and stability by making financial concepts easier to understand and helping people make better choices.

Recent initiatives aligned with the above sentiments are outlined below:

- Launch of the Group's new brand platform "*When it feels right*" to encourage responsible consumption – commented on above.
- Launch of educational articles relating to personal finances and sustainability themes on the Group's webpage "Magasinet" in Norway, Sweden, Denmark, and Finland.

During 2023, the Group will also seek to identify appropriate external collaboration partners to extend its financial education and inclusion activities.

Customer experience

To measure Customer experience, the Group utilizes industry-wide standard metrics – Net Promoter Score (NPS) is utilized to identify the likelihood of customers recommending the Group. NPS is a number score from -100 to 100 and the score is negative when there are more detractors (respondents that have given a score of 0-6) than promoters (respondents that have given a score of 9-10). Ascore above 0 means that there are more promoters than detractors and can be read as a good score. Bain & Co define NPS scores of: >0 = Good; >20 = Favorable; >50 = Excellent; >80 = World Class.

During 2022, the Group has significantly evolved and improved the NPS tracking. The Group has received a total of more than 52 000 responses from customers and over 38 000 comments, aiding both the Group's understanding and ability to improve customer experience. The Group's overall NPS score in 2022 was 26.3, where NPS scores by market were as follows: Norway: 21.4, Sweden: 8.1, Denmark: 46.7, Finland: 52.9.

Societies and Communities

Alignment to this component of the sustainable value chain requires the Group to provide support to society and communities at large. In support of this objective, the Group supported several initiatives in 2022, a selection of which are highlighted below.

- **Support to the people of Ukraine** - Following the commencement of the war in Ukraine, the Group worked to support the response to the ongoing humanitarian crisis, as well as ensuring that the Group complied with imposed sanctions against Russia. The highest priority has been the safety and security of anyone located in Ukraine that is associated with the Group, including supplier employees. The Group has also worked diligently to ensure full compliance with the EU-sanctions targeting Russia, through daily screening of new and existing client relationships. Specifically, the Group donated 250 000 NOK of humanitarian aid, through the Norwegian Red Cross.
- **Helsinki Ski weeks** - The Group acted as the official climate partner to Helsinki Ski Weeks to promote consciousness around sustainability. The event was held in Helsinki Olympic Stadium between January 29 to February 27, 2022, where an estimated 200 000 participants had the opportunity to cross-country ski in the heart of Helsinki for free and culminated with sprint competitions between world class skiers.
- **Oslo Business Forum** - The Group has been a partner to the Oslo Business Forum for several years and renewed its cooperation for 2022. The conference is considered to be one of the most important conferences for business leaders. In 2022, the conference's main focus was upon the topic of «Future-Focused Leadership» and speakers included Steve Wozniak (co-founder of Apple) and Carla Harris (former managing director at Morgan Stanley).
- **Education through sports** - Since 2015, the Group has been a proud sponsor of the handball cup Santander Final4 in Denmark. Since 2016, the Group has been one of the main sponsors of "En Svensk Klassiker", a multi-discipline sporting competition. The aim is to inspire and motivate people to invest in a healthy lifestyle. The Group has collaborated with the Danish Cancer Society since 2016. In 2022, the Group and its employees took part in the Cycling4Cancer event where 48 employees and their families rode 4 bikes continually for 24 hours straight. In total, 200 000 DKK was collected and donated to the charity.

Responsible Banking focus 2023

Whilst the Group has made significant and impactful progress on its Responsible Banking agenda in 2022, it is mindful that much work lies ahead. In 2023, the Group will once again devote focus to further operationalizing and evolving its Responsible Banking related activities, primarily in three main dimensions: enhancing **Reputation**, ensuring compliance to emerging **Regulations** as well as further building its sustainable customer and partner **Propositions**. In 2023 and beyond the Group will seek to embed ESG principles into decision making, business and reporting processes across the organization, ensuring that responsibility for sustainability is firmly placed on the agenda for all Group functions.

Key activities include:

Reputation:

1. Broaden and deepen the Group's emissions capture, target setting and reporting.
2. Broaden communication to stakeholders of the Group's Responsible Banking agenda, key initiatives, and progress

Regulation:

1. Maintain robust oversight of the emerging ESG-related regulations and ensure Group mobilization in order to adequately respond to set regulatory requirements and deadlines including:
    a. EU Sustainable Finance Taxonomy Regulation (Norway: Lov om bærekraftig finans)
    b. Corporate Sustainability Reporting Directive (CSRD)
    c. Sustainable Finance Disclosure Regulation (SFDR)
    d. Pillar III ESG-disclosures
    e. International Sustainability Standard Board (ISBB)
    f. Corporate Sustainability Due Diligence Directive (CSDD)
2. Commence reporting in relation to "Pillar III" ESG-disclosures.
3. Norwegian Transparency Act – ensure due diligence practices are developed and publication of the Group's inaugural Transparency Act by latest end June 2023.

Propositions

1. Further develop the Group's ESG-related propositions.
2. Select appropriate financial education and empowerment initiative(s) to support.
3. Collaborate across the organization on initiatives fostering sustainable activities.

The Group intends to publish a next edition of its Sustainability Report for 2022 in Q2/Q3 2023, embracing the new GRI (Global Reporting Index) 2021 and TCFD (Task Force on Climate Related Disclosures) standards, where it intends to provide a more detailed overview of the status, actions, and impacts of its Responsible Banking agenda and alignment of its operations to the sustainable value chain. These standards were used in the Group's last sustainability report and the next report will apply the updated version of these standards. GRI is a voluntary initiative that provides guidance for industries on how to align and standardize reporting on sustainability. It is the most widely used sustainability reporting standard. The revised GRI 2021 standards shift focus from stakeholders to impact, where the organization's outward impact on the economy, environment and people including human rights is assessed.

The new standards place stricter requirements on the definition of the organization's material ESG topics and where context, identification and significance are further iterated with relevant stakeholders and experts. In parallel and as a complement to the GRI standards, the Group will also employ TCFD standards to capture both inward and outward climate related impacts and opportunities, also referred to as double materiality.

People and Culture

Implementation of new behaviors, development plans, continuous listening program and Flexiworking set-up - on the top of the People and Culture agenda.

The primary focus areas within People and Culture in 2022 have been:

- to continuously improve and adjust the Group`s Flexiworking set-up, hereby to balance workload and strengthen well-being,
- to adjust our value platform and implement new behaviors,
- to progress the Grow@Santander program, securing that all employees have an individual development plan that relate to the Group`s future competence needs, and
- to replace the semi-annual employee survey by a continuous listening program called "Your Voice", measuring the work environment 3-4 times a year.

Throughout 2022 the Group has worked together with employees and Unions to identify how to evolve our FlexiWork set-up to the benefit of customers and people. All the initiatives have been constantly monitored throughout the year. By year-end, the Group`s FlexiWork set-up had 82-84% approval rate in all related surveys. The Group has made significant progress preparing office design that further should strengthen new ways of working.

The Group has conducted fire-drills and first-aid training at all locations as part of the return to office procedure. The Group has, by FlexiWork and other targeted initiatives, been able to improve on the overall workload challenge the company faced in 2021. Workload and well-being data proved the Group returned to normal and healthy working conditions with approval rates in the range of 69-74%. Sick leave data remain at normal levels at 2.72%.

Banco Santander adjusted the company behaviors in 2022. The Group has launched communication campaigns as well as facilitated culture workshops for all employees. People processes have been and will be further adjusted according to the new behaviors. 80% of the employees replied they did understand the new behaviors and 76% replied they know how to apply the behaviors in daily work.

Grow@Santander is a strategic competence program aiming to develop leaders and employees according to the Group`s future competence needs. In 2021, the Group transmitted the strategic competence plan into a Global learning platform called "DOJO". In 2022, the Group has established skill-set requirements for all positions, and finally - secured that all employees have created their individual development plans. Based on the progress, the Group can now identify and close competence gaps on an aggregated and individual level. The Group also advanced the 360-feedback methodology by including mid-manager levels, proving to be an important source of information for leaders to further develop.

Trainings are frequently conducted for employees connected to regulatory requirements like AML, Compliance, and Cyber Security. HR reports monthly to compliance on fulfillment on mandatory training in a "Compliance training completion report", per year end: All employee 95%, new hires 90-180 days 96%.

In 2022 the Group established a continuous listening program, "Your Voice", aiming for frequent feedback from employees to both identify and measure important element of the working environment. There have been 3 surveys since the launch in February 2022. The results of employee feedback prove significant improvement within all areas since June 2021 and steady progress throughout 2022. The overall engagement has increased from an approval rate at 65% to 71%.

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. Health, safety and working 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. Human rights are covered both in Diversity and Inclusion Policy and Code of Conduct. The group has no reported incidents of sexual harassment in 2022. There has been 1 personnel injury related to workplace during the year.

Non-discrimination and equality are foundations for any policy and process within the People & Culture area. The Group has several channels for actively gathering information and monitoring relevant KPIs, included in employee surveys and Whistle Blower Channel. Equality, inclusiveness, and diversity are themes that are part of leadership education on both senior and middle management level. The international footprint of Banco Santander and international mobility naturally promotes and develop cultural understanding. The Group has stable and high scores on any item related to these themes. For 2022, the score on "Non-discrimination" was 8.8 and "Diversity & Inclusion" 8.2 (scale 1-10).

The Group is committed to Banco Santander's worldwide Gender Diversity Policy, aiming for gender-balanced participation and equality in working life. The Group has flexible schemes that make it easier to combine a career with family life. 6.4% of the employees had parental leave in 2022, where of 47% were men and 53% were women.

Equal Pay Gap (EPG) has been measured to -4.7%. Equal Pay Gap is comparing the wages of women and men performing the same job.

Gender Pay Gap has been measured to be 16.6%. Gender Pay Gap is calculated on the total earnings of all male and female employees and therefore impacted by the composition in the workforce.

The Group has reviewed succession plans to both mitigate operational risks as well as ensuring gender balance being incorporated into succession streams to further strengthen gender diversity in top management. At the end of 2022, women in senior leadership positions within the Group amounted to 30%. Women in mid manager positions amounted to 39%. The total workforce consists of 45% women and 55% men.

At year-end, the Group had 1148 employees (excluding temporary hired employees), of which 261 worked in Sweden, 203 in Denmark, 139 in Finland and 545 in Norway.

Strategic priorities to stay in the lead

The banking sector landscape

The challenging global macroeconomic landscape in 2022 has been characterized by heightened and persistent inflation, weakened consumer and business confidence, and higher levels of general uncertainty. The war in Ukraine has accentuated inflationary pressures, in particular energy prices, which has had a significant impact upon energy supply and pricing to businesses and consumers alike across the entire eurozone. To counteract inflationary pressures, European central banks, in line with their global counterparts, have acted to regularly increase interest rates. Increased interest rates, in combination with increased energy prices and increased cost of household goods have all served to put pressure on consumers' household finances, contributing to society's general perception of a current "cost of living crisis".

The Nordic region has similarly been affected by the global macroeconomic situation in 2022. In 2023, according to the Bloomberg forecast, GDP across the Nordic region is expected to contract by on average 2.8% since last year (projected GDP YoY: 0.8% in Norway, -0.5% in Sweden, -0.1% in Denmark, and -0.2% in Finland). Whilst the 2023 outlook depicts recessionary times, the current consensus is that GDP will adopt a more positive vector in 2024.

The banking sector faces two key macro-related challenges in 2023 and beyond. Firstly, to protect margins and profitability, banks must ensure that they can efficiently and in a timely manner adjust pricing to consumers, both on the asset and liability side of their balance sheets. Secondly, and perhaps more fundamentally, banks will need to proactively respond to lower consumer confidence and affordability, both in terms of protecting and stimulating new business volumes, but especially in monitoring and managing consumers ability to service existing debt commitments. This may require banks to widen forbearance measures.

The current economic landscape will likely serve to increase competition within the financial sector amongst both existing players and new entrants, as they seek to offer new products and services in response to changing consumer behaviors and affordability constraints. Furthermore, increased focus amongst consumers upon sustainability and climate concerns present both opportunities and challenges to banks as they strive to broaden their portfolios of products that support consumers' transition to the low carbon green economy.

The emerging regulatory landscape, especially in the areas of affordability and sustainability, is expected to place a further burden on finance sector incumbents, and their adoption will require considerable effort and focus. However, the adoption of sustainability regulations provides a significant opportunity for banks to re-align their strategies to embrace the green shift and the business opportunities that this presents. Responding to the sustainability agenda will require firms to embed ESG principles within decision making, business and reporting processes across the organization. More generally, responding to new regulations, whilst requiring time and effort, presents opportunities for banks to evolve and optimize their operating and business models to deliver increased shareholder value.

In summary, in light of the current macroeconomic landscape, 2023 will likely be a challenging year for banks, requiring considerable focus upon managing margins and responding to weakened consumer affordability, whilst at the same time responding appropriately to emerging regulatory agendas.

Corporate strategy

The Group's overarching commitment is to do business in a responsible and sustainable way, reinforced by its corporate purpose to help people and businesses prosper and underpinned by a values platform that ensures everything the Group does is simple, personal, and fair.

The Group has a clearly defined strategic ambition of being the leading Nordic consumer finance platform. This means striving to meet all customer and partner needs in a seamless and collaborative manner.

The aim is to generate long-term, sustainable value creation for the Group's shareholders, Santander Consumer Finance SA. Within this context, the Group also strives to generate value for a broader group of stakeholders including employees, customers, partners, and society at large.

To support and guide strategic execution in pursuit of these measures, the following three strategic pillars drive execution efforts:

Grow selectively	Sustainable profitability at the core of existing and new business propositions.
Operate Efficiently	Efficient, robust and scalable operating model and resource allocation.
Work collaboratively	Modern organisational model underpinned by collaboration and engagement.

As part of the Group`s corporate strategy, four longer-term primary measures have been determined that reflects the commitment to delivering long term stakeholder value:

- No. 1 customer & partner satisfaction in core markets
- Employee satisfaction greater than 85%
- Cost-to-income below 35%
- RoRWA (Return on Risk Weighted Assets) greater than 2%

Strategic focus areas

During 2022, the Group maintained clear strategic direction and executed upon key priorities supporting each of its three strategic focus areas:

- Operated as One Bank across the region, simplifying and reducing complexity and increasing efficiency and collaborative working.
- Continued to support mobility electrification by financing the purchase of 38 471 new electric vehicles ("BEVs") per December 2022, representing 13.9% of all BEVs purchased in the Nordic region.
- Won and renewed significant partner agreements.
- Exercised disciplined margin and pricing management.
- Exercised robust operating cost management.
- Further progressed the transformation of its system landscape to secure a scalable operating model, harmonize business processes, and to increase operating efficiency.
- Progressed the implementation of agile-based ways of working in order to respond more rapidly to customer and partner needs.
- Further operationalized its Responsible Banking agenda and published the Group's inaugural Sustainability Report.
- Launched new sustainable products and services that address market demand.
- Drove staff engagement through adopting a Flexiworking model as well as through the development of employee personal development plans.

In promulgation of its corporate strategy, the Group will place focus upon the following key business opportunities in 2023:

Deliver demand-based, competitive, and fair consumer propositions

The Group is committed to developing and evolving its value propositions to ensure that it meets underlying customer demand, providing products and services that contribute to stakeholder value. Underpinning this is the strong commitment to deliver propositions that i) adhere to all regulatory requirements and best practices, ii) operate on a digital first basis, and iii) are price competitive.

Accelerate digital capabilities to realize efficiencies

Following the progress made in 2022, the Group will continue to focus upon developing its digital capabilities. The transformation journey provides the foundation to deliver cost efficiencies by enabling economies of scope, fostering more agile product development and effective delivery to the end customer. Cyber security is among the components that will be reinforced, ensuring protection for the Group's customers and its compliance to high standards.

Broaden sustainable propositions and continue to support the electrification of mobility

The Group is committed to broadening its sustainable finance propositions in response to changing customer sentiments as well as in response to emerging sustainability regulations.

As a market leader in auto finance across the Nordic region, a key strategic objective is to further support the transition to electric drive chains. This objective is aligned to Nordic governmental policy of targeting zero emission mobility – Norway by 2030 and Sweden, Denmark, and Finland by 2045. Through continued collaboration with partners and capability investments, the Group will continue to support this transition.

Furthermore, the Group considers that significant business opportunities exist in other areas of sustainable finance, in particular the green home energy sector as well as financing bicycles and e-bikes and will place further emphasis in developing its related consumer propositions.

Embed ESG principles in decision making, business and reporting processes across the organization

The Nordic Responsible Banking agenda is critical in supporting both Banco Santander in achieving its global sustainability ambitions and delivering its responsibilities to stakeholders. In 2023, the Group's focus will be to embed ESG principles in decision making, business, and reporting processes across the entire organization, such that supporting the Responsible Banking agenda becomes a priority for all Bank functions. This will enable the Group to not only respond to emerging sustainability regulations, but also to better grasp related business opportunities as well as opportunities to ensure sustainability within its own business operations.

Lysaker, 21st February 2023

The Board of Directors of Santander Consumer Bank

Jørn Borchgrevink
Chair

Federico Ysart
Deputy Chair

Pedro de Elejabeitia
Board member

Anne Kvam
Board member

Rámon Billordo
Board member

Tone Bergsaker Strømsnes
Employee Representantive

Sara Norberg
Employee Representantive

Michael Hvidsten
Chief Executive Officer

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Profit and Loss - Santander Consumer Bank Nordic Group

All amounts in millions of NOK	Note	2022	2021
Total interest income*		8 410	7 982
Total interest expenses		-1 656	-895
Net interest income	11	**6 754**	**7 087**
Fee and commission income		617	556
Fee and commission expenses		-250	-238
Value change and gain/loss on foreign exchange and securities		-45	30
Other operating income	12	388	317
Other operating expenses	12	-407	-345
Gross margin		**7 056**	**7 406**
Salaries and personnel expenses	29, 30	-1 295	-1 360
Administrative expenses		-1 072	-1 265
Depreciation and amortisation	23, 24	-255	-246
Net operating income before impairment losses on loans		**4 434**	**4 536**
Other income and costs		-58	-10
Impairment losses on loan, guarantees etc.	2, 4, 5, 15	-792	-1 166
Profit before tax		**3 584**	**3 359**
Income tax expense	13	-877	-793
Profit after tax		**2 707**	**2 566**
Allocation of profit after tax			
Transferred to other earned equity		2 567	2 448
Transferred to additional Tier 1 capital	33	140	118
Total allocations		**2 707**	**2 566**
Profit after tax		**2 707**	**2 566**
Items not to be recycled to profit and loss			
Actuarial gain/loss on post-employment benefit obligations		49	58
Items to be recycled to profit and loss			
Net exchange differences on translating foreign operations		247	-278
Measured at FVTOCI		-0	-18
Cash flow hedge	20	72	38
Net investment hedge	13, 20	-52	150
Other comprehensive income for the period net of tax		**315**	**-49**
Total comprehensive income for the period		**3 022**	**2 517**

** Total interest income calculated using the effective interest method*

Balance Sheet - Santander Consumer Bank Nordic Group

All amounts in millions of NOK	Note	2022	2021
Assets			
Cash and receivables on central banks	17	5 680	3 784
Deposits with and receivables on financial institutions	17	3 663	4 391
Loans to customers	2, 4, 6, 14, 15, 16, 17, 25	182 976	170 640
Commercial papers and bonds	4, 17	5 177	9 672
Financial derivatives	17, 19	586	59
Other ownership interests	17, 19	12	20
Other financial assets	17	811	-
Intangible assets	24	1 280	1 276
Fixed assets	23	918	1 014
Repossessed assets	26	27	62
Other assets	13	1 762	1 440
Total assets		**202 894**	**192 357**
Liabilities			
Debt to credit institutions	17, 32	36 561	30 443
Deposits from customers	17	75 925	73 304
Debt established by issuing securities	17, 18	47 308	51 518
Financial derivatives	17, 19	586	53
Tax payable	13	126	192
Other financial liabilities	17, 28	546	402
Deferred tax	13	1 490	1 277
Pension liabilities	29	5	49
Other liabilities		3 122	2 801
Subordinated loan capital	17, 32	2 422	2 463
Senior non-preferred loans	17, 32	4 067	-
Total liabilities		**172 157**	**162 502**
Equity			
Share capital		10 618	10 618
Share capital premium		1 926	1 926
Additional Tier 1 capital		2 250	2 250
Other equity		15 551	14 985
OCI items		391	76
Total equity	9	**30 736**	**29 855**
Total liabilities and equity		**202 894**	**192 357**

Cash Flow - Santander Consumer Bank Nordic Group

All amounts in millions of NOK	Note	2022	2021
Cash flow from operations			
Profit before tax		3 584	3 359
Adjustments for:			
- Depreciation, amortisation and impairment on fixed and intangible assets		255	246
- Net interest income	12, 23, 24	-6 754	-7 087
- Value change and gain/loss on foreign exchange and securities		45	-30
- Dividends on financial assets at FVOCI		8	-
Changes in:			
- Loans to customers	14	-10 137	-840
- Operating lease assets	23	79	161
- Repossessed assets	26	36	-56
- Other assets		527	1 141
- Deposits from customers		1 722	-4 856
- Other liabilities and provisions		-926	-336
Interests received		8 344	7 982
Dividends received		-0	-
Interests paid		-1 656	-895
Net income taxes paid		-788	-361
Net cash flow from operations		**-5 660**	**-1 572**
Cash flow from investments			
Purchase of bonds		-46 123	-20 454
Proceeds from matured bonds		50 743	17 077
Purchase of fixed and intangible assets		-171	-233
Proceeds from sale of fixed and intangible assets		6	19
Net cash flow from investments		**4 455**	**-3 591**
Cash flow from financing			
Proceeds from issued securities	18, 27	11 060	12 518
Repayments of issued securities	18, 27	-16 648	-9 813
Payments related to lease liabilities		-65	-80
Change in loans and deposits from credit institutions	27	6 314	2 718
Proceeds from issue of subordinated loans	27, 32	2	-
Repayment of subordinated loans	27, 32	-	-250
Proceeds from issue of senior non-preferred loans	27, 32	4 082	-
Repayment of senior non-preferred loans	27, 32	-	-
Dividend payments		-2 000	-1 700
Interest payments on additional Tier 1 capital	33	-140	-118
Net cash flow from financing		**2 605**	**3 276**

	Note	2022	2021
Exchange gains / (losses) on cash and cash equivalents		-230	-539
Net change in cash and cash equivalents		1 169	-2 426
Cash and cash equivalents at the beginning of the period		8 175	10 601
Cash and cash equivalents at the end of the period		**9 344**	**8 175**

Statement of changes in equity - Santander Consumer Bank Nordic Group

2022

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 2022	**10 618**	**1 926**	**2 250**	**14 985**	**140**	**20**	**27**	**-43**	**-68**	**29 855**
Profit for the period	-	-	140	2 567	-	-	-	-	-	2 707
OCI movements (net of tax)	-	-	-	-	247	-0	72	-53	49	315
Interest payments additional Tier 1 capital	-	-	-140	-	-	-	-	-	-	-140
Dividend	-	-	-	-2 000	-	-	-	-	-	-2 000
Balance at 31 December 2022	**10 618**	**1 926**	**2 250**	**15 551**	**387**	**20**	**99**	**-96**	**-19**	**30 736**

Total shares registered as at December 31, 2022, was 965 241 842, each with a par value of 11 NOK.

Restricted capital as at December 31, 2022, was 10 618 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.

2021

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 2021	**10 618**	**1 926**	**2 250**	**14 253**	**418**	**38**	**-11**	**-193**	**-126**	**29 172**
Profit for the period	-	-	118	2 448	-	-	-	-	-	2 566
Adjustment of equity from merger with Forso	-	-	-	-17	-	-	-	-	-	-17
OCI movements (net of tax)	-	-	-	-	-278	-18	38	150	58	-49
Interest payments additional Tier 1 capital	-	-	-118	-	-	-	-	-	-	-118
Dividend	-	-	-	-1 700	-	-	-	-	-	-1 700
Balance at 31 December 2021	**10 618**	**1 926**	**2 250**	**14 985**	**140**	**20**	**27**	**-43**	**-68**	**29 855**

Total shares registered as at December 31, 2021, was 965 241 842, each with a par value of 11 NOK.

Restricted capital as at December 31, 2021, was 10 618 MM NOK. The split between restricted and unrestricted capital is in accordance with the Norwegian limited companies act.

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

Profit and Loss - Santander Consumer Bank AS

All amounts in millions of NOK	Note	2022	2021
Total interest income*		7 277	6 781
Total interest expenses		-1 544	-834
Net interest income	11	**5 733**	**5 948**
Fee and commission income		520	491
Fee and commission expenses		-229	-217
Value change and gain/loss on foreign exchange and securities		-29	8
Other operating income	12	274	191
Other operating expenses	12	-292	-205
Gross margin		**5 977**	**6 216**
Salaries and personnel expenses	29, 30	-1 118	-1 180
Administrative expenses		-977	-1 063
Depreciation and amortisation	23, 24	-233	-210
Net operating income before impairment losses on loans		**3 649**	**3 764**
Other income and costs		-60	-15
Impairment losses on loan, guarantees etc.	2, 4, 5, 15	-659	-1 039
Profit before tax		**2 929**	**2 709**
Income tax expense	13	-713	-690
Profit after tax		**2 216**	**2 020**
Allocation of profit after tax			
Transferred to other earned equity		2 076	1 902
Transferred to additional Tier 1 capital	33	140	118
Total allocations		**2 216**	**2 020**
Profit after tax		**2 216**	**2 020**
Items not to be recycled to profit and loss			
Actuarial gain/loss on post-employment benefit obligations		49	58
Items to be recycled to profit and loss			
Net exchange differences on translating foreign operations		9	-74
Measured at FVTOCI		-0	-18
Cash flow hedge	20	-18	31
Net investment hedge	13, 20	-	-1
Other comprehensive income for the period net of tax		**39**	**-3**
Total comprehensive income for the period		**2 255**	**2 016**

** Total interest income calculated using the effective interest method*

Balance Sheet - Santander Consumer Bank AS

All amounts in millions of NOK	Note	2022	2021
Assets			
Cash and receivables on central banks	17	5 680	3 784
Deposits with and receivables on financial institutions	17	2 276	3 188
Loans to customers	2, 4, 6, 14, 15, 16, 17, 25	147 337	136 057
Commercial papers and bonds	4, 17	4 704	8 275
Financial derivatives	17, 19	-	-
Loans to subsidiaries and SPV's	17	17 728	18 498
Investments in subsidiaries	31	1 717	1 647
Other ownership interests	17, 19	12	20
Other financial assets	17	311	-
Intangible assets	24	845	863
Fixed assets	23	517	568
Repossessed assets	26	5	17
Other assets	13	1 317	1 378
Total assets		**182 448**	**174 296**
Liabilities			
Debt to credit institutions	17, 32	33 078	28 400
Deposits from customers	17	75 925	73 304
Debt established by issuing securities	17, 18	34 599	38 375
Financial derivatives	17, 19	0	-
Tax payable	13	126	133
Other financial liabilities	17, 28	374	393
Deferred tax	13	1 721	1 574
Pension liabilities	29	5	49
Other liabilities		2 636	2 222
Subordinated loan capital	17, 32	2 422	2 463
Senior non-preferred loans	17, 32	4 067	-
Total liabilities		**154 952**	**146 914**
Equity			
Share capital		10 618	10 618
Share capital premium		1 926	1 926
Additional Tier 1 capital		2 250	2 250
Other equity		12 687	12 612
OCI items		15	-24
Total equity	9	**27 496**	**27 382**
Total liabilities and equity		**182 448**	**174 296**

Cash Flow - Santander Consumer Bank AS

All amounts in millions of NOK	Note	2022	2021
Cash flow from operations			
Profit before tax		2 929	2 709
Adjustments for:			
- Depreciation, amortisation and impairment on fixed and intangible assets		233	210
- Net interest income	12, 23, 24	-5 733	-5 948
- Value change and gain/loss on foreign exchange and securities		29	-8
- Dividends on financial assets at FVOCI		8	-
Changes in:			
- Loans to customers	14	-11 745	-4 661
- Operating lease assets	23	18	80
- Repossessed assets	26	12	-30
- Other assets		-95	1 154
- Deposits from customers		1 722	-4 856
- Other liabilities and provisions		489	-362
Interests received		7 250	6 781
Dividends received		-0	-
Interests paid		-1 544	-834
Net income taxes paid		-597	-225
Net cash flow from operations		**-7 023**	**-5 991**
Cash flow from investments			
Purchase of bonds		-44 352	-18 275
Proceeds from matured bonds		47 552	15 570
Purchase of fixed and intangible assets		-168	-225
Proceeds from sale of fixed and intangible assets		3	10
Net cash flow from investments		**3 035**	**-2 920**
Cash flow from financing			
Proceeds from issued securities	18, 27	6 041	8 024
Repayments of issued securities	18, 27	-10 487	-3 537
Payments related to lease liabilities		-65	-78
Change in loans and deposits from credit institutions	27	7 603	5 362
Proceeds from issue of subordinated loans	27, 32	2	-
Repayment of subordinated loans	27, 32	-	-250
Proceeds from issue of senior non-preferred loans	27, 32	4 082	-
Repayment of senior non-preferred loans	27, 32	-	-
Dividend payments		-2 000	-1 700
Interest payments on additional Tier 1 capital	33	-140	-118
Net cash flow from financing		**5 035**	**7 704**

	Note	2022	2021
Exchange gains / (losses) on cash and cash equivalents		-62	-445
Net change in cash and cash equivalents		985	-1 652
Cash and cash equivalents at the beginning of the period		6 972	8 624
Cash and cash equivalents at the end of the period		**7 957**	**6 972**

Statement of changes in equity - Santander Consumer Bank AS

2022

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 2022	**10 618**	**1 926**	**2 250**	**12 612**	**-12**	**20**	**15**	**21**	**-68**	**27 382**
Profit for the period	-	-	140	2 076	-	-	-	-	-	2 216
OCI movements (net of tax)	-	-	-	-	9	-0	-18	-	49	39
Interest payments additional Tier 1 capital	-	-	-140	-	-	-	-	-	-	-140
Dividend	-	-	-	-2 000	-	-	-	-	-	-2 000
Balance at 31 December 2022	**10 618**	**1 926**	**2 250**	**12 687**	**-3**	**20**	**-3**	**21**	**-19**	**27 496**

Total shares registered as at December 31, 2022, was 965 241 842, each with a par value of 11 NOK.

Restricted capital as at December 31, 2022, was 10 618 MM NOK. The split between restricted and unrestricted capital is in accordance with the Norwegian limited companies act.

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2021

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 2021	**10 618**	**1 926**	**2 250**	**12 364**	**62**	**38**	**-16**	**22**	**-126**	**27 138**
Profit for the period	-	-	118	1 902	-	-	-	-	-	2 020
Adjustment of equity from merger with Forso	-	-	-	46	-	-	-	-	-	46
OCI movements (net of tax)	-	-	-	-	-74	-18	31	-1	58	-3
Interest payments additional Tier 1 capital	-	-	-118	-	-	-	-	-	-	-118
Dividend	-	-	-	-1 700	-	-	-	-	-	-1 700
Balance at 31 December 2021	**10 618**	**1 926**	**2 250**	**12 612**	**-12**	**20**	**15**	**21**	**-68**	**27 382**

Total shares registered as at December 31, 2021, was 965 241 842, each with a par value of 11 NOK.

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Lysaker, 21st February 2023

The Board of Directors of Santander Consumer Bank

Jørn Borchgrevink Chair	Federico Ysart Deputy Chair	Pedro de Elejabeitia Board member
Anne Kvam Board member	Rámon Billordo Board member	Tone Bergsaker Strømsnes Employee Representantive
Sara Norberg Employee Representantive		Michael Hvidsten Chief Executive Officer

Accounting Principles

1. GENERAL INFORMATION ABOUT SANTANDER CONSUMER BANK AS

Santander Consumer Bank AS (the Bank) is a limited liability company incorporated in Norway. The Bank's principal offices are located at Strandveien 18, Lysaker, Norway. The Bank 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 Bank in Norway, Sweden and Denmark. The Group accounts include the Finnish subsidiary Santander Consumer Finance OY (SCF OY) and the Special Purpose Vehicles ("SPV").

The 2022 consolidated financial statements of the Group and financial statements of the Bank cover the period 01.01.2022 to 31.12.2022 and was approved by the Board of Directors and general assembly on 24.02.2022.

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 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

No new or amended IFRS or interpretations have been applied or have had a significant impact on the Group's financial position, results or disclosures for the financial year beginning on 1 January 2022.

This includes amendments to IFRS and IAS due to the ongoing Interest Rate Benchmark Reform which has been assessed and is not expected to have significant impact on the interest rate benchmark used by the Group.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.3. Consolidation

The consolidated financial statement comprises the parent company and 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 can 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 comprises the Finnish subsidiary and the SPVs of which, based on 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 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.

Fee and commission income, other than fees included in the calculation of the effective interest rate, is accounted for when the customer receives control of the sold goods or service according to IFRS 15. In the Group, fees and commissions recognized after IFRS15 include the following services:

- Sale of insurance policies (acting as an agent)
- Collections

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 2022.

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 recognized 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 recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized 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 recognized 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 recognized 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 is presented as a part of other equity and associated tax deduction is presented as part of the year's tax cost in the statement of profit and loss in accordance with IAS 12.

(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 recognizes 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 2022.

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. That way, the Group ensures that stage 3 exposures are migrated to stage 2 for a minimum period of 12 consecutive months before they are migrated to stage 1 .

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 behavioral scores which can be directly translated to corresponding PD are used as key factors to identify any credit risk deterioration event.

Assessment methodology in the Group compares initial behavioral score with the monthly updated behavior score (PIT) and based on empirical data test results, score drop assumptions of 5%/10%/15%, depending on product lines and market, are considered a significant change in credit risk. SICR assessment is based on remaining lifetime PD at reporting date 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.

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 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.

The new definition of default for IFRS 9 was implemented as at December 31, 2021. Additional information on this update is explained in note 6. No further significant changes in estimation techniques or significant assumptions have been made in the models 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 analysed 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.

ECL is estimated for different macroeconomic scenarios, and by applying weights to the scenarios the final ECL is estimated.

To address uncertainty related to volatility in the forward looking macros, an assessment of the portfolios susceptibility to the macroeconomic developments has been performed where the forward looking factors were stressed to more accurately estimate the underlying risk in the portfolios.

More details on this 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 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 recognized 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 transactions whereby it transfers assets recognized on the statement of financial position but retains substantially all 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 is presented as a part of other equity and associated tax deduction is presented as part of the year's tax cost in the statement of profit and loss in accordance with IAS 12.

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 recognized for the consideration received for the transfer. In subsequent periods, the Group recognizes 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 the factors that market participants would consider 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.
The Group has not provided comparative information for periods before the date of initial application of IFRS 9 for the new disclosures introduced by IFRS 9 as a consequential amendment to IFRS 7, as permitted by IFRS 7 paragraph 44Z.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.
The Group designates certain derivatives as either:

a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
c) hedges of a net investment in a foreign operation (net investment hedge).

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

2.9. Leases

2.9.1. Santander Consumer Bank as lessor

A lease is classified as a finance 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 the risk and rewards incidental to ownership of the car to the lessee, the arrangement is classified as finance lease. Finance 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.

Fee income from finance lease consists of interest and repayment of principal and is classified under the line item interest income in the profit and loss statement.

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. Operating 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.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities are included in Other financial liabilities in the Financial Statement and specified in note 28. 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 5.000 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'.

2.11. 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:

- Buildings 3-10 years
- Machines, fittings, equipment 1-10 years (average 3 years)
- Assets held under operating and finance lease 1-10 years (average 3 years)

Right-of-use assets are included in the fixed assets group to which the asset belong.

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.

2.12. Intangible assets

2.12.1. 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 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.

2.12.2. 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 intangible 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 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 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 it's carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit and loss.

2.13. Pension benefit schemes

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension schemes. Swedish branch has had both defined contribution and defined benefit schemes. The Norwegian company mainly has defined contribution schemes, and a few executive liabilities in defined benefit schemes and 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.

2.14. 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 based on the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Bank 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 based on 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.

2.15. 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.

2.16. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the decision makers, including the Board of Directors, Senior Management team and CEO.

2.17. Dividends

Dividend income is recognized when the right to receive payment is established. Dividend distribution to the Bank's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Bank'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 based on 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 more than the provisions recognized may incur.
When some or all 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.

Notes and financial statements

Santander Consumer Bank Nordic Group

Santander Consumer Bank

Note 1 - Risk Management

The Group's approach to Risk

The Group's risk management and control model relies on a set of common principles together with a risk culture embedded throughout the Group, a solid governance structure and advanced risk management processes and tools (such as: our risk profile assessment, scenario analysis, our risk reporting structure and the annual planning and budget process). It is carried out by an independent risk management function, led by the CRO, consistent with its model of three lines of defense and a robust structure of risk committees, with a forward-looking and comprehensive approach for all businesses and risk types. This model allows the Group to carry out its activity and to adapt itself to a changing economic and evolving regulatory environment.

The Group's risk framework covers all types of risks which affect the Group and could impact on the achievement of its strategic objectives. Key risk types as reflected in the Group's Risk Map include financial risks (including credit risk, market risk, liquidity & structural risk and capital risk), non-financial risks (including operational risk and reputational risk) and cross risks (including model risk, strategic risk and Environmental & Climate-related risks).

Areas of special interest:

i. **Macroeconomic and Geopolitical challenges:**

The Nordic countries rebounded from the COVID-19 pandemic showing great resilience, with successful vaccination programs and rapid economic reopenings. However, the difficulties encountered during the pandemic, exacerbated by the Russian invasion of Ukraine, have threatened the economic recovery of the Nordic countries and Europe.

The COVID-19 pandemic caused widespread disruption to the global supply chain as a result of lockdowns and other containment measures, that hindered the transportation of goods and people and led to the closure of many businesses.

These disruptions impacted the production of goods and caused difficulties for some business partners to secure certain components.

The loose monetary policy pursued by Central Banks in recent years, and the notion of "free money" for individuals and corporates alike, along with fiscal stimulus and governmental support programs, had already put severe upwards pressure on demand during the pandemic. In addition, rising energy prices, already at high levels since the end of 2021, drove up electricity and manufacturing costs, resulting in higher consumer prices and inflation in the Nordic countries at a time their economies were beginning to recover.

The conflict in Ukraine, the sanctions imposed in response, and Russia's countermeasures have had a major impact on the economies of European countries. The gas cut-off from Russia to EU directly affected electricity prices while other efforts to retaliate by Russia impacted the supply and prices of commodities such as precious metals, food, and fertilizers.

Inflationary pressure, addressed by Central Banks with a drastic increase in interest rates, led to higher borrowing costs for households and businesses - reducing households purchasing power - and put pressure on their budgets. The tightening of monetary policy has put additional pressure on the already significantly indebted Nordic households which are already experiencing diminishing disposable income as price inflation is racing ahead of wage inflation throughout the region. Increased credit risk and lower new business volumes are expected as consumers affordability is reduced.

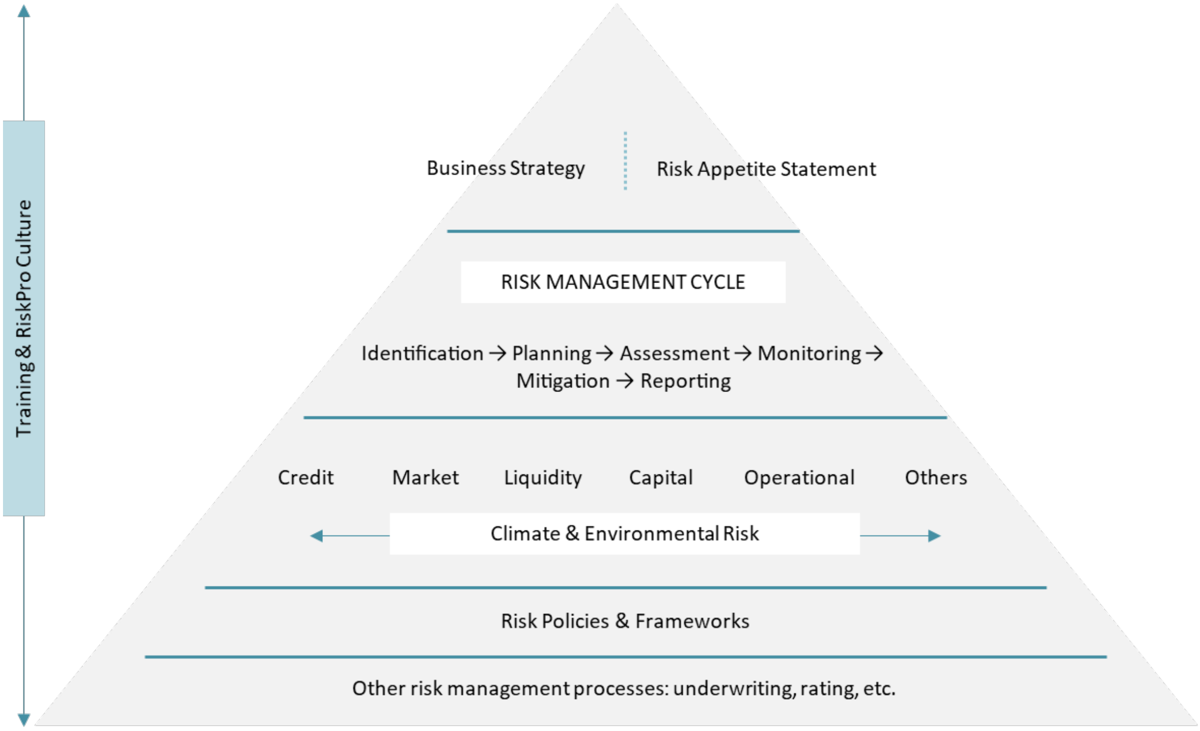
The war in Ukraine has led to heightened uncertainty about the economic outlook for the Nordic countries. It is not clear how much or for how long the war in Ukraine will impact economic growth and inflation in the Nordic countries' trading partners. In addition to the humanitarian catastrophe for Ukraine, the war may result in persistent disruptions in energy and commodity markets. There is a possibility that the war in Ukraine could have a larger impact on financial markets, household consumption and business investment than is currently expected. This could lead to lower-than-projected economic growth and higher-than-predicted inflation.

ii. **Our approach to Climate-related & Environmental risk**

The Group deems climate-related and environmental risk a cross risk, as climate drivers could influence other traditional risks.

Climate-related and environmental risk management is a priority of the Risk function and is being integrated into the Group's risk management framework considering the potential impacts of climate change on the Group's operations and assets, as well as on its supply chain and the broader market in which it operates, and the transition risks associated with the shift to a low-carbon economy.

The graph below sums up how the Group has been integrating it within core processes and risk cycle stages:



1. **Identification**:

Two core processes help the Group spot climate-related risks:

(i) **Top risk identification process**: When identifying top risks, the Group's most significant internal and external threats to profitability, capital adequacy and strategy are pinpointed and measured. Its analysis covers qualitative as well as quantitative factors. Findings from this exercise fuel our internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP).

(ii) **Risk Profile Assessment (RPA)**: A robust methodology that covers all risk types and reveals any threat to the Group's business plan. The exercise is expected to be strengthened with the incorporation of an additional questionnaire covering the strategic planning, implementation, control and monitoring, and governance of Climate-related and environmental risks. The results of this exercise allow the Group to identify gaps and areas for improvement. The questionnaire will be increasingly complete and comprehensive going forward.

In 2022, the exercise was reinforced by adding an internal qualitative self-assessment, in relation to the environmental and climate-related risks, and the residual value risk of our secured lending portfolio.

2. **Planning**:

The Group's strategic planning includes annual budgeting and the three-year financial plan.
These core strategic processes enable the Group to plan for risks from the transition to a low-carbon economy and the physical impact of climate change, and introduce them into short-, medium- and long-term strategy, making it easier to spot threats and changing conditions that could influence our ability to deliver objectives.

3. **Assessment**:

The Group's materiality assessment follows the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD).
The Group continues making progress with our climate-related risk materiality assessment by raising the level of granularity as more data and new methodologies become available. *(For further information please see 'ESG Risk Management' section)*

The Group sees managing climate risk as an opportunity to create value for our customers, investors, people, and communities in which it operates. The desire to reduce environmental footprint and support customers transition to a low-carbon economy presents a significant number of opportunities for the Group. *(For further information please see 'Climate related opportunities' section)*

The Group intends to publish its Sustainability Report for 2022 in Q2/Q3 2023, where it similarly intends to embrace the Taskforce for Climate Related Disclosures guidelines in assessing climate risk.

4. **Monitoring**:

The Group uses risk appetite, scenario analyses and other tools to monitor climate-related and environmental risk.

Risk appetite sets the volume and type of risks we deem prudent for the Group's business strategy. Along with implementing policies, it is a key tool to monitor climate-related risks, our targets, and our public commitments, and to mitigate the risk of failing to meet them.

The Group continues to enhance its risk appetite statement, gradually introducing new metrics and limits, to complement its strategy with available methodologies and data.

Scenario analysis is a management tool to monitor climate-related and environmental risk. Analysis techniques are useful for the Group's internal management and for handling regulatory and supervisory stress testing. The Group uses scenarios to analyze the impact under various circumstances, placing an emphasis to capture transitional risks, that are considered most relevant to the auto industry.

5. **Mitigation**:

In accordance with the fourth pillar of the Group's climate strategy, it is increasingly seeking to integrate climate-related risks into its risk management and associated governance process. In 2022, work continued to further embed climate-related risks management into the Group's second line of defense processes (Top Risks, Risk Appetite Statement, Risk Map and Risk Strategy) and key strategic exercises (ICAAP, ILAAP, Stress test, etc.) with a comprehensive approach.

The Group has a robust governance structure allowing for effective oversight between reporting lines and implementation of the Responsible Banking agenda. The Board of Directors govern the Group's business, strategy, organization, and current and future risks. This ensures the Group achieves the strategic objectives while operating responsibly.

To further strengthen the focus upon ESG governance, Banco Santander published its groupwide Responsible Banking framework in 2022. The framework serves to propel Santander globally towards a more sustainable business model that embeds Environmental, Social and Governance (ESG) criteria, with the framework itself laying out common principles, roles, responsibilities, key processes, and governance arrangements. The framework was adopted by the Group's Board of Directors in late Q3 2022, and Responsible Banking status updates have been included in the 2023 Board agenda.

To ensure that it acts responsibly in everything it does, the Group incorporates best practices and requirements into policies and frameworks. *(For further information please see 'Governance, policies, and frameworks' section)*

As an area of growing focus, building internal capabilities through training (ensuring that employees have the knowledge and skills) is an important step in effectively managing these risks. The Group's Risk-Pro Culture has been proved as a key tool to raise awareness among its employees. As an example, Banco Santander launched in the second half of 2022 a specific ESG training for all its employees, named 'Sustainability for everyone (ESG)'. *(For further information please see 'Mandatory Training' section)*

Equally important is to regularly review and update the Group's climate risk management strategy to ensure it remains effective and relevant. Climate risks are constantly evolving, and new risks may emerge over time. Therefore, we regularly review and update our strategy, ensuring the Group is well-equipped to manage these risks and minimize their impact. Climate-related risks were incorporated and defined in the Risk Strategy in 2021 and further enhanced in 2022, reflecting its growing importance.

In addition, as part of the Group's Risk Strategy, a program for the transformation and evolution of the risk function is drawn up annually, called SCORE: Santander Consumer Risk Excellence (formerly known as ARM: Advance Risk Management).
For 2022, as part of this, several cross-functional goals were set, aiming to reinforce the management and control of these risks.

Santander takes part in international regulatory and supervisory forums and working groups to assess climate risks and opportunities, while anticipating and mitigating potential risks to the Group.

Credit risk

Credit risk is considered the most significant risk for the Group. Credit risk is to be kept at a level that over time corresponds to the average of companies within Santander Consumer Finance Group, considering 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 regarding geography, occupation, or age among others. Single large credit exposures are to be reported to the Board.

Credit processes 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 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 judgement 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, related to existing guarantees and other characteristics of the transaction. These factors are the main credit risk parameters. Their combination facilitates calculation of the probable loss or expected loss (EL). This loss is considered an additional cost of the activity which is reflected in the risk premium and must be charged in the transaction price. Portfolio sales are a key component of the Group's credit risk strategy and supporting the Group's overall strategy.

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 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 +/- 25 bp parallel shifts in market interest rates. In addition, the Group conducts stress testing of the interest rate risk with the six Basel IRRBB scenarios containing both parallel and non-parallel movements in the interest rate curves (please refer to Note 8 for further information).

Currency risk

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's currency risk is connected to currency positions as a result of operations in the Swedish, Danish and Finnish market and from funding activities in Euro-markets. Limits are set for each currency net open exposure as well as the total consolidated 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 are 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

The Group defines Capital Risk as the risk of insufficient capital of each quality (CET1, Tier 1, 2 and 3) to meet internal business objectives, regulatory requirements, and market expectations. (Please see Solvency and Capital Adequacy section for how our observed levels compare to regulatory requirements.) The Group's Capital Risk function, which is part of its second line of defense, controls and oversees first-line capital management. It can independently challenge business and first-line activities by:

i. reviewing key items affecting capital ratios to supervise capital planning and adequacy exercises (ICAAP and ILAAP), which are carried out on an annual basis. The Group's risk exposure is projected under a base scenario and several adverse and favorable scenarios to identify potential solvency and liquidity issues.
ii. define key regulatory capital metrics; setting tolerance levels; and analyzing significant variations and single transactions that impact on capital; and
iii. reviewing and challenging proposed capital actions according to capital planning and risk appetite.

In addition to such planning exercises, main metrics such as CET1, Tier1, Tier2 as percentages of risk weighted assets and Leverage (unweighted) ratios are monitored throughout the whole year to ensure regulatory compliance.

Operational risk

In accordance with the Basel framework, the Group defines operational risk as the risk of losses from defects or failures in internal processes, people, systems, or external events. It covers risk categories such as fraud, technological, cyber-risk, legal (legal processes with an operational risk root cause) and conduct risk. It does not include events arising due to strategic or reputational risk - which are assessed as transversal and monitored by the Strategic Risk (performed by the ERM team) and Compliance & Conduct function respectively. Operational risk is inherent to all products, activities, processes, and systems. It is generated in all business and support areas.

The Group's Operational risk management and control model is based on a continual process of identifying, evaluating, reporting, and mitigating sources of risk, regardless of whether they have materialized or not, ensuring that risk management priorities are established appropriately. Operational risk is reduced through securing a good internal control environment which the Group continuously strives to improve. A Basic Indicator Approach is used for the calculation of regulatory capital for operational risk.

Note 2 - Risk classification

All amounts in millions of NOK

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.

	Gross outstanding		Loss reserves	
	2022	**2021**	**2022**	**2021**
Current - not past due date	177 236	165 910	-1 327	-1 880
Current - past due date	5 248	4 276	-379	-313
Total impaired loans	4 917	5 402	-2 718	-2 756
Total gross loans to customers	**187 401**	**175 588**	**-4 425**	**-4 949**

	Gross outstanding		Loss reserves	
Ageing of past due but not impaired loans	**2022**	**2021**	**2022**	**2021**
1 - 29 days	3 809	3 168	-145	-120
30 - 59 days	924	738	-144	-125
60 - 89 days	515	370	-90	-68
Total loans due but not impaired	**5 248**	**4 276**	**-379**	**-313**

	Gross outstanding		Loss reserves	
Ageing of impaired loans	**2022**	**2021**	**2022**	**2021**
90 - 119 days	413	318	-161	-125
120 - 149 days	314	204	-122	-84
150 - 179 days	179	123	-71	-50
180 + days	2 675	1 852	-1 697	-1 137
Economic doubtful*	1 336	2 905	-668	-1 360
Total impaired loans	**4 917**	**5 402**	**-2 718**	**-2 756**

* 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

2022	Balance		Net positions		Effect on OCI from change in foreign currency against NOK	
	Asset	Debt	In NOK	In foreign currency	5% Appreciation	5% Depreciation
SEK	65 295	65 197	98	103	5	-5
DKK	43 661	43 521	140	99	5	-5
EUR	49 770	46 843	2 927	278	14	-14
Total	**158 726**	**155 561**	**3 165**			

2021	Balance		Net positions		Effect on OCI from change in foreign currency against NOK	
	Asset	Debt	In NOK	In foreign currency	5% Appreciation	5% Depreciation
SEK	52 307	52 246	61	63	3	-3
DKK	45 054	44 916	138	103	5	-5
EUR	46 420	43 935	2 485	249	12	-12
Total	**143 781**	**141 098**	**2 684**			

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.

Loans not past due date includes exposures that are not in arrears and not in default. Standard monitoring includes exposures in early arrears.

ECL calculation under IFRS9 applies the New Default Definition since its implementation on December 2021. The Group's strong reserve base at the end of 2022 reflects the changes in portfolio mix and the stable to improved quality of the portfolio, based on its risk appetite and prudent risk management model.

	2022				2021			
Unsecured loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Credit grade								
Loans not past due date	24 659	1 006	-	**25 665**	25 961	1 555	-	**27 516**
Standard monitoring	495	784	-	**1 279**	464	623	-	**1 087**
Special monitoring	-	180	-	**180**	-	279	-	**279**
Default	-	-	2 629	**2 629**	-	-	3 078	**3 078**
Gross carrying amount	**25 154**	**1 970**	**2 629**	**29 753**	**26 425**	**2 457**	**3 078**	**31 960**
Loss allowance	-476	-400	-1 666	**-2 543**	-622	-388	-1 874	**-2 884**
Carrying amount	**24 678**	**1 570**	**962**	**27 210**	**25 803**	**2 068**	**1 205**	**29 076**
Loss allowance (off balance exposures)	-33	-6	-26	**-65**	**-29**	**-9**	**-29**	**-66**
Loss allowance (%)				**8,55%**				**9,02%**

	2022				2021			
Secured loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Credit grade								
Loans not past due date	147 887	3 343	10	**151 241**	135 824	1 947	-	**137 771**
Standard monitoring	2 242	1 687	-	**3 929**	2 067	1 122	-	**3 189**
Special monitoring	-	201	5	**205**	-	344	-	**344**
Default	-	-	2 274	**2 274**	-	-	2 324	**2 324**
Gross carrying amount	**150 129**	**5 231**	**2 289**	**157 649**	**137 891**	**3 413**	**2 324**	**143 628**
Loss allowance	-510	-320	-1 052	**-1 882**	-822	-247	-995	**-2 064**
Carrying amount	**149 619**	**4 911**	**1 237**	**155 767**	**137 069**	**3 165**	**1 329**	**141 563**
Loss allowance (%)				**1,19%**				**1,44%**

Secured contracts consist of vehicles that act as guarantees for the loan and lease contracts. The Group has a robust process to repossess the vehicle and recoup losses on non-performing contracts. The leased vehicles are owned by the Group and hence are easier to repossess. No significant changes have been made to the collateral and repossession policies during 2022. The loan-to-value (LTV) ratio is considered a useful measure to evaluate the quality of the collateral, i.e. the credit extended divided by the appraised value of the collateral. The appraised value of the collateral is calculated by using statistical models and is based on the initial purchase price of the vehicle. The average LTV ratio for 2022 is estimated to be 125% and 124% for 2021.

	2022				2021			
Commercial papers and bonds	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Credit grade								
Investment grade	5 177	-	-	**5 177**	9 672	-	-	**9 672**
Standard monitoring	-	-	-	**-**	-	-	-	**-**
Special monitoring	-	-	-	**-**	-	-	-	**-**
Default	-	-	-	**-**	-	-	-	**-**
Gross carrying amount	**5 177**	**-**	**-**	**5 177**	**9 672**	**-**	**-**	**9 672**
Loss allowance	-0	-	-	**-0**	-	-	-	**-**
Carrying amount	**5 177**	**-**	**-**	**5 177**	**9 672**	**-**	**-**	**9 672**
Loss allowance (%)				**0,01%**				**0,00%**

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 and liabilities not subject to impairment (i.e. FVTPL):

Maximum exposure to credit risk	**2022**	**2021**
Financial derivatives Assets	586	59
Financial derivatives Liabilities	586	53

During 2022, it has been observed that the effects directly attributed to the pandemic are mostly over. With this prospect in mind, a revisit to the post-COVID payment holidays overlay of 109 MNOK booked as at December 31st, 2021, was performed and it was concluded to release it in full by the end of 2022, as the risk related to this specific segment of customers has been accounted for by the models as of December 31st, 2022. In essence this segment of customers is concluded to return to the general customer portfolios in the Group.

The Group has observed positive credit performance mainly driven by the first three quarters of 2022. The positive performance has been supported by both credit strategy, but also influenced by customers repayment behaviors. Following COVID, interest rates have been very low and customers have elevated levels of disposable income available.

The early rise in interest rates at the end of 2021 and increasing energy prices sparked expectations for a potential increased risk of inflation and credit risk, which led to a Macroeconomic forward-looking reserve at the end of 2021 of 79MNOK for the Group. During 2022 we saw that geopolitical factors (Russia/Ukraine situation) heavily influenced fuel and energy costs, which has led to increased consumer prices and inflation. The aforementioned war, increased energy and fuel prices, and elevated consumer demand have brought inflation to record levels in the Nordics, which has pointed monetary policy towards somewhat violent increases in interest rates across the Nordics. In the latter half of 2022 and onward, the increased costs and interest rates are expected to impact our customers in the Nordics, where reduced disposable income and diminished savings lead to expected higher credit risk in our Nordic customer base. It is notable that there is government support in the Nordics towards increased energy costs, which is expected to dampen the worst negative scenarios of increasing credit risk.

From the Group perspective, our models are not, on their own, adequate to capture the negative forward looking scenarios of the expected worsening macroeconomic and inflationary impacts on credit risk across our portfolios.

Post-Model Adjustments

Macro and inflation:
To address uncertainty related to volatility in the forward-looking macros and inflationary environment, an assessment of the portfolios susceptibility to the macroeconomic and inflationary environment has been performed, where the forward-looking negative scenarios were stressed to more accurately estimate the underlying risk in the portfolios. This resulted in a post-model adjustment for the forward-looking Macroeconomic and Inflationary environment of 113MNOK as at December 31, 2022, which has replaced the aforementioned 2021 Macroeconomic forward-looking overlay of 79 MNOK, where the approach was based on stressing the forward-looking factors.

Macro and inflation PMA	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**
Norway	22,11	15,06	-	**37,17**
Finland	5,03	2,84	-	**7,88**
Denmark	32,66	9,84	-	**42,50**
Sweden	15,88	9,67	-	**25,55**
Total	**75,68**	**37,42**	**-**	**113,09**

ECL Forward Looking Scenario Weights:
Scenario weights applied in the ECL estimates for the period ended 31 December 2022 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	2,52%	5,20%	-1,85%	-3,46%
Sweden	2,05%	3,68%	-1,53%	-3,16%
Denmark	4,02%	6,85%	-1,69%	-3,45%
Finland	1,09%	1,97%	-0,73%	-1,25%
Nordic	2,56%	4,70%	-1,54%	-3,02%

Below is a calculation of forward looking scenario impact for period ending 31 December 2022. For the period ending 31 December 2022, forward looking ECL parameters had resulted in additional reserves of 86,0 MM NOK for the Group.

Forward looking impact	Local currency	Exchange rate	NOK
Norway	14,7	1,0000	14,7
Sweden	35,5	0,9450	33,5
Denmark	10,4	1,4145	14,7
Finland	2,2	10,5192	23,1
Total Group			86,0

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:

	2022				2021			
Unsecured loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance at 1 January	**622**	**388**	**1 874**	**2 884**	**712**	**452**	**1 838**	**3 002**
Transfers:								
Transfer from Stage 1 to Stage 2	-178	937	-	**758**	-173	1 105	-	**932**
Transfer from Stage 1 to Stage 3	-7	-	85	**78**	-11	-	127	**116**
Transfer from Stage 2 to Stage 3	-	-438	761	**323**	-	-513	886	**373**
Transfer from Stage 2 to Stage 1	126	-585	-	**-459**	102	-717	-	**-615**
Transfer from Stage 3 to Stage 2	-	90	-215	**-125**	-	81	-232	**-151**
Transfer from Stage 3 to Stage 1	0	-	-4	**-4**	0	-	-7	**-7**
Assets remaining in same Stage	-218	276	580	**638**	21	7	173	**201**
Methodological changes	-	-	-	**-**	-	-	-	**-**
Financial assets derecognised that are not write-offs	-275	-273	-638	**-1 186**	-111	-50	-117	**-278**
of which 'accounts that have closed in the period'	*-275*	*-273*	*-638*	***-1 186***	*-111*	*-50*	*-117*	***-278***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-785	**-785**	-	-	-709	**-709**
New financial assets originated or purchased	411	-	-	**411**	181	-	-	**181**
Changes in PDs/LGDs/EADs	-74	-5	73	**-6**	-68	14	-12	**-66**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	70	10	-65	**14**	-30	9	-72	**-93**
Loss allowance at 31 December	**476**	**400**	**1 667**	**2 543**	**622**	**388**	**1 874**	**2 884**

	2022				2021			
Secured loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance at 1 January	**822**	**247**	**995**	**2 064**	**794**	**240**	**968**	**2 002**
Transfers:								
Transfer from Stage 1 to Stage 2	-140	869	-	**728**	-98	710	-	**612**
Transfer from Stage 1 to Stage 3	-35	-	238	**203**	-26	-	349	**324**
Transfer from Stage 2 to Stage 3	-	-389	858	**469**	-	-250	752	**503**
Transfer from Stage 2 to Stage 1	73	-396	-	**-323**	67	-479	-	**-412**
Transfer from Stage 3 to Stage 2	-	232	-584	**-352**	-	103	-463	**-360**
Transfer from Stage 3 to Stage 1	0	-	-2	**-2**	1	-	-27	**-25**
Assets remaining in same Stage	-443	-144	183	**-404**	-326	-111	155	**-282**
Methodological changes	-	-	-	**-**	-	-	-	**-**
Financial assets derecognised that are not write-offs	-178	-67	-211	**-455**	-211	-66	-321	**-598**
of which 'accounts that have closed in the period'	*-178*	*-67*	*-211*	***-455***	*-211*	*-66*	*-321*	***-598***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-523	**-523**	-	-	-475	**-475**
New financial assets originated or purchased	542	-	-	**542**	491	-	-	**491**
Changes in PDs/LGDs/EADs	-91	13	45	**-33**	133	96	67	**296**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	-41	-44	53	**-32**	-4	4	-12	**-12**
Loss allowance at 31 December	**510**	**320**	**1 052**	**1 882**	**822**	**247**	**995**	**2 064**

	2022				2021			
Commercial papers and bonds	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance at 1 January	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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	-0	-	-	**-0**	-	-	-	**-**
Methodological changes	-	-	-	**-**	-	-	-	**-**
Financial assets derecognised that are not write-offs	-	-	-	**-**	-	-	-	**-**
of which 'accounts 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	0	-	-	**0**	-	-	-	**-**
Changes in PDs/LGDs/EADs	-	-	-	**-**	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	0	-	-	**0**	-	-	-	**-**
Loss allowance at 31 December	**0**	**-**	**-**	**0**	**-**	**-**	**-**	**-**

Off balance exposure*	2022 Stage 1 12-month ECL	2022 Stage 2 Lifetime ECL	2022 Stage 3 Lifetime ECL	2022 Total	2021 Stage 1 12-month ECL	2021 Stage 2 Lifetime ECL	2021 Stage 3 Lifetime ECL	2021 Total
Loss allowance at 1 January	**29**	**9**	**29**	**66**	**21**	**7**	**18**	**46**
Transfers:								
Transfer from Stage 1 to Stage 2	-1	10	-	**9**	-3	24	-	**21**
Transfer from Stage 1 to Stage 3	-0	-	20	**19**	-0	-	13	**13**
Transfer from Stage 2 to Stage 3	-	-2	8	**6**	-	-2	12	**10**
Transfer from Stage 2 to Stage 1	3	-17	-	**-14**	4	-28	-	**-25**
Transfer from Stage 3 to Stage 2	-	8	-16	**-7**	-	6	-18	**-12**
Transfer from Stage 3 to Stage 1	0	-	-2	**-2**	0	-	-2	**-2**
Assets remaining in same Stage	-20	2	17	**-2**	12	6	19	**36**
Methodological changes	-	-	-	**-**	-	-	-	**-**
Financial assets derecognised that are not write-offs	-5	-4	-24	**-33**	-9	-3	-12	**-24**
of which 'accounts that have closed in the period'	*-5*	*-4*	*-24*	***-33***	*-9*	*-3*	*-12*	***-24***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-5	**-5**	-	-	-2	**-2**
New financial assets originated or purchased	28	-	-	**28**	3	-	-	**3**
Changes in PDs/LGDs/EADs	-	-	-	**-**	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	0	-0	0	**0**	-0	0	-0	**-0**
Loss allowance at 31 December	**33**	**6**	**26**	**65**	**29**	**9**	**29**	**66**

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

The Group does not have any engagements where no ECL provision has been made due to the value of the collateral.

Write off under management was 2 998 MM NOK as at December 31, 2022, and 2 131 MM NOK as at December 31, 2021.

Note 6 - Gross carrying amount

All amounts in millions of NOK

During 2022 the Outstanding distribution by stages and the resulting ECL has been impacted by several factors:

1. Reduced balances of Stage 3 Unsecured loans as the write-off process was updated to adopt the New Default Definition guidelines.

2. Secured loans have experienced a strong year with new business surpassing the previous 2 years. As the remaining COVID-19 pandemic restrictions were lifted very early in the year, a large portion of the customers that were planning to acquire or lease a vehicle during the pandemic (2020 and 2021) did so during 2022.

3. SICR thresholds were updated for some portfolios due to the yearly IFRS9 parameter update and made the overall Stage 2 balances higher in Secured loans and lower in Unsecured loans. Other parameters (PDs, LGDs, CCFs and forward-looking) were also part of the update but did not contribute to a change in the outstanding distribution, only to credit risk reserves.

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

	2022				2021			
Unsecured loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount at 1 January	**26 425**	**2 457**	**3 078**	**31 960**	**30 540**	**2 803**	**3 011**	**36 354**
Transfers:								
Transfer from Stage 1 to Stage 2	-5 657	5 657	-	**-**	-7 540	7 540	-	**-**
Transfer from Stage 1 to Stage 3	-166	-	166	**-**	-333	-	333	**-**
Transfer from Stage 2 to Stage 3	-	-1 492	1 492	**-**	-	-1 702	1 702	**-**
Transfer from Stage 2 to Stage 1	4 245	-4 245	-	**-**	6 058	-6 058	-	**-**
Transfer from Stage 3 to Stage 2	-	394	-394	**-**	-	424	-424	**-**
Transfer from Stage 3 to Stage 1	9	-	-9	**-**	13	-	-13	**-**
Financial assets derecognised excl. write-offs	-8 216	-618	-620	**-9 454**	-8 474	-467	-443	**-9 384**
of which 'accounts that have closed in the period'	*-2 658*	*-128*	*-146*	***-2 932***	*-5 160*	*-300*	*-206*	***-5 667***
of which 'normal amortizations'	*-5 558*	*-490*	*-474*	***-6 522***	*-3 314*	*-167*	*-237*	***-3 717***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-1 334	**-1 334**	-	-	-1 020	**-1 020**
New financial assets originated or purchased	8 640	-	-	**8 640**	6 838	-	-	**6 838**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	-125	-183	249	**-60**	-677	-84	-66	**-826**
Gross carrying amount at 31 December	**25 154**	**1 970**	**2 629**	**29 753**	**26 425**	**2 457**	**3 078**	**31 960**

	2022				2021			
Secured loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount at 1 January	**137 891**	**3 413**	**2 324**	**143 628**	**138 966**	**3 997**	**1 950**	**144 913**
Transfers:								
Transfer from Stage 1 to Stage 2	-11 349	11 349	-	**-**	-10 141	10 141	-	**-**
Transfer from Stage 1 to Stage 3	-901	-	901	**-**	-1 228	-	1 228	**-**
Transfer from Stage 2 to Stage 3	-	-2 889	2 889	**-**	-	-2 302	2 302	**-**
Transfer from Stage 2 to Stage 1	6 308	-6 308	-	**-**	7 265	-7 265	-	**-**
Transfer from Stage 3 to Stage 2	-	1 757	-1 757	**-**	-	1 091	-1 091	**-**
Transfer from Stage 3 to Stage 1	5	-	-5	**-**	69	-	-69	**-**
Financial assets derecognised excl. write-offs	-58 967	-1 771	-968	**-61 706**	-70 020	-1 887	-887	**-72 793**
of which 'accounts that have closed in the period'	*-34 784*	*-1 053*	*-565*	***-36 402***	*-36 983*	*-1 198*	*-639*	***-38 820***
of which 'normal amortizations'	*-24 183*	*-718*	*-403*	***-25 303***	*-33 037*	*-689*	*-248*	***-33 973***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-625	**-625**	-	-	-654	**-654**
New financial assets originated or purchased	77 273	-	-	**77 273**	72 219	-	-	**72 219**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	-131	-320	-470	**-922**	761	-362	-455	**-56**
Gross carrying amount at 31 December	**150 129**	**5 231**	**2 289**	**157 649**	**137 891**	**3 413**	**2 324**	**143 628**

	2022				2021			
Commercial papers and bonds	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount at 1 January	**9 672**	**-**	**-**	**9 672**	**6 814**	**-**	**-**	**6 814**
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 derecognised excl. write-offs	-50 743	-	-	**-50 743**	-6 041	-	-	**-6 041**
of which 'accounts that have closed in the period'	-	-	-	**-**	-	-	-	**-**
of which 'normal amortizations'	-	-	-	**-**	-	-	-	**-**
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	*-50 743*	-	-	***-50 743***	*-6 041*	-	-	***-6 041***
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-	**-**	-	-	-	**-**
New financial assets originated or purchased	*46 123*	-	-	**46 123**	*8 540*	-	-	**8 540**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	125	-	-	**125**	360	-	-	**360**
Gross carrying amount at 31 December	**5 177**	**-**	**-**	**5 177**	**9 672**	**-**	**-**	**9 672**

	2022				2021			
Off balance exposure	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount at 1 January	**29 927**	**218**	**187**	**30 332**	**28 785**	**325**	**179**	**29 289**
Transfers:								
Transfer from Stage 1 to Stage 2	-357	357	-	**-**	-1 631	1 631	-	**-**
Transfer from Stage 1 to Stage 3	-121	-	121	**-**	-154	-	154	**-**
Transfer from Stage 2 to Stage 3	-	-51	51	**-**	-	-126	126	**-**
Transfer from Stage 2 to Stage 1	440	-440	-	**-**	1 776	-1 776	-	**-**
Transfer from Stage 3 to Stage 2	-	92	-92	**-**	-	132	-132	**-**
Transfer from Stage 3 to Stage 1	17	-	-17	**-**	57	-	-57	**-**
Financial assets derecognised excl. write-offs	-4 098	-99	-92	**-4 289**	-8 112	-147	-103	**-8 362**
of which 'accounts that have closed in the period'	*-4 098*	*-99*	*-92*	***-4 289***	*-8 112*	*-147*	*-103*	***-8 362***
of which 'normal amortizations'	-	-	-	**-**	-	-	-	**-**
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-	**-**	-	-	-	**-**
New financial assets originated or purchased	2 703	-	-	**2 703**	2 765	-	-	**2 765**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	1 751	103	-7	**1 847**	6 441	179	20	**6 641**
Gross carrying amount at 31 December	**30 262**	**179**	**153**	**30 594**	**29 927**	**218**	**187**	**30 332**

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

Note 7 - Liquidity risk

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

In 2022, we have made changes in how we present maturities in the note. To get correct comparative information, we have corrected the presentation of the 2021 figures.

All amounts in millions of NOK

2022	=< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	With no specific maturity	Total
Cash and receivables on central banks	-	-	-	-	-	5 680	**5 680**
Deposits with and receivables on financial institutions	-1	709	-	-	-	2 956	**3 664**
Loans to customers	3 879	7 978	42 792	125 190	32 665	4 553	**217 057**
Commercial papers and bonds	1 108	1 362	1 231	1 561	-	-	**5 263**
Financial derivatives	-	586	-	-	-	-	**586**
Other assets	194	188	1 062	515	-	2 851	**4 811**
Total cash from assets	**5 181**	**10 823**	**45 085**	**127 266**	**32 665**	**16 041**	**237 061**
Debt to credit institutions	1 281	13 549	18 255	3 927	-	-	**37 012**
Deposits from customers	-	-	-	-	-	75 925	**75 925**
Debt established by issuing securities	62	5 885	2 162	29 058	13 654	-	**50 821**
Financial derivatives	-	586	-	-	-	-	**586**
Other liabilities	625	441	162	55	-	4 007	**5 289**
Subordinated loan capital	9	18	79	914	2 132	-	**3 151**
Senior non-preferred loans	14	28	126	4 513	1	-	**4 682**
Total cash from debt	**1 991**	**20 507**	**20 783**	**38 467**	**15 786**	**79 931**	**177 466**
Net cash flow	**3 190**	**-9 684**	**24 302**	**88 799**	**16 879**	**-63 890**	**59 595**

All amounts in millions of NOK

2021	=< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	With no specific maturity	Total
Cash and receivables on central banks	-	-	-	-	-	3 784	**3 784**
Deposits with and receivables on financial institutions	670	1 073	-	-	-	2 647	**4 390**
Loans to customers	4 062	7 862	39 112	113 019	23 536	4 848	**192 439**
Commercial papers and bonds	1 008	5 871	2 426	390	-	-	**9 695**
Financial derivatives	-	59	-	-	-	-	**59**
Other assets	189	101	919	609	-	1 994	**3 812**
Total cash from assets	**5 929**	**14 966**	**42 457**	**114 018**	**23 536**	**13 273**	**214 179**
Debt to credit institutions	2 930	7 864	16 086	3 509	-	62	**30 451**
Deposits from customers	-	-	-	-	-	73 304	**73 304**
Debt established by issuing securities	38	8 213	2 653	29 892	12 711	-	**53 507**
Financial derivatives	-	53	-	-	-	-	**53**
Other liabilities	418	156	221	131	-	3 795	**4 721**
Subordinated loan capital	5	9	42	223	2 637	-	**2 915**
Total cash from debt	**3 390**	**16 295**	**19 002**	**33 755**	**15 347**	**77 162**	**164 952**
Net cash flow	**2 539**	**-1 329**	**23 455**	**80 263**	**8 189**	**-63 889**	**49 227**

The Board of Santander Consumer Bank AS has decided limits for the liquidity risk to ensure the Group has a solid liquidity position. The limits for liquidity risk are reviewed at least on a yearly basis. The Group manages the liquidity position by matching maturities of the assets and the liabilities. The average duration of the asset side is low with a duration below two years. The liabilities side is financed by customer deposits, secured bonds, unsecured bonds and intragroup loans. 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 = liquid assets / net liquidity outflows. The minimum LCR level (CRD IV) is 100% for SEK, DKK and EUR, and 50% for NOK. With a stable basis of High Quality Liquid Assets, the Group fulfills the minimum LCR requirements.

Liquidity Coverage Ratio (LCR) %	2022	2021
Liquidity Coverage Ratio (LCR) Total	185%	144%
Liquidity Coverage Ratio (LCR) NOK	86%	77%
Liquidity Coverage Ratio (LCR) SEK	299%	208%
Liquidity Coverage Ratio (LCR) DKK	220%	201%
Liquidity Coverage Ratio (LCR) EUR	140%	124%

Note 8 - Interest rate risk

The tables 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

2022	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Cash and receivables on central banks	5 680	-	-	-	-	-	**5 680**
Deposits with and receivables on financial institutions	3 663	-	-	-	-	-	**3 663**
Loans to customers	5 337	165 019	6 358	6 145	117	-	**182 976**
Commercial papers and bonds	1 675	1 998	1 348	155	-	-	**5 177**
Financial derivatives	586	-	-	-	-	-	**586**
Other non-interest bearing assets	-	-	-	-	-	4 811	**4 811**
Total assets	**16 942**	**167 017**	**7 706**	**6 300**	**117**	**4 811**	**202 894**
Debt to credit institutions	12 826	20 332	3 403	-	-	-	**36 561**
Deposits from customers	12 870	63 055	-	-	-	-	**75 925**
Debt established by issuing securities	7 654	25 608	-	14 046	-	-	**47 308**
Financial derivatives	586	-	-	-	-	-	**586**
Subordinated loan capital	-	1 921	-	501	-	-	**2 422**
Senior non-preferred loans	4 067	-	-	-	-	-	**4 067**
Other non-interest bearing liabilities	-	-	-	-	-	5 289	**5 289**
Equity	2 707	-	-	-	-	28 029	**30 736**
Total liabilities and equity	**40 710**	**110 916**	**3 403**	**14 547**	**-**	**33 318**	**202 894**
Net interest risk exposure	**-23 768**	**56 101**	**4 303**	**-8 247**	**117**	**-28 507**	**-**

Santander Consumer Bank Nordic Group

All amounts in millions of NOK

2021	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Cash and receivables on central banks	3 784	-	-	-	-	-	**3 784**
Deposits with and receivables on financial institutions	4 391	-	-	-	-	-	**4 391**
Loans to customers	3 978	153 897	6 751	6 011	2	-	**170 640**
Commercial papers and bonds	2 691	4 567	2 413	-	-	-	**9 672**
Financial derivatives	59	-	-	-	-	-	**59**
Other non-interest bearing assets	-	-	-	-	-	3 812	**3 812**
Total assets	**14 902**	**158 464**	**9 165**	**6 011**	**2**	**3 812**	**192 357**
Debt to credit institutions	8 774	18 989	2 680	-	-	-	**30 443**
Deposits from customers	12 271	61 033	-	-	-	-	**73 304**
Debt established by issuing securities	16 892	22 191	-	12 435	-	-	**51 518**
Financial derivatives	53	-	-	-	-	-	**53**
Subordinated loan capital	-	1 963	-	501	-	-	**2 463**
Other non-interest bearing liabilities	-	-	-	-	-	4 721	**4 721**
Equity	2 566	-	-	-	-	27 288	**29 855**
Total liabilities and equity	**40 557**	**104 175**	**2 680**	**12 935**	**-**	**32 010**	**192 357**
Net interest risk exposure	**-25 655**	**54 289**	**6 484**	**-6 924**	**2**	**-28 197**	**-**

The tables below show the same as the tables above, but split per country. The accumulated tables below will not reconcile with the tables 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

2022	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	3 450	6 398	16 168	37 425	140	2 102	**65 684**
Liabilities	7 930	9 442	4 423	11 887	4 298	27 703	**65 684**
Net balance	**-4 481**	**-3 044**	**11 745**	**25 539**	**-4 158**	**-25 601**	**-**
Repricing gap	-4 481	-3 044	11 745	25 539	-4 158	-25 601	-
Cumulative gap	-4 481	-7 525	4 220	29 759	25 601	-	-

A +1,00 % parallel increase in market rates will result in a 152,19 million NOK increase in profit in Norway.

Santander Consumer Bank AS Norway

All amounts in millions of NOK

2021	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	4 430	5 261	16 579	33 921	41	2 468	**62 700**
Liabilities	7 119	8 235	4 260	10 827	3 901	28 358	**62 700**
Net balance	**-2 689**	**-2 974**	**12 319**	**23 094**	**-3 860**	**-25 891**	**-**
Repricing gap	-2 689	-2 974	12 319	23 094	-3 860	-25 891	-
Cumulative gap	-2 689	-5 663	6 656	29 750	25 891	-	-

A +1,00 % parallel increase in market rates will result in a 159,46 million NOK increase in profit in Norway.

Santander Consumer Bank AS Norway

All amounts in millions of EUR

2022	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	50	-	117	-	-	163	**331**
Liabilities	39	35	220	-	-	37	**331**
Net balance	**12**	**-35**	**-103**	**-**	**-**	**126**	**-**
Repricing gap	12	-35	-103	-	-	126	-
Cumulative gap	12	-23	-126	-126	-126	-	-

A +1,00 % parallel increase in market rates will result in a 0,68 million EUR decrease in profit in Norway.

Santander Consumer Bank AS Norway

All amounts in millions of EUR

2021	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	18	135	80	-	-	130	**363**
Liabilities	5	185	169	-	-	4	**363**
Net balance	**13**	**-50**	**-89**	**-**	**-**	**125**	**-**
Repricing gap	13	-50	-89	-	-	125	-
Cumulative gap	13	-37	-125	-125	-125	-	-

A +1,00 % parallel increase in market rates will result in a 0,81 million EUR decrease in profit in Norway.

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

2022	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	9 885	3 443	14 611	31 534	0	3 197	**62 669**
Liabilities	15 858	21 862	4 739	14 000	3 893	2 319	**62 669**
Net balance	**-5 973**	**-18 419**	**9 872**	**17 534**	**-3 892**	**878**	**-**
Repricing gap	-5 973	-18 419	9 872	17 534	-3 892	878	-
Cumulative gap	-5 973	-24 392	-14 519	3 014	-878	0	-

A +1,00 % parallel increase in market rates will result in a 75,78 million SEK decrease in profit in Sweden.

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

2021	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	7 092	3 080	13 231	27 420	0	3 336	**54 160**
Liabilities	13 887	19 508	4 700	10 221	3 797	2 047	**54 160**
Net balance	**-6 796**	**-16 427**	**8 531**	**17 199**	**-3 796**	**1 289**	**-**
Repricing gap	-6 796	-16 427	8 531	17 199	-3 796	1 289	-
Cumulative gap	-6 796	-23 223	-14 692	2 507	-1 289	-	-

A +1,00 % parallel increase in market rates will result in a 53,28 million SEK decrease in profit in Sweden.

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

2022	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	1 951	2 350	8 038	14 259	5	1 565	**28 168**
Liabilities	5 275	3 078	3 681	10 337	3 942	1 855	**28 168**
Net balance	**-3 324**	**-729**	**4 357**	**3 922**	**-3 937**	**-289**	**-**
Repricing gap	-3 324	-729	4 357	3 922	-3 937	-289	-
Cumulative gap	-3 324	-4 053	304	4 226	289	0	-

A +1,00 % parallel increase in market rates will result in a 0,93 million DKK increase in profit in Denmark

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

2021	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	2 776	3 118	8 401	13 962	6	1 185	**29 449**
Liabilities	7 210	942	3 515	12 106	4 252	1 423	**29 449**
Net balance	**-4 434**	**2 176**	**4 886**	**1 856**	**-4 246**	**-238**	**-**
Repricing gap	-4 434	2 176	4 886	1 856	-4 246	-238	-
Cumulative gap	-4 434	-2 258	2 628	4 484	238	-	-

A +1,00 % parallel increase in market rates will result in a 14,3 million DKK increase in profit in Denmark

Santander Consumer Finance Oy

All amounts in millions of EUR

2022	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	628	308	992	1 533	45	196	**3 702**
Liabilities	1 221	337	274	1 372	0	497	**3 702**
Net balance	**-593**	**-29**	**718**	**161**	**45**	**-301**	**-**
Repricing gap	-593	-29	718	161	45	-301	-
Cumulative gap	-593	-623	95	257	301	-	-

A +1,00 % parallel increase in market rates will result in a 4,94 million EUR decrease in profit in Finland.

Santander Consumer Finance Oy

All amounts in millions of EUR

2021	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	730	428	1 062	1 591	33	3	**3 847**
Liabilities	1 561	77	233	1 537	-	440	**3 847**
Net balance	**-830**	**351**	**829**	**54**	**33**	**-437**	**-**
Repricing gap	-830	351	829	54	33	-437	-
Cumulative gap	-830	-479	350	404	437	-	-

A +1,00 % parallel increase in market rates will result in a 1,36 million EUR decrease in profit in Finland.

Note 9 - Capital adequacy

All amounts in millions of NOK

Balance sheet equity	**2022**	**2021**
Paid in equity	10 618	10 618
Share premium	1 926	1 926
Other equity	15 551	14 985
Tier 1 Capital	2 250	2 250
Other reserves	391	76
Total Equity	**30 736**	**29 855**

Common Equity Tier 1 Capital		
(-) Profit not eligible as capital	-2 216	-2 000
Cash-flow hedge adjustment	-3	-
IRB Expected Loss - Reserves	-552	-392
Goodwill	-835	-795
Other intangible assets	-97	-482
Deferred tax assets	-	-
Adjustment Prudent Valuation (AVA)	-5	-8
Tier 1 Capital	-2 250	-2 250
Total common Equity Tier 1 Capital	**24 777**	**23 929**
Capital adjustment according to IFRS9 Transitional rules	-	229
Total common Equity Tier 1 Capital with IFRS9 transitional rules)	**24 777**	**24 157**

Tier 1 Capital		
Paid in Tier 1 capital instruments	2 250	2 250
Total Tier 1 Capital	**27 027**	**26 179**
Total Tier 1 Capital (with IFRS9 transitional rules)	**27 027**	**26 407**

Total Capital		
Paid up subordinated loans	2 417	2 461
Subordinated loans not eligible	-31	-
Total Capital	**29 414**	**28 639**
Total Capital (with IFRS9 transitional rules)	**29 414**	**28 868**

Risk exposure on Standard Approach	2022	2021
Regional governments or local authorities	68	66
Institutions	1 203	700
Corporates	10 606	7 899
Retail Standard Approach	54 498	54 105
Exposures in default SA	3 338	3 229
Covered bonds	149	64
Other Exposures	3 547	3 512
Total Risk exposure amount on Standard Approach	**73 409**	**69 574**
Risk exposure on Internal Rating Based Approach		
Retail Other	42 050	41 141
Total Risk exposure amount on Internal Rating Based Approach	**42 050**	**41 141**
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**115 459**	**110 716**
Foreign exchange (zero if under threshold)	3 165	2 684
Risk exposure amount for position, foreign exchange and commodities risks	**3 165**	**2 684**
Basic indicator approach	13 924	14 261
Risk exposure amount for operational risk	**13 924**	**14 261**
Standardized method	24	30
Risk exposure amount for credit valuation adjustment	**24**	**30**
Total risk exposure amount	**132 572**	**127 690**
Risk Exposure adjustment according to IFRS9 Transitional rules	-	200
Total risk exposure amount (with IFRS9 transitional rules)	**132 572**	**127 890**
Total exposure for Leverage Ratio		
Derivatives: Add-on under SA-CCR	949	467
Off-balance sheet items with 10% CCF	3 062	3 033
Off-balance sheet items with 20% CCF	776	740
Off-balance sheet items with 50% CCF	38	37
Adjusted On balance sheet exposure	204 096	190 681
Total exposure for Leverage Ratio	**208 920**	**194 959**
Exposure adjustment according to IFRS9 Transitional rules	-	301
Total exposure for Leverage Ratio (after IFRS9 transitional rules)	**208 920**	**195 260**

Minimum Regulatory Capital	2022	2021
Minimum Core Equity	4,50 %	4,50 %
Pillar 2 Requirement	3,30 %	3,30 %
Pillar 2 Guidance	1,50 %	1,00 %
Countercyclical Buffer (combined)	1,32 %	0,29 %
Conservation Buffer	2,50 %	2,50 %
Systemic Risk Buffer	1,23 %	1,30 %
Minimum Regulatory Capital ratio (CET1)	**14,35 %**	**12,89 %**

Minimum Regulatory Capital		
Minimum Core Equity	5 966	5 746
Pillar 2 Requirement	4 375	4 214
Pillar 2 Guidance	1 989	1 277
Countercyclical Buffer (combined)	1 750	370
Conservation Buffer	3 314	3 192
Systemic Risk Buffer (combined)	1 635	1 665
Minimum Regulatory Capital amount	**19 028**	**16 464**

Surplus of Core Equity Tier 1 capital	5 749	7 464
Minimum Regulatory Capital amount (with IFRS9 transitional rules)	**19 028**	**16 490**
Surplus of Core Equity Tier 1 capital (with IFRS9 transitional rules)	5 749	7 667
Common equity tier 1 capital ratio	**18,69 %**	**18,74 %**
Common equity tier 1 capital ratio (with IFRS9 transitional rules)		**18,89 %**
CET1 regulatory requirements	14,35 %	12,89 %
Tier 1 capital ratio	**20,39 %**	**20,50 %**
Tier 1 capital ratio (with IFRS9 transitional rules)		**20,65 %**
Tier 1 regulatory requirements	15,85 %	14,39 %
Total capital ratio	**22,19 %**	**22,43 %**
Total capital ratio (with IFRS9 transitional rules)		**22,57 %**
Total capital regulatory requirements	17,85 %	16,39 %
Leverage ratio	**12,94 %**	**13,43 %**
Leverage ratio (with IFRS9 transitional rules)		**13,52 %**
LR regulatory requirements	3,00 %	5,00 %

Specification of IFRS Transition rules (based on initial impact)	2021
IFRS 9 Increase in Loss Reserves	-601
- whereof Internal Rating Based	-
Tax impact from increased loss reserves	144
Deferred tax assets impact on capital	-
Initial IFRS9 net impact on capital	**-457**
Base amount for IFRS9 transitional rule on capital	457
Transition %	50 %
Capital adjustment due to Transitional rule	**229**
Std Approach value adjustments Spec Reserves	-601
- whereof Retail (75%RW)	-600
- whereof Covered Bonds (10%RW)	-2
Deferred tax assets impact on Risk Exposure Amount (250%RW) *	20
Initial IFRS9 net impact on Risk Exposure Amount	**-400**
Base amount for IFRS9 transitional rule on Risk Exposure Amount	400
Transition %	50 %
Risk Exposure adjustment due to Transitional rule	**200**
Impact from Transitional rules on capital ratios (same impact for Tier 1 and 2)	0,15%

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

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

Since December 2018, the Group has reported capital ratios using IFRS9 transitional rules. From Q1 2022 and going forward, the Group will only report capital ratios under the fully loaded approach.

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

Note 10 - Segment information

All amounts in millions of NOK

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

Segment information is based on the internal financial reporting as it is reported to the Group management. The Group management uses the segment reporting as an element to assess historical and expected future development and allocation of resources. Reporting from the segments is based on the Group's governance model and the Group's accounting policies. The figures are based on a number of assumptions and estimates.

The Segments are responsible for profits after tax, with the corresponding return on allocated capital according to the Group’s governance model. All the Group's trade activities are divided into the reported segments with corresponding balances, income and expenses. Deficit liquidity from the segments are funded by the Group treasury at market conditions. Surplus liquidity is transferred to the Group treasury at market conditions. Internal agreements at market conditions or simulated market conditions are made when segments cooperate on the delivery of financial services to customers. Services provided by the Group’s central functions and staff are charged segments based on an allocation agreement.

Product segmentation per country (gross lending before expected losses)

2022

	Unsecured loans	Secured loans	Finance leases	Operating leases	Total
Norway	5 425	45 841	11 827	-	**63 093**
Sweden	12 853	20 666	18 031	-	**51 550**
Denmark	6 522	26 598	3 311	366	**36 798**
Finland	4 952	28 642	2 731	406	**36 732**
Total	**29 753**	**121 748**	**35 901**	**772**	**188 174**

2021

	Unsecured loans	Secured loans	Finance leases	Operating leases	Total
Norway	6 236	40 734	12 307	-	**59 277**
Sweden	15 129	18 878	13 534	-	**47 540**
Denmark	6 009	24 543	2 934	365	**33 851**
Finland	4 587	27 906	2 793	447	**35 733**
Total	**31 960**	**112 060**	**31 568**	**813**	**176 401**

Profit and Loss per Country	2022					
	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Total interest income	3 397	2 154	1 753	2 698	-1 593	**8 410**
Total interest expenses	-856	-568	-144	-1 685	1 597	**-1 656**
Net interest income	**2 541**	**1 586**	**1 609**	**1 013**	**4**	**6 754**
Fee and commission income	217	222	81	167	-70	**617**
Fee and commission expenses	-151	-55	-26	-88	70	**-250**
Value change and gain/loss on foreign exchange and securities	1	-19	-12	-16	1	**-45**
Other operating income	50	39	186	113	-	**388**
Other operating expenses	-182	-33	-76	-115	-	**-407**
Gross margin	**2 475**	**1 739**	**1 762**	**1 074**	**5**	**7 056**
Salaries and personnel expenses	-480	-362	-277	-177	-	**-1 295**
Administrative expenses	-428	-271	-277	-91	-4	**-1 072**
Depreciation and amortisation	-118	-71	-43	-21	-	**-255**
Net operating income	**1 449**	**1 035**	**1 165**	**785**	**1**	**4 434**
Other income and costs	-58	-3	0	2	-	**-58**
Impairment losses on loan, guarantees etc.	38	-441	-256	-133	-	**-792**
Profit before taxes	**1 430**	**591**	**909**	**654**	**1**	**3 584**
Income tax expense	-310	-135	-269	-163	-	**-877**
Profit after tax	**1 120**	**456**	**640**	**491**	**1**	**2 707**

Profit and Loss per Country	2021					
	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Total interest income	3 050	2 052	1 754	1 922	-797	**7 982**
Total interest expenses	-522	-314	-64	-793	799	**-895**
Net interest income	**2 528**	**1 738**	**1 690**	**1 129**	**2**	**7 087**
Fee and commission income	202	197	94	133	-70	**556**
Fee and commission expenses	-119	-81	-26	-83	70	**-238**
Value change and gain/loss on foreign exchange and securities	20	-5	-8	23	-1	**30**
Other operating income	45	18	128	125	-	**317**
Other operating expenses	-83	-36	-86	-141	-	**-345**
Gross margin	**2 594**	**1 831**	**1 792**	**1 188**	**1**	**7 406**
Salaries and personnel expenses	-507	-377	-296	-180	0	**-1 360**
Administrative expenses	-430	-367	-266	-200	-2	**-1 265**
Depreciation and amortisation	-90	-72	-48	-36	-	**-246**
Net operating income	**1 566**	**1 015**	**1 183**	**772**	**-1**	**4 536**
Other income and costs	-26	-1	12	5	-	**-10**
Impairment losses on loan, guarantees etc.	-577	-420	-44	-126	-	**-1 166**
Profit before taxes	**963**	**594**	**1 152**	**650**	**-1**	**3 359**
Income tax expense	-310	-127	-253	-103	-	**-793**
Profit after tax	**654**	**468**	**898**	**547**	**-1**	**2 566**

Balance Sheet per Country	2022					
	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Cash and receivables on central banks	66	5 615	-	-	-	**5 680**
Deposits with and receivables on financial institutions	581	777	918	1 387	-	**3 663**
Total gross loans to customers	63 093	51 550	36 432	36 326	-	**187 401**
Write-downs	-1 254	-1 316	-1 168	-686	-	**-4 425**
Commercial papers and bonds	3 175	1 247	282	975	-503	**5 177**
Financial derivatives	-	-	-	586	-	**586**
Investments in subsidiaries	1 717	-	-	-	-1 717	**-0**
Other assets	31 411	520	1 905	30 440	-59 466	**4 811**
Total assets	**98 788**	**58 393**	**38 370**	**69 028**	**-61 686**	**202 894**
Debt to credit institutions	8 886	29 893	7 323	21 216	-30 758	**36 561**
Deposits from customers	25 131	20 898	29 896	-	-	**75 925**
Debt established by issuing securities	29 883	4 708	8	13 211	-502	**47 308**
Financial derivatives	0	-	-	586	-	**586**
Other liabilities	7 594	2 815	1 020	29 498	-29 149	**11 778**
Equity	27 294	79	123	4 517	-1 277	**30 736**
Total liabilities and equity	**98 788**	**58 393**	**38 370**	**69 028**	**-61 685**	**202 894**

Balance Sheet per Country	2021					
	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Cash and receivables on central banks	65	3 718	-	-	-	**3 784**
Deposits with and receivables on financial institutions	535	366	2 350	1 139	-	**4 391**
Total gross loans to customers	59 277	47 540	33 486	35 285	-	**175 588**
Write-downs	-1 822	-1 360	-1 064	-703	-	**-4 949**
Commercial papers and bonds	4 200	1 654	2 421	1 870	-473	**9 672**
Financial derivatives	-	-	-	59	-	**59**
Investments in subsidiaries	1 647	-	-	-	-1 647	**-0**
Other assets	26 205	388	1 355	25 493	-49 629	**3 812**
Total assets	**90 107**	**52 307**	**38 549**	**63 144**	**-51 749**	**192 357**
Debt to credit institutions	6 177	20 548	7 311	21 412	-25 005	**30 443**
Deposits from customers	22 792	21 201	29 312	-	-	**73 304**
Debt established by issuing securities	30 697	7 594	999	12 701	-473	**51 518**
Financial derivatives	-	-	-	53	-	**53**
Other liabilities	3 264	2 904	783	25 287	-25 053	**7 185**
Equity	27 177	61	143	3 690	-1 217	**29 855**
Total liabilities and equity	**90 107**	**52 307**	**38 549**	**63 144**	**-51 749**	**192 357**

Note 11 - Net interest income

Amounts in millions of NOK

	2022	2021
Interest and similar income on loans to and receivables from credit institutions	52	32
Interest and similar income on loans to and receivables from customers	8 267	7 881
Interest and similar income on comm. paper, bonds and other securities	39	6
Interest and similar income on loans to subsidiaries, branches and SPVs	52	63
Other interest income and similar income	-	-
Total interest income	**8 410**	**7 982**
Interest and similar expenses on debt to credit institutions	-313	-59
Interest and similar expenses on deposits from and debt to customers	-723	-438
Interest and similar expenses on issued securities	-450	-315
Interest on subordinated loan capital	-71	-56
Interest on senior non-preferred loans	-46	-
Other interest expenses and similar expenses	-53	-26
Total interest expense	**-1 656**	**-895**
Net interest income	**6 754**	**7 087**

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

To credit institutions	**2022**	**2021**
Interest expenses	-313	-59
Average loan	33 502	29 903
Average nominal interest rate	**0,93%**	**0,20 %**

To customers	**2022**	**2021**
Interest expenses	-723	-438
Average deposit	74 614	77 223
Average nominal interest rate	**0,97%**	**0,57 %**

To bondholders	2022	2021
Interest expenses	-450	-315
Average issued notes and bonds	49 413	51 367
Average nominal interest rate	**0,91%**	**0,61 %**

Subordinated loan capital	2022	2021
Interest expenses	-71	-56
Average subordinated loan capital	2 443	2 642
Average nominal interest rate	**2,91%**	**2,14 %**

Senior non-preferred loans	2022	2021
Interest expenses	-46	-
Average senior non-preferred loan capital	2 034	-
Average nominal interest rate	**2,27%**	**-**

Total of tables above	2022	2021
Interest expenses	-1 603	-869
Loan	162 005	161 134
Average nominal interest rate	**0,99%**	**0,54 %**

Note 12 - Other operating income and expenses

Amounts in millions of NOK

	2022	2021
Operating lease income	295	250
Dividends from investments	0	1
Other	93	65
Total other operating income	**388**	**317**
Depreciation on operating lease assets	-125	-144
Fee to The Norwegian Banks' Guarantee Fund	-93	-92
Other	-189	-109
Total other operating expenses	**-407**	**-345**

Note 13 - Tax

All amounts in millions of NOK

Income tax	2022	2021
Tax payable	-505	-765
Adjustments in respect of prior years	-23	-130
Residual tax supplement	-8	-
Currency effects foreign tax credits	-	-
Total current tax	**-535**	**-895**
Change in temporary differences	-343	102
Adjustments in respect of prior years	1	-
Currency effects	-	-
Total change in deferred tax	**-341**	**102**
Income tax expense	**-877**	**-793**

	2022	2021
Profit before tax	3 583	3 359
Estimated income tax at nominal tax rate 25%	-896	-840
Tax effects of:		
- Interest hybrid capital	35	29
- Non-deductible expenses	-20	-19
Impact of lower tax rate in subsidiary	33	32
Adjustments in respect of prior years*	-21	5
Residual tax supplement**	-8	-
Tax charge	**-877**	**-793**

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

2022	Before tax	Total tax charge	After tax
Actuarial assumption related to pension	26	6	19
Cash flow hedges	-4	-1	-3
Net investment Hedge	-	-	-
Currency translation differences	-386	1	-387
Shares in VN Norge AS - value adjustment	-20	-	-20
Other comprehensive income	**-384**	**6**	**-391**
Tax payable		1	
Deferred tax		5	
Tax in OCI		**6**	

Deferred tax in the balance sheet	2022	2021
Deferred tax assets/deferred taxes as at 1 January	1 276	1 166
Changes recognized in income statement	327	62
Changes recognized in OCI	13	-19
Currency adjustment	16	21
Adjustments in respect of prior years*	-141	46
Net Deferred tax assets/deferred taxes at 31 December	**1 490**	**1 276**

Deferred taxes related to the following temporary differences	2022	2021
Fixed assets	6 119	5 541
Net pension commitments	26	-49
Financial instruments	-608	-48
Net other taxable temporary differences	422	-340
Total deferred tax position	**5 959**	**5 104**
Fixed assets	1 530	1 385
Net pension commitments	6	-12
Financial instruments	-152	-12
Net other taxable temporary differences	106	-85
Net Deferred tax assets/deferred taxes at 31 December	**1 490**	**1 276**

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 percent).

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 true-up adjustment of tax settlements

** Tax supplement of residual tax payment

Tax Payable in the balance sheet of MNOK 126 consist of tax payable for the Danish branch.

Tax Payable for Santander Consumer Bank AS of MNOK 386 is presented net tax credit from the Swedish and Danish branch in other assets.

Note 14 - Loans to customers

All amounts in millions of NOK

	2022	2021
Credit Card	4 928	5 274
Unsecured loans	24 825	26 686
Auto loans	157 649	143 628
- Installment loans	*121 748*	*112 060*
- Finance leases	*35 901*	*31 568*
Total gross loans to customers	**187 401**	**175 588**
- Loan loss allowance - Stage 1	-986	-1 444
- Loan loss allowance - Stage 2	-720	-636
- Loan loss allowance - Stage 3	-2 719	-2 869
Total net loans to customers	**182 976**	**170 640**

Note 15 - Impairment losses on loan, guarantees etc.

All amounts in millions of NOK

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

	2022	2021
Change in loss allowance - Unsecured loans	353	-13
Change in loss allowance - Secured loans	225	-107
Change in loss allowance - Commercial papers and bonds	-0	0
+ Total realized losses	-1 937	-1 693
- Recoveries on previously realized losses	269	270
- Gain on sold portfolios	298	377
Impairment losses on loan, guarantees etc.	**-792**	**-1 166**

Note 16 - Loans and impairment by main sectors

All amounts in millions of NOK

The following table shows the loans and impairment by main sectors.

The 2021 figures have been adjusted to be comparable to the current year.

2022	**Gross carrying amount**	**Accumulated impairment**	**Net carrying amount**
Private individuals	148 967	-3 959	**145 008**
Wholesale and retail trade	15 111	-100	**15 011**
Construction	8 996	-154	**8 842**
Administrative and support service activities	2 826	-41	**2 785**
Transport and storage	2 472	-61	**2 411**
Professional, scientific and technical activities	2 137	-23	**2 114**
Manufacturing	1 794	-20	**1 773**
Real estate activities	862	-10	**852**
Accommodation and food service activities	776	-14	**762**
Information and communication	699	-13	**686**
Other services	673	-12	**661**
Human health services and social work activities	527	-5	**522**
Governments	384	-3	**381**
Arts, entertainment and recreation	342	-3	**339**
Education	318	-4	**314**
Agriculture, forestry and fishing	288	-2	**287**
Water supply	129	-2	**128**
Electricity, gas, steam and air conditioning supply	50	-0	**49**
Mining and quarrying	29	-0	**29**
Other financial corporations	15	-0	**15**
Public administration and defence, compulsory social security	5	-0	**5**
Total	**187 401**	**-4 425**	**182 976**

2021	Gross carrying amount	Accumulated impairment	Net carrying amount
Private individuals	142 220	-4 478	**137 741**
Wholesale and retail trade	11 808	-95	**11 713**
Construction	8 338	-148	**8 190**
Transport and storage	2 402	-68	**2 334**
Professional, scientific and technical activities	1 889	-23	**1 867**
Administrative and support service activities	2 581	-46	**2 535**
Manufacturing	1 735	-22	**1 713**
Real estate activities	769	-12	**757**
Accommodation and food service activities	674	-11	**663**
Information and communication	655	-11	**645**
Other services	574	-10	**565**
Human health services and social work activities	484	-6	**478**
Governments	393	-5	**389**
Education	271	-5	**267**
Agriculture, forestry and fishing	256	-2	**254**
Arts, entertainment and recreation	299	-5	**294**
Water supply	141	-2	**139**
Electricity, gas, steam and air conditioning supply	45	-0	**44**
Mining and quarrying	33	-0	**33**
Other financial corporations	16	-0	**15**
Public administration and defence, compulsory social security	3	-0	**3**
Total	**175 588**	**-4 949**	**170 640**

Note 17 - Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 31 December 2022	**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	-	-	5 680	5 680
Deposits with and receivables on financial institutions	-	-	3 663	3 663
Loans to customers	-	-	182 976	182 976
Commercial papers and bonds	-	-	5 177	5 177
Financial derivatives	586	-	-	586
Other ownership interests	-	12	-	12
Other financial assets	-	-	811	811
Total financial assets	**586**	**12**	**198 308**	**198 906**

Non-financial assets	3 988
Total assets	**202 894**

Classification of financial liabilities 31 December 2022	**Financial liabilities at fair value through P&L**	**Financial liabilities at fair value through OCI**	**Amortized cost**	**Book value**
Debt to credit institutions	-	-	36 561	36 561
Deposits from customers	-	-	75 925	75 925
Debt established by issuing securities	-	-	47 308	47 308
Financial derivatives	586	-	-	586
Other financial liabilities	-	-	546	546
Subordinated loan capital	-	-	2 422	2 422
Senior non-preferred loans			4 067	4 067
Total financial liabilities	**586**	**-**	**166 828**	**167 415**

Non-financial liabilities and equity	35 479
Total liabilities and equity	**202 894**

Classification of financial assets 31 December 2021	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	-	-	3 784	3 784
Deposits with and receivables on financial institutions	-	-	4 391	4 391
Loans to customers	-	-	170 640	170 640
Commercial papers and bonds	-	-	9 672	9 672
Financial derivatives	59	-	-	59
Other ownership interests	-	20	-	20
Total financial assets	**59**	**20**	**188 486**	**188 565**

Non-financial assets	3 792
Total assets	**192 357**

Classification of financial liabilities 31 December 2021	Financial liabilities at fair value through P&L	Financial liabilities at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	30 443	30 443
Deposits from customers	-	-	73 304	73 304
Debt established by issuing securities	-	-	51 518	51 518
Financial derivatives	53	-	-	53
Other financial liabilities	-	-	402	402
Subordinated loan capital	-	-	2 463	2 463
Total financial liabilities	**53**	**-**	**158 130**	**158 183**

Non-financial liabilities and equity	34 174
Total liabilities and equity	**192 357**

Note 18 - Issued securities

All amounts in millions of NOK

	2022	2021
Senior unsecured issued securities	34 599	38 375
Asset backed issued securities	12 709	13 143
Total issued securities	**47 308**	**51 518**

Changes in liability issued securities	**Book value 1 January 2022**	**New issues/ repurchase**	**Monthly payments and at maturity**	**Changes in foreign fx rates**	**Book value 31 December 2022**
Senior unsecured issued securities	38 375	6 041	-10 487	669	34 599
Asset backed issued securities	13 143	5 019	-6 162	709	12 709
Total issued securities	**51 518**	**11 060**	**-16 648**	**1 378**	**47 308**

Bonds **Issuer**	**Net nominal value**	**Currency**	**Interest**	**Call date**	**Book value 31 December 2022**
Senior unsecured issued securities					
Santander Consumer Bank AS	500	SEK	Floating	2023-01-18	475
Santander Consumer Bank AS	500	SEK	Floating	2023-08-14	474
Santander Consumer Bank AS	250	SEK	Floating	2023-08-14	237
Santander Consumer Bank AS	1 000	SEK	Floating	2023-05-12	948
Santander Consumer Bank AS	500	SEK	Floating	2025-01-15	475
Santander Consumer Bank AS	500	SEK	Floating	2026-01-19	475
Santander Consumer Bank AS	500	SEK	Floating	2025-01-15	475
Santander Consumer Bank AS	500	SEK	Floating	2024-04-29	474
Santander Consumer Bank AS	500	SEK	Floating	2024-04-29	474
Santander Consumer Bank AS	500	SEK	Floating	2024-10-11	475
Santander Consumer Bank AS	500	EUR	Fixed	2023-03-01	5 289
Santander Consumer Bank AS	500	EUR	Fixed	2024-09-11	5 152
Santander Consumer Bank AS	500	EUR	Fixed	2025-02-25	5 136
Santander Consumer Bank AS	800	NOK	Floating	2024-03-14	802
Santander Consumer Bank AS	500	NOK	Floating	2024-11-13	503
Santander Consumer Bank AS	500	NOK	Floating	2025-09-15	501
Santander Consumer Bank AS	500	EUR	Floating	2026-04-14	5 244
Santander Consumer Bank AS	750	NOK	Floating	2024-11-05	754
Santander Consumer Bank AS	250	NOK	Floating	2026-11-05	251
Santander Consumer Bank AS	500	EUR	Fixed	2025-08-11	4 981
Santander Consumer Bank AS	500	NOK	Floating	2027-08-31	502
Santander Consumer Bank AS	500	NOK	Floating	2025-08-29	502
Totals issued bonds					**34 599**

Asset backed issued securities

Issuer	Net nominal value	Currency	Interest	Call date	Book value 31 December 2022
SCF Rahoituspalvelut VIII DAC	122	EUR	Floating	2029-10-25	1 283
SCF Rahoituspalvelut IX DAC	269	EUR	Floating	2030-10-25	2 826
SCF Rahoituspalvelut X DAC	315	EUR	Floating	2031-10-25	3 314
SCF Rahoituspalvelut XI DAC	502	EUR	Floating	2032-06-25	5 286
Total asset backed issued securities					**12 709**

The Group has not had any defaults of principal or interest or other breaches with respect to its issued securities during the years ended 31 December 2022 and 31 December 2021.

Note 19 - Valuation Hierarchy

All amounts in millions of NOK

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.

2022 **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***				
KIMI8A Fixed	Interest Rate Swap	MM EUR 103	-	19	-	**19**
KIMI8B Fixed	Interest Rate Swap	MM EUR 11	-	2	-	**2**
KIMI9A Fixed	Interest Rate Swap	MM EUR 230	-	94	-	**94**
KIMI9B Fixed	Interest Rate Swap	MM EUR 24	-	10	-	**10**
KIMI10	Interest Rate Cap	MM EUR 402	-	232	-	**232**
KIMI11	Interest Rate Swap	MM EUR 550	-	228	-	**228**
Total financial trading derivatives			**-**	**586**	**-**	**586**

Name	Type		Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
VN Norge	Equity		-	12	-	**12**
Norsk Gjeldsinformasjon AS	Equity		-	-	0	**0**
Vipps AS	Equity		-	-	0	**0**
Total other ownership interests			**-**	**12**	**0**	**12**
Total Assets			**-**	**598**	**0**	**598**

Financial liabilities

Name	*Type*	*Notional*				
FX Swap EUR/DKK	Cross Currency Swap	MM EUR 35	-	0	-	**0**
KIMI8A Pass Through	Interest Rate Swap	MM EUR 102	-	18	-	**18**
KIMI8B Pass Through	Interest Rate Swap	MM EUR 11	-	2	-	**2**
KIMI9A Pass Through	Interest Rate Swap	MM EUR 225	-	103	-	**103**
KIMI9B Pass Through	Interest Rate Swap	MM EUR 23	-	1	-	**1**
KIMI10 Pass Through	Interest Rate Cap	MM EUR 402	-	232	-	**232**
KIMI11 Pass Through	Interest Rate Swap	MM EUR 550	-	230	-	**230**
Total financial derivatives			**-**	**586**	**-**	**586**
Total Liabilities			**-**	**586**	**-**	**586**

Derivatives designated for hedge accounting - assets

Name	*Type*	*Notional*				
KIMI8A	Interest Rate Swap	MM EUR 102	-	18	-	**18**
KIMI8B	Interest Rate Swap	MM EUR 42	-	2	-	**2**
KIMI9A	Interest Rate Swap	MM EUR 225	-	101	-	**101**
KIMI9B	Interest Rate Swap	MM EUR 23	-	10	-	**10**
Total derivatives designated for hedging - assets*			**-**	**131**	**-**	**131**

Derivatives designated for hedge accounting - liabilities			Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Name	*Type*	*Notional*				
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	1	-	**1**
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	113	-	**113**
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	135	-	**135**
SV EMTN MEUR 350	Cross Currency Swap	MM EUR 350	-	49	-	**49**
Total derivatives designated for hedging - liabilities*			**-**	**297**	**-**	**297**

* 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.

2021

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*				
KIMI7 Pass Through	Interest Rate Swap	MM EUR 77	-	1	-	**1**
KIMI8A Fixed	Interest Rate Swap	MM EUR 208	-	2	-	**2**
KIMI8B Fixed	Interest Rate Swap	MM EUR 23	-	0	-	**0**
KIMI9A Fixed	Interest Rate Swap	MM EUR 423	-	12	-	**12**
KIMI9B Fixed	Interest Rate Swap	MM EUR 31	-	1	-	**1**
KIMI10	Interest Rate Cap	MM EUR 435	-	42	-	**42**
Total financial trading derivatives			**-**	**59**	**-**	**59**
Name	*Type*					
VN Norge	Equity		-	20	-	**20**
Total other ownership interests			**-**	**20**	-	**20**
Total Assets			-	**79**	-	**79**

Financial liabilities			Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Name	*Type*	*Notional*				
KIMI7 Fixed	Interest Rate Swap	MM EUR 80	-	1	-	**1**
KIMI8A Pass Through	Interest Rate Swap	MM EUR 206	-	0	-	**0**
KIMI8B Pass Through	Interest Rate Swap	MM EUR 22	-	-	-	**-**
KIMI9A Pass Through	Interest Rate Swap	MM EUR 422	-	8	-	**8**
KIMI9B Pass Through	Interest Rate Swap	MM EUR 31	-	1	-	**1**
KIMI10 Pass Through	Interest Rate Cap	MM EUR 435	-	42	-	**42**
Total financial derivatives			**-**	**53**	**-**	**53**
Total Liabilities			**-**	**53**	**-**	**53**

Derivatives designated for hedge accounting - assets						
Name	*Type*	*Notional*				
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	28	-	**28**
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	5	-	**5**
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	0	-	**0**
KIMI8A	Interest Rate Swap	MM EUR 206	-	0	-	**0**
KIMI8B	Interest Rate Swap	MM EUR 22	-	0	-	**0**
KIMI9A	Interest Rate Swap	MM EUR 422	-	8	-	**8**
KIMI9B	Interest Rate Swap	MM EUR 31	-	1	-	**1**
Total derivatives designated for hedging - assets*			**-**	**43**	**-**	**43**

Derivatives designated for hedge accounting - liabilities						
Name	*Type*	*Notional*				
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	9	-	**9**
KIMI7	Interest Rate Swap	MM EUR 77	-	1	-	**1**
Total derivatives designated for hedging - liabilities*			**-**	**10**	**-**	**10**

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

Offsetting of financial assets and financial liabilities

The disclosure in the table below includes 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

				Related amounts not offset in the statement of financial position		
2022	**Gross amounts**	**Amounts offset in the statement of financial position**	**Net amount presented in the financial statements**	**Financial instruments**	**Collateral**	**Net amount after possible netting**
Financial assets						
Derivatives	717	-	717	-	203	514
Reverse repurchase arrangements	707	-	707	707	-	-
Financial liabilities						
Derivatives	883	-	883	-	811	72
Repurchase arrangements	-	-	-	-	-	-

				Related amounts not offset in the statement of financial position		
2021	Gross amounts	Amounts offset in the statement of financial position	Net amount presented in the financial statements	Financial instruments	Collateral	Net amount after possible netting
Financial assets						
Derivatives	59	-	59	-	62	-
Reverse repurchase arrangements	942	-	942	942	-	-
Financial liabilities						
Derivatives	11	-	11	-	79	-
Repurchase arrangements	-	-	-	-	-	-

Note 20 - Hedging

All amounts in millions of NOK

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 criteria 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:

	2022			2021		
	Assets	Liabilities	Gains (losses) recognized in P&L	Assets	Liabilities	Gains (losses) recognized in P&L
Hedged item (Issued Bonds)	-	8 922	479	-	6 506	60
Hedge instruments (Cross currency swaps)	-	525	-499	29	32	-59
Fair value hedge adjustment	-	-	-	-	-	-
Nominal of hedging instruments	-	8 922	-	-	6 506	-
Net exposure over P&L			**-20**			**1**

	2022	2021
Inefficiency	**Ineffectiveness recognized in P&L**	**Ineffectiveness recognized in P&L**
Fair value hedging ineffectiveness	-20	1

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 criteria 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 criteria for hedge accounting are met.

The portion of the gain or loss in the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. Gains or losses on hedging instruments that have been accumulated in equity are recognized in profit or loss in the same period as interest expense from the hedged liability. The ineffective portion of the gain or loss on hedging instruments is recognized in profit or loss.

The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in cash flows of the hedged item (prospectively and retrospectively) using the hypothetical derivative method. This method assess hedge ineffectiveness by comparing the change in fair value of the actual derivative designated as the hedging instrument and the change in fair value of a "hypothetical derivative" that would result in perfect hedge effectiveness for the designated item. The hypothetical derivative would have terms that exactly match the critical terms of the hedged item with the lower of the two cumulative changes always appearing in Equity.

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

	2022			2021		
	Assets	**Liabilities**	**Amount recognized in OCI**	**Assets**	**Liabilities**	**Amount recognized in OCI**
Hedged item (Bonds)	-	12 722	-	-	14 084	-
Hedge instruments (Cross currency interest rate swaps)	246	8	4	28	1	-20
Hedge instruments (Interest rate swaps)	131	-	-119	10	1	-16
Nominal of hedging instruments	-	12 722	-	-	14 084	-
Net exposure over P&L			**-115**			**-36**

	2022	2021
Inefficiency	**Ineffectiveness recognized in P&L**	**Ineffectiveness recognized in P&L**
Cash flow hedging ineffectiveness	5	-16

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

	2022			2021		
	< 1 year	**1-5 years**	**> 5 years**	**< 1 year**	**1-5 years**	**> 5 years**
Cash inflows (assets)	-	-	-	-	-	-
Cash outflows (liabilities)	4 712	8 010	-	5 474	8 610	-
Net cash flows	**4 712**	**8 010**	**-**	**5 474**	**8 610**	**-**

Reclass from OCI to profit and loss:	**2022**	**2021**
Reclassified amount	-	-

Net investment Hedge

The Group owns a subsidiary in Finland and has a branch in Sweden. Foreign currency exposure arises from the net investment in the Finnish subsidiary Santander Consumer Finance Oy, which has 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 Group'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 criteria 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.

Santander Consumer Bank AS has a Swedish branch and foreign currency risk arises from the net investments in foreign operations. In order to mitigate the exchange rate risk arising from the fact that the branch in Sweden is nominated in Swedish Krona while functional currency of the Santander Consumer Bank AS is Norwegian Krona, Santander Consumer Bank AS is funding it's operations in Sweden with loans nominated in SEK and designating it as a hedge relationship.

The value of EUR loans designated as net investment hedges is as follows:

	2022			2021		
	Assets	Liabilities	Amount recognized in OCI	Assets	Liabilities	Amount recognized in OCI
Hedged item (Net assets in foreign subsidiary)	1 378	-	70	1 308	-	-64
Hedge instrument (EUR-loan)	-	-1 378	-70	-	-1 308	64
Hedged item (Net investment Sweden)	-	-	-	-	-	-
Hedge instrument (SEK-loan)	-	-	-	-	-	-
Net exposure over OCI			**-**			**-**

	2022	2021
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)	3 748	2024-04-25

Cross currency swaps	Nominal amount	Average maturity
EURIBOR EUR (3 months) to CIBOR DKK (3 months)	8 922	2024-08-30
Total	**12 670**	

Note 21 - Financial instruments measured at amortized cost

The financial instruments in the Group's balance sheet are primarily measured and booked to amortized cost. This applies to cash and receivables on central banks, deposits with and receivables on financial institutions, loans to customers, commercial papers and bonds, deposits from customers and debt established by issuing securities. Accounting for these items at amortized cost implies that the Group intends 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.

Cash and receivables on central banks:
This item consist of deposits with central banks. Due to the short term nature of this item, the fair value is assumed to equal the book value.

Level in fair value hierarchy: Level 3

Deposits with and receivables on financial institutions:
This item consists of deposits with financial institutions and reverse repurchase agreements. Due to their short term nature, the fair value is assumed to equal the book value.

Level in fair value hierarchy: Level 3

Loans to customers:
The Group's portfolio of loans to customers consists of the following main groups; credit cards, finance leases, installment loans and unsecured loans. All loans in the portfolio are subject to continuous evaluation of whether an impairment or loan loss allowance should be booked for it. Interest rates for new business volume are 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. 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

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 hierarchy: Level 1

Other financial assets:
This item consists of posted swap collateral. Due to their short term nature, the fair value is assumed to equal the book value.

Level in fair value hierarchy: Level 3

Debt to credit institutions:
This item consists of debt to financial institutions. Due to their short term nature, the fair value is assumed to equal the book value.

Level in fair value hierarchy: Level 3

Deposits from customers:
Fair value is assessed to equal amortized cost, as the contractual maturity is short and the deposits are affected by changes in credit risk to a limited extent.

Level in fair value hierarchy: Level 3

Debt established by issuing securities:
The Group has 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 are used as fair value (level 1).

The Group also issues 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 has 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

Other financial liabilities:
This item consists of received swap collateral, lease liability, withheld taxes and accounts payable. Due to their short term nature, the fair value is assumed to equal the book value.

Level in fair value hierarchy: Level 3

Subordinated loan capital:
The Group issues 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 repricings, ensuring the debt is at market terms.

Level in fair value hierarchy: Level 3

Senior non-preferred loans:
The Group issues Senior non-preferred loans 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 repricings, ensuring the debt is at market terms.

Level in fair value hierarchy: Level 3

All amounts in millions of NOK

		2022		2021	
Financial assets	**Fair value level**	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and receivables on central banks	Level 3	5 680	5 680	3 784	3 784
Deposits with and receivables on financial institutions	Level 3	3 663	3 663	4 391	4 391
Loans to customers	Level 3	182 976	164 407	170 640	163 967
Commercial papers and bonds	Level 1	5 177	5 198	9 672	9 581
Other financial assets	Level 3	811	811	-	-
Total financial assets		**198 308**	**179 760**	**188 486**	**181 723**

		2022		2021	
Financial liabilities	**Fair value level**	**Book value**	**Fair value**	**Book value**	**Fair value**
Debt to credit institutions	Level 3	36 561	36 561	30 443	30 443
Deposits from customers	Level 3	75 925	75 925	73 304	73 304
Debt established by issuing securities	Level 1	47 308	45 515	51 518	50 982
Other financial liabilities	Level 3	546	546	-	-
Subordinated loan capital	Level 3	2 422	2 422	2 463	2 463
Senior non-preferred loans	Level 3	4 067	4 067	-	-
Total financial liabilities		**166 828**	**165 035**	**157 728**	**157 192**

Note 22 - Securitization

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

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

Note 23 - Fixed assets

All amounts in millions of NOK

2022	Buildings	Machines, fittings, equipment	Operating lease assets	Total
Acquisition cost at 1 January	**360**	**142**	**1 060**	**1 562**
Additions	-	21	554	**575**
Disposals	-8	-9	-612	**-629**
Net foreign exchange differences on translation	-3	1	-	**-1**
Acquisition cost at 31 December	**349**	**155**	**1 002**	**1 507**
Accumulated depreciation and impairment at 1 January	**-175**	**-98**	**-274**	**-548**
Depreciation*	-51	-17	-213	**-281**
Disposals	5	5	230	**240**
Impairment	-	-	-0	**-0**
Net foreign exchange differences on translation	1	-0	-	**0**
Accumulated depreciation and impairment at 31 December	**-220**	**-111**	**-257**	**-588**
Net book value at 31 December	**129**	**44**	**745**	**918**

* Depreciation on operating lease assets is reported as "Other operating expenses" in the profit and loss statement.

Method of measurement	Acquisition cost	Acquisition cost	Acquisition cost
Depreciation method	Straight-line	Straight-line	Straight-line
Depreciation plan and useful life	3 – 10 years	1 – 10 years	1 - 10 years
Average useful life	5 years	3 years	3 years

As at 31 December 2022, Buildings includes right-of-use assets of 129 MM NOK related to leased office premises.

2021	Buildings	Machines, fittings, equipment	Operating lease assets	Total
Acquisition cost at 1 January	**371**	**163**	**1 237**	**1 771**
Additions	-	26	56	**82**
Disposals	-	-42	-233	**-275**
Net foreign exchange differences on translation	-11	-5	-	**-16**
Acquisition cost at 31 December	**360**	**142**	**1 060**	**1 562**
Accumulated depreciation and impairment at 1 January	**-124**	**-110**	**-290**	**-524**
Depreciation*	-55	-24	-74	**-152**
Disposals	-	32	69	**102**
Impairment	-	-	20	**20**
Net foreign exchange differences on translation	4	3	-	**7**
Accumulated depreciation and impairment at 31 December	**-175**	**-98**	**-274**	**-548**
Net book value at 31 December	**185**	**44**	**785**	**1 014**

* Depreciation on operating lease assets is reported as "Other operating expenses" in the profit and loss statement.

Note 24 - Intangible assets

All amounts in millions of NOK

2022	**Software and other intangible assets**	**Goodwill**	**Total**
Acquisition cost at 1 January	**853**	**795**	**1 648**
Additions	150	-	**150**
Disposals	-	-	**-**
Net foreign exchange differences on translation	4	40	**45**
Acquisition cost at 31 December	**1 008**	**835**	**1 843**
Accumulated amortization and impairment at 1 January	**-372**	**-**	**-372**
Amortization	-188	-	**-188**
Disposals	-	-	**-**
Impairment	-	-	**-**
Net foreign exchange differences on translation	-3	-	**-3**
Accumulated amortization and impairment at 31 December	**-563**	**-**	**-563**
Net book value at 31 December	**445**	**835**	**1 280**

Method of measurement	Acquisition cost	Acquisition cost
Amortization method	Straight-line	Goodwill is not amortized
Amortization plan and useful life	3 – 7 years	-
Average useful life	5 years	-

The useful life regarding software is evaluated annually. Goodwill is related to the purchase of the portfolio from Eik Sparebank in 2007, the purchase of GE Money Oy in 2009 and GE Money Bank in 2014.

2021	Software and other intangible assets	Goodwill	Total
Acquisition cost at 1 January	**969**	**834**	**1 803**
Additions	178	-	**178**
Disposals	-277	-	**-277**
Net foreign exchange differences on translation	-17	-39	**-55**
Acquisition cost at 31 December	**853**	**795**	**1 648**
Accumulated amortization and impairment at 1 January	**-488**	**-**	**-488**
Amortization	-163	-	**-163**
Disposals	269	-	**269**
Impairment	-	-	**-**
Net foreign exchange differences on translation	10	-	**10**
Accumulated amortization and impairment at 31 December	**-372**	**-**	**-372**
Net book value at 31 December	**481**	**795**	**1 276**

Note 25 - Leasing

All amounts in millions of NOK

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

	2022	2021
Gross investment in the lease:		
Due in less than 1 year	12 775	10 622
Due in 2 - 5 years	23 057	20 882
Due later than 5 years	69	65
Total gross investment in the lease	**35 901**	**31 568**
Present value of minimum lease payments receivable:		
Due in less than 1 year	12 344	10 294
Due in 1 - 5 years	22 851	19 918
Due later than 5 years	55	53
Total present value of minimum lease payments receivable	**35 249**	**30 264**
Unearned finance income	**652**	**1 303**

Operating leases (as lessor)

The Group owns assets leased to customers under operating lease agreements. Operating lease agreements are reported as fixed assets in the balance sheet.

	2022	2021
Future minimum lease payments under non-cancellable operating leases		
Due in less than 1 year	319	318
Due in 1 - 5 years	453	495
Due later than 5 years	-	-
Total future minimum lease payments under non-cancellable operating leases	**772**	**813**

Finance leases (as lessee):

Right-of-use assets

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

2022	Buildings	Machines, fittings, equipment	Total
Cost at 1 January	**360**	**21**	**381**
Additions	-	-	**-**
Disposals	-8	-0	**-9**
Net foreign exchange differences on translation	-3	-	**-3**
Cost at 31 December	**349**	**21**	**370**
Accumulated depreciation at 1 January	**-175**	**-19**	**-194**
Charge for the year	-51	-2	**-53**
Disposals	5	-	**5**
Net foreign exchange differences on translation	1	0	**1**
Accumulated depreciation at 31 December	**-220**	**-21**	**-241**
Carrying amount at 31 December	**129**	**-0**	**129**

2021	Buildings	Machines, fittings, equipment	Total
Cost at 1 January	**371**	**22**	**393**
Additions	-	-1	**-1**
Net foreign exchange differences on translation	-11	-	**-11**
Cost at 31 December	**360**	**21**	**381**
Accumulated depreciation at 1 January	**-124**	**-14**	**-138**
Charge for the year	-55	-5	**-60**
Net foreign exchange differences on translation	4	0	**4**
Accumulated depreciation at 31 December	**-175**	**-19**	**-194**
Carrying amount at 31 December	**185**	**3**	**187**

	2022	2021
Amounts recognised in profit and loss		
Depreciation expenses relating to right-of-use assets	53	60
Interest expense on lease liabilities	2	3
Expense relating to short-term leases	30	29
Expense relating to leases of low value assets	3	3

At 31 December 2022, the Group is committed to 30 MNOK in short-term leases.

Note 26 - Repossessed Assets

All amounts in millions of NOK

	2022	2021
Vehicles	27	62
Total repossessed assets	**27**	**62**

Note 27 - Changes in liabilities arising from financing activities

All amounts in millions of NOK

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

2022 Liability	2021	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair value	Other changes	2022
Debt to credit institutions	**30 443**	6 314	-197	-	-	**36 561**
Debt established by issuing securities	**51 518**	-5 588	1 378	-	-	**47 308**
Subordinated loan capital	**2 463**	2	-43	-	-	**2 422**
Senior non-preferred loans	**-**	4 082	-14	-	-	**4 067**
Lease liability (IFRS16)	**169**	-65	-2	-	-	**102**

2021 Liability	2020	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair value	Other changes	2021
Debt to credit institutions	**29 363**	2 718	-1 638	-	-	**30 443**
Debt established by issuing securities	**51 216**	2 705	-2 403	-	-	**51 518**
Subordinated loan capital	**2 821**	-250	-108	-	-	**2 463**
Lease liability (IFRS16)	**249**	-80	-	-	-	**169**

Note 28 - Lease liabilities

All amounts in millions of NOK

Maturities of lease liabilities	2022	2021
Less than a year	47	38
From 1 year to 3 years	55	101
From 3 year to 5 years	-	30
More than 5 years	-	-
Total lease liabilities	**102**	**169**

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

Note 29 - Pension expenses and provisions

All amounts in millions of NOK

In Norway, the Group 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 pension schemes.

In Sweden, the Group 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 Group to risks associated with longevity, inflation and salaries and also market risks on plan assets.

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

Pension expenses for defined benefit plans	**2022**	**2021**
Present value of year's pension earnings	-10	-14
Curtailment (gain) / loss	-	-
Settlement (gain) / loss	-	-
Interest cost on accrued liability	-8	-7
Interest income on plan assets	7	5
Allowance for taxes	0	-0
Net Pension expenses	**-10**	**-16**

Pension expenses for defined contribution plans	**2022**	**2021**
Total expenses	111	113

Pension liabilities in balance sheet	**2022**	**2021**
Pension funds at market value	316	350
Estimated pension liability	-290	-399
Net pension liability	**26**	**-49**

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

2022	**Present value of obligation**	**Fair value of plan assets**	**Net pension liability**
At 1 January	**-399**	**350**	**-49**
Current service cost	-10	-	**-10**
Curtailment gain / (loss)	-	-	**-**
Settlement gain / (loss)	-	-	**-**
Interest expense / Income	-8	7	**-1**
	-18	**7**	**-11**
Remeasurements:			
- Return on plan assets	-	-41	**-41**
- Gain/(Loss) from change in demographic assumptions	-13	-	**-13**
- Gain/(Loss) from change in financial assumptions	114	-	**114**
- Gain/(Loss) from plan experience	4	-	**4**
- Change in asset ceiling	-	-	**-**
	106	**-41**	**65**
Exchange rate differences	12	-10	**1**
Contributions:			
- Employer	-	20	**20**
- Plan participants	-	-	**-**
Payments from plans:			
- Benefit payments	10	-10	**-**
Acquired in a business combination	-	-	**-**
Settlement	-	-	**-**
Others	-	-	**-**
	21	**-1**	**21**
At 31 December	**-290**	**316**	**26**

2021	Present value of obligation	Fair value of plan assets	Net pension liability
At 1 January	**-504**	**357**	**-147**
Current service cost	-14	-	**-14**
Curtailment gain / (loss)	-	-	**-**
Settlement gain / (loss)	-	-	**-**
Interest expense / Income	-7	5	**-2**
	-21	**5**	**-16**
Remeasurements:			
- Return on plan assets	-	-5	**-5**
- Gain/(Loss) from change in demographic assumptions	-	-	**-**
- Gain/(Loss) from change in financial assumptions	60	-	**60**
- Gain/(Loss) from plan experience	20	-	**20**
- Change in asset ceiling	-	-	**-**
	80	**-5**	**75**
Exchange rate differences	33	-24	**9**
Contributions:			
- Employer	-	29	**29**
- Plan participants	-	-	**-**
Payments from plans:			
- Benefit payments	12	-12	**-**
Acquired in a business combination	-	-	**-**
Settlement	-	-	**-**
Others	-	-	**-**
	45	**-7**	**38**
At 31 December	**-399**	**350**	**-49**

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

		2022			2021	
	Norway	**Sweden**	**Total**	**Norway**	**Sweden**	**Total**
Present value of obligation	-5	-285	-290	-10	-390	**-399**
Fair value of plan assets	-	316	316	-	350	**350**
Total	**-5**	**31**	**26**	**-10**	**-40**	**-49**

The following assumptions have been used calculating future pensions:

	2022		2021	
	Norway	Sweden	Norway	Sweden
Discount rate	2,40%	3,50%	1,50%	2,00%
Inflation	2,00%	2,00%	1,50%	1,75%
Salary growth rate	3,50%	3,50%	2,50%	3,25%
Pension growth rate	2,60%	2,00%	2,00%	1,75%
Rate of social security increases	2,60%	2,00%	2,00%	1,50%

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:

	2022		2021	
	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	-	24	-	24
- Female	-	26	-	26

The Mortality table K2013 is used for Norway and DUS21 (White collar) for Sweden.

* The Norwegian defined benefit schemes were terminated in 2017 and the table shows that there are no remaining members.

The sensitivity of and the impact on the defined benefit obligation to changes in the weighted principal assumption are:

Norway	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 10,33%	Increase by 9,12%
Salary growth rate	1,00%	Increase by 0,99%	Decrease by 0,97%

Sweden	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 24,64%	Increase by 28,45%
Salary growth rate	1,00%	Increase by 1,21%	Decrease by 1,16%

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 18 878 TNOK.

The weighted average duration of the defined benefit obligation is 2.6 years in Norway and 26.4 years in Sweden.

Expected maturity of undiscounted pension benefit payments:

At 31 December 2022	Less than 1 year	Between 1 - 2 years	Between 2 - 5 years	Between 5 - 10 years	Total
Pension benefit payments	8	5	21	43	**77**

Note 30 - Remuneration

All amounts in thousands of NOK

The Group’s principles for determining remuneration, including criteria for the stipulation of any variable remuneration, are stipulated in the Group’s Remuneration Policy. Further, the Group has established a remuneration committee, which is a subcommittee of the Board of Directors. The remuneration committee works as both a preparatory and advisory committee for the Board of Directors with respect to the Group’s Remuneration Policy.

The Remuneration Policy applies to all employees in the Group. Special requirements apply to senior executives, employees with responsibilities which are of great importance to the company's risk exposure (‘risk takers’), and employees in independent control functions. The overall objectives for the Group’s remuneration policy 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 Remuneration Policy is intended to ensure the credibility, effectiveness and fairness of the Group’s remuneration practices and the adequacy, proportionality and balance of the ratio of fixed versus variable remuneration. Additionally, the Remuneration Policy intends to ensure that the overall remuneration structure reflects sound and effective risk management principles. As a result, a key element in the Remuneration Policy is to counteract risk-taking that exceeds the level of tolerated risk for the Group while, at the same time, offer a flexible remuneration structure. The Remuneration Policy shall further ensure that the total variable remuneration paid out will not conflict with the requirement of maintaining a sound capital base.

Employees identified as “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) 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. The shares received are Banco Santander S.A. shares.

Conditions for the bonus scheme are to be based on a combination of an individual appraisal of each employee, the financial performance of the Group, and a qualitative performance of the Group. Control functions are not measured on financial performance. The financial performance is measured on e.g. Net Income or Risk adjusted Profit before Tax; also risk results e.g. Management delinquency variation. The qualitative performance is measured on e.g. 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 Group’s General Meeting.

Pension schemes

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

<u>Norway</u>

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 go 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 7,5 “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 11,65 % of salary, and employee contribution 5,25 % of salary (Optional additional payment). The employer contribution is regulated by the collective agreement.

Finland

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

Key management compensation:

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

	Salary	Bonus	Pension	Other benefits	Total 2022	Total 2021
Michael Hvidsten, Chief Executive Officer	4 925	1 500	155	889	**7 469**	**7 471**
Steve Franklin, Chief Commercial Officer	1 842	450	-	751	**3 043**	**2 719**
Peter Sjöberg, Chief Operating Officer	2 909	485	-	221	**3 615**	**3 009**
Anders Bruun-Olsen, Chief Financial Officer	2 009	358	155	369	**2 891**	**2 783**
Tina Krogsrud Fjeld, Chief T&O Officer	1 978	480	155	309	**2 922**	**2 819**
Espen Hovland, Chief Controlling Officer	1 765	350	155	293	**2 563**	**2 480**
Andres Diez, Chief Risk Officer	2 076	450	155	368	**3 049**	**2 873**
Marion Bout, Chief Compliance Officer*	1 310	335	-	649	**2 294**	**2 122**
Total	**18 814**	**4 408**	**775**	**3 849**	**27 846**	**26 276**

*Salary net of tax

Bonus shares (part of CBS program)	Number of shares earned in 2022	Total number of shares earned, but not issued as at 31 December 2022	Value of the shares earned, but not issued* as at 31 December 2022
Michael Hvidsten, Chief Executive Officer	25 454	64 885	1 912
Steve Franklin, Chief Commercial Officer	7 636	15 136	446
Peter Sjöberg, Chief Operating Officer	8 230	22 520	664
Anders Bruun-Olsen, Chief Financial Officer	6 075	17 602	519
Tina Krogsrud Fjeld, Chief T&O Officer	8 145	18 959	559
Espen Hovland, Chief Controlling Officer	5 939	14 449	426
Andres Diez, Chief Risk Officer	7 636	20 478	603
Marion Bout, Chief Compliance Officer	5 685	12 462	367
Total	**74 801**	**186 492**	**5 495**

* All amounts in thousands of NOK

Defined share value	2022	2021	2020
Share value - Banco Santander (EUR) *	3	3	3
Share value - Banco Santander (NOK) *	29	29	28

* Value of shares is an estimate based on the Santander S.A. share price from BME Stock Exchange as at 31 December 2022, and the exchange rate as at 31 December 2022.

Board of Directors		2022	2021
Jørn Borchgrevink (as of February 2022)	Chair of the Board	730	-
Henning Strøm (until February 2022)	Chair of the Board	-	750
Tina Stiegler (until June 2022)	Director/ Board Member External	265	530
Anne Kvam	Director/ Board Member External	555	530
Pedro De Elejabeitia Rodriguez (as of April 2022)	Director/ Board Member External	-	-
Sara Norberg	Director/ Employee Representative	250	250
Tone Bergsaker Strømsnes	Director/ Employee Representative	230	230
Christa Skovgaard	Deputy Director/ Employee Representative	25	25
Beate Folmo (as of April 2022)	Deputy Director/ Employee Representative	25	-
Lukas Rudolph Jansen van Vuuren (until February 2022)	Deputy Director/ Employee Representative	-	30
Arja Pynnönen	Observer	25	25
Federico Ysart Alvarez De Toledo	Deputy Chair/ Board Member Non-executive	-	-
Francisco Javier Anton San Pablo (until April 2022)	Director/ Board Member Internal Non-executive	-	-
Ramon Billordo	Director/ Board Member Non-executive	-	-
Total		**2 105**	**2 370**

Staff as at 31 December (permanent employees only)	2022 Number of employees	2022 Average FTE for the year	2021 Number of employees	2021 Average FTE for the year
Norway	545	484	593	535
Sweden	261	227	275	254
Denmark	203	195	225	217
Finland	139	129	174	165
Total	**1 148**	**1 035**	**1 267**	**1 172**

Audit services and advisory services (without VAT)*	2022	2021
Audit services	18 919	13 843
Other attestation services	469	265
Total	**19 388**	**14 108**

* All amounts in thousands of NOK

Advokatfirmaet PWC has performed tax services at 506 thousand NOK in 2022. The amount is not included in the overview of audit services and advisory services.

Note 31 - Ownership interests in group companies

Interests in consolidated entities

The Group holds 100% of the shares in Santander Consumer Finance Oy.

The Group retains most of the risk and rewards of the sale of loans to the securitization-vehicles in Finland. These are fully consolidated into the Group's financial statement.

Interests in unconsolidated entities

In order to manage the Group's risk exposure the Group has entered into a financial guarantee in the form of a synthetic securitization in Sweden with a limited number of investors. The selected portfolio consists of SEK 1,9 Billion IRB Auto Loans at December 31, 2022. In the transaction investors agree 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 the Group. At the same time, the SPV issued credit linked notes (CLN) which mirror the risk of the financial guarantee. The proceeds from the issuance of the notes are put in a deposit account in the Group to fully collateralize the financial guarantee.

The received collateral amount is recognized in Other Liabilities, whereas the financial guarantee premium the Group pays for the guarantee, is recognized in the Fee and Commission Expenses in the Profit and Loss statement.

This SPV is not included in the consolidated financial statement in accordance with IFRS 10, as the Group does not control the SPV.

Svensk Autofinans Syn I DAC	**2022**	**2021**
Assets*	193	413
Liabilities*	193	413

* Amounts in millions of SEK

Note 32 - Receivables and liabilities to related parties

All amounts in millions of NOK

Debt to related parties:	2022	Accrued Interest 2022	2021	Accrued Interest 2021
Santander Consumer Finance S.A.	36 450	111	29 573	2
Total	**36 450**	**111**	**29 573**	**2**

Balance sheet line: "Subordinated loan capital" - Bonds	2022	Accrued Interest 2022	2021	Accrued Interest 2021
MNOK 500, maturity September 2027, 3 months NIBOR + 1.66% (Santander Consumer Finance S.A)	500	2	500	1
MSEK 750, maturity December 2029, 3 months STIBOR + 2.08% (Santander Consumer Finance S.A)	709	1	730	1
MSEK 750, maturity December 2030, 3 months STIBOR + 2.29% (Santander Consumer Finance S.A)	709	1	730	0
MNOK 500, maturity June 2031, 2.62% (Santander Consumer Finance S.A)	500	0	500	1
Total	**2 417**	**4**	**2 461**	**3**

Balance sheet line: "Senior non-preferred loans"	2022	Accrued Interest 2022	2021	Accrued Interest 2021
MSEK 600, maturity April 2026, 3 months STIBOR + 1.04% (Santander Consumer Finance S.A)	567	3	-	-
MNOK 650, maturity May 2026, 3 months NIBOR + 1.37% (Santander Consumer Finance S.A)	650	3	-	-
MSEK 1 000, maturity August 2026, 3 months STIBOR + 1.50% (Santander Consumer Finance S.A)	945	3	-	-
MSEK 1 000, maturity September 2026, 3 months STIBOR + 1.75% (Santander Consumer Finance S.A)	945	1	-	-
MSEK 1 000, maturity November 2027, 3 months STIBOR + 2.18% (Santander Consumer Finance S.A)	945	4	-	-
Total	**4 052**	**15**	**-**	**-**

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.santanderconsumer.no

Note 33 - Transactions 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 are considered to be 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:

Profit and loss	2022	2021
Interest income	3	6
Interest expenses	-475	-79
Interest payments additional Tier 1 capital	-140	-118
Fees	-	-
Other	-701	-80
Net transactions	**-1 313**	**-271**

Assets	2022	2021
Deposits with and receivables on financial institutions	5	78
Financial derivatives	21	2
Other financial assets	741	-
Other assets	-	0
Total assets	**767**	**80**

Liabilities	2022	2021
Debt to credit institutions	36 561	29 575
Debt established by issuing securities	219	536
Financial derivatives	462	41
Other liabilities	398	45
Subordinated loan capital	6 489	2 463
Total liabilities	**44 128**	**32 660**

The Group had transactions with the following related parties as at 31 December 2022:

Banco Santander S.A.

CACEIS Bank Spain SAU

Santander Consumer Finance S.A.

Santander Global Technology and Operations, S.L. Unipersonal

Santander Seguros Y Reaseguros S.A.

Note 34 - Contingent liabilities & commitments and provisions

All amounts in millions of NOK

	2022	2021
Contingent liabilities*	75	75
Commitments (Granted undrawn credits)	34 472	34 039

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

Note 35 - Result over total assets

All amounts in millions of NOK

	2022	2021
Profit after tax (PAT)	2 707	2 566
Total assets (Assets)	202 894	192 357
PAT over Assets	**1,33%**	**1,33%**

Notes and financial statements

Santander Consumer Bank Nordic AS

Note 1 - Risk Management

The Bank's approach to Risk

The Bank's risk management and control model relies on a set of common principles together with a risk culture embedded throughout the Bank, a solid governance structure and advanced risk management processes and tools (such as: our risk profile assessment, scenario analysis, our risk reporting structure and the annual planning and budget process). It is carried out by an independent risk management function, led by the CRO, consistent with its model of three lines of defense and a robust structure of risk committees, with a forward-looking and comprehensive approach for all businesses and risk types. This model allows the Bank to carry out its activity and to adapt itself to a changing economic and evolving regulatory environment.

The Bank's risk framework covers all types of risks which affect the Bank and could impact on the achievement of its strategic objectives. Key risk types as reflected in the Bank's Risk Map include financial risks (including credit risk, market risk, liquidity & structural risk and capital risk), non-financial risks (including operational risk and reputational risk) and cross risks (including model risk, strategic risk and Environmental & Climate-related risks).

Areas of special interest:

i. **Macroeconomic and Geopolitical challenges**

The Nordic countries rebounded from the COVID-19 pandemic showing great resilience, with successful vaccination programs and rapid economic reopenings. However, the difficulties encountered during the pandemic, exacerbated by the Russian invasion of Ukraine, have threatened the economic recovery of the Nordic countries and Europe.

The COVID-19 pandemic caused widespread disruption to the global supply chain as a result of lockdowns and other containment measures, that hindered the transportation of goods and people and led to the closure of many businesses.

These disruptions impacted the production of goods and caused difficulties for some business partners to secure certain components.

The loose monetary policy pursued by Central Banks in recent years, and the notion of "free money" for individuals and corporates alike, along with fiscal stimulus and governmental support programs, had already put severe upwards pressure on demand during the pandemic. In addition, rising energy prices, already at high levels since the end of 2021, drove up electricity and manufacturing costs, resulting in higher consumer prices and inflation in the Nordic countries at a time their economies were beginning to recover.

The conflict in Ukraine, the sanctions imposed in response, and Russia's countermeasures have had a major impact on the economies of European countries. The gas cut-off from Russia to EU directly affected electricity prices while other efforts to retaliate by Russia impacted the supply and prices of commodities such as precious metals, food, and fertilizers.

Inflationary pressure, addressed by Central Banks with a drastic increase in interest rates, led to higher borrowing costs for households and businesses - reducing households purchasing power - and put pressure on their budgets. The tightening of monetary policy has put additional pressure on the already significantly indebted Nordic households which are already experiencing diminishing disposable income as price inflation is racing ahead of wage inflation throughout the region. Increased credit risk and lower new business volumes are expected as consumers affordability is reduced.

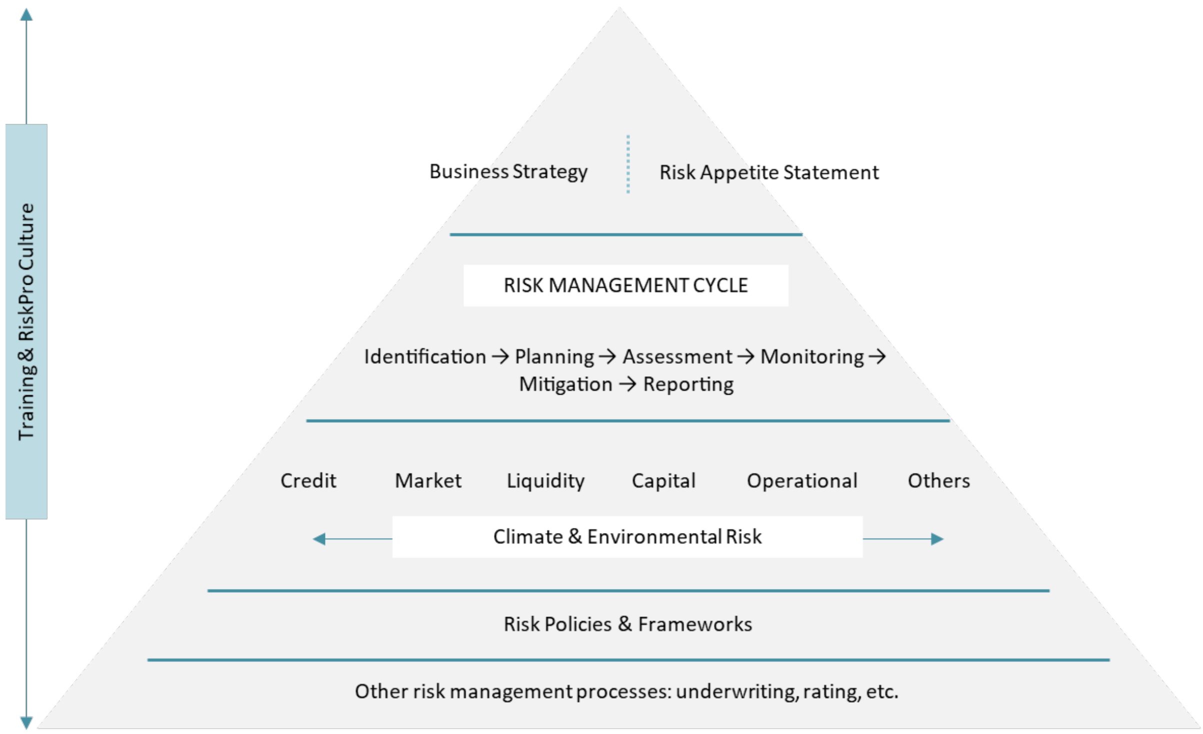
The war in Ukraine has led to heightened uncertainty about the economic outlook for the Nordic countries. It is not clear how much or for how long the war in Ukraine will impact economic growth and inflation in the Nordic countries' trading partners. In addition to the humanitarian catastrophe for Ukraine, the war may result in persistent disruptions in energy and commodity markets. There is a possibility that the war in Ukraine could have a larger impact on financial markets, household consumption and business investment than is currently expected. This could lead to lower-than-projected economic growth and higher-than-predicted inflation.

ii. **Our approach to Climate-related & Environmental risk**

The Bank deems climate-related and environmental risk a cross risk, as climate drivers could influence other traditional risks.

Climate-related and environmental risk management is a priority of the Risk function and is being integrated into the Bank's risk management framework considering the potential impacts of climate change on the Bank's operations and assets, as well as on its supply chain and the broader market in which it operates, and the transition risks associated with the shift to a low-carbon economy.

The graph below sums up how the Bank has been integrating it within core processes and risk cycle stages:



1. **Identification**:

Two core processes help the Bank spot climate-related risks:

(i) **Top risk identification process**: When identifying top risks, the Bank's most significant internal and external threats to profitability, capital adequacy and strategy are pinpointed and measured. Its analysis covers qualitative as well as quantitative factors. Findings from this exercise fuel our internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP).

(ii) **Risk Profile Assessment (RPA)**: A robust methodology that covers all risk types and reveals any threat to the Banks's business plan. The exercise is expected to be strengthened with the incorporation of an additional questionnaire covering the strategic planning, implementation, control and monitoring, and governance of Climate-related and environmental risks. The results of this exercise allow the Bank to identify gaps and areas for improvement. The questionnaire will be increasingly complete and comprehensive going forward.

In 2022, the exercise was reinforced by adding an internal qualitative self-assessment, in relation to the environmental and climate-related risks, and the residual value risk of our secured lending portfolio.

2. **Planning**:

The Bank's strategic planning includes annual budgeting and the three-year financial plan.
These core strategic processes enable the Bank to plan for risks from the transition to a low-carbon economy and the physical impact of climate change, and introduce them into short-, medium- and long-term strategy, making it easier to spot threats and changing conditions that could influence our ability to deliver objectives.

3. **Assessment**:

The Bank's materiality assessment follows the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD).
The Bank continues making progress with our climate-related risk materiality assessment by raising the level of granularity as more data and new methodologies become available. *(For further information please see 'ESG Risk Management' section)*

The Bank sees managing climate risk as an opportunity to create value for our customers, investors, people, and communities in which it operates. The desire to reduce environmental footprint and support customers transition to a low-carbon economy presents a significant number of opportunities for the Bank. *(For further information please see 'Climate related opportunities' section)*

The Group intends to publish its Sustainability Report for 2022 in Q2/Q3 2023, where it similarly intends to embrace the Taskforce for Climate Related Disclosures guidelines in assessing climate risk.

4. **Monitoring**:

The Bank uses risk appetite, scenario analyses and other tools to monitor climate-related and environmental risk.

Risk appetite sets the volume and type of risks we deem prudent for the Bank's business strategy. Along with implementing policies, it is a key tool to monitor climate-related risk, our targets, and our public commitments, and to mitigate the risk of failing to meet them.

The Bank continues to enhance its risk appetite statement, gradually introducing new metrics and limits, to complement its strategy with available methodologies and data.

Scenario analysis is a management tool to monitor climate-related and environmental risk. Analysis techniques are useful for the Bank's internal management and for handling regulatory and supervisory stress testing. The Bank uses scenarios to analyze the impact under various circumstances, placing an emphasis to capture transitional risks, that are considered most relevant to the auto industry.

5. **Mitigation**:

In accordance with the fourth pillar of the Bank's climate strategy, it is increasingly seeking to integrate climate-related risks into its risk management and associated governance process. In 2022, work continued to further embed climate-related risks management into the Bank's second line of defense processes (Top Risks, Risk Appetite Statement, Risk Map and Risk Strategy) and key strategic exercises (ICAAP, ILAAP, Stress test, etc.) with a comprehensive approach.

The Bank has a robust governance structure allowing for effective oversight between reporting lines and implementation of the Responsible Banking agenda. The Board of Directors govern the Bank's business, strategy, organization, and current and future risks. This ensures the Bank achieves the strategic objectives while operating responsibly.

To further strengthen focus upon ESG governance, Banco Santander published its groupwide Responsible Banking framework in 2022. The framework serves to propel Santander globally towards a more sustainable business model that embeds Environmental, Social and Governance (ESG) criteria, with the framework itself laying out common principles, roles, responsibilities, key processes, and governance arrangements. The framework was adopted by the Bank's Board of Directors in late Q3 2022, and Responsible Banking status updates have been included in the 2023 Board agenda.

To ensure that it acts responsibly in everything it does, the Bank incorporates best practices and requirements into policies and frameworks. *(For further information please see 'Governance, policies, and frameworks' section)*

As an area of growing focus, building internal capabilities through training (ensuring that employees have the knowledge and skills) is an important step in effectively managing these risks. The Bank's Risk-Pro Culture has been proved as a key tool to raise awareness among its employees. As an example, Banco Santander launched in the second half of 2022 a specific ESG training for all its employees, named 'Sustainability for everyone (ESG)'. *(For further information please see 'Mandatory Training' section)*

Equally important is to regularly review and update the Bank's climate risk management strategy to ensure that it remains effective and relevant. Climate risks are constantly evolving, and new risks may emerge over time. Therefore, we regularly review and update our strategy, ensuring the Bank is well-equipped to manage these risks and minimize their impact. Climate-related risks were incorporated and defined in the Risk Strategy in 2021 and further enhanced in 2022, reflecting its growing importance.

In addition, as part of the Bank's Risk Strategy, a program for the transformation and evolution of the risk function is drawn up annually, called SCORE: Santander Consumer Risk Excellence (formerly known as ARM: Advance Risk Management).
For 2022, as part of this, several cross-functional goals were set, aiming to reinforce the management and control of these risks.

Santander takes part in international regulatory and supervisory forums and working groups to assess climate risks and opportunities, while anticipating and mitigating potential risks to the Bank.

Credit risk

Credit risk is considered 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 Santander Consumer Finance Group, considering 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 regarding geography, occupation, or age among others. Single large credit exposures are to be reported to the Board.

Credit processes 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 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 judgement 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, related to existing guarantees and other characteristics of the transaction. These factors are the main credit risk parameters. Their combination facilitates calculation of the probable loss or expected loss (EL). This loss is considered an additional cost of the activity which is reflected in the risk premium and must be charged in the transaction price. Portfolio sales are a key component of the Bank's credit risk strategy and supporting the Bank's overall strategy.

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 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 +/- 25 bp parallel shifts in market interest rates. In addition, the Bank conducts stress testing of the interest rate risk with the six Basel IRRBB scenarios containing both parallel and non-parallel movements in the interest rate curves (please refer to Note 8 for further information).

Currency risk

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 the Swedish, Danish and Finnish market and from funding activities in Euro-markets. Limits are set for each currency net open exposure as well as the total consolidated 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 Bank is mostly self-funded and rather independent from the parent company in its funding.

The main metrics for measuring liquidity risk are 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

The Bank defines Capital Risk as the risk of insufficient capital of each quality (CET1, Tier 1, 2 and 3) to meet internal business objectives, regulatory requirements, and market expectations. (Please see Solvency and Capital Adequacy section for how our observed levels compare to regulatory requirements.)

The Bank's Capital Risk function, which is part of its second line of defense, controls and oversees first-line capital management. It can independently challenge business and first-line activities by:

iv. reviewing key items affecting capital ratios to supervise capital planning and adequacy exercises (ICAAP and ILAAP), which are carried out on an annual basis. The Bank's risk exposure is projected under a base scenario and several adverse and favorable scenarios to identify potential solvency and liquidity issues.

v. define key regulatory capital metrics; setting tolerance levels; and analyzing significant variations and single transactions that impact on capital; and

vi. reviewing and challenging proposed capital actions according to capital planning and risk appetite.

In addition to such planning exercises, main metrics such as CET1, Tier1, Tier2 as percentages of risk weighted assets and Leverage (unweighted) ratios are monitored throughout the whole year to ensure regulatory compliance.

Operational risk

In accordance with the Basel framework, the Bank defines operational risk as the risk of losses from defects or failures in internal processes, people, systems, or external events. It covers risk categories such as fraud, technological, cyber-risk, legal (legal processes with an operational risk root cause) and conduct risk. It does not include events arising due to strategic or reputational risk - which are assessed as transversal and monitored by the Strategic Risk (performed by the ERM team) and Compliance & Conduct function respectively. Operational risk is inherent to all products, activities, processes, and systems. It is generated in all business and support areas.

The Bank's Operational risk management and control model is based on a continual process of identifying, evaluating, reporting, and mitigating sources of risk, regardless of whether they have materialized or not, ensuring that risk management priorities are established appropriately. Operational risk is reduced through securing a good internal control environment which the Bank continuously strives to improve. A Basic Indicator Approach is used for the calculation of regulatory capital for operational risk.

Note 2 - Risk classification

All amounts in millions of NOK

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.

	Gross outstanding		Loss reserves	
	2022	2021	2022	2021
Current - not past due date	143 529	133 035	-1 113	-1 595
Current - past due date	3 546	2 802	-291	-254
Total impaired loans	4 000	4 466	-2 335	-2 398
Total gross loans to customers	**151 075**	**140 303**	**-3 739**	**-4 246**

	Gross outstanding		Loss reserves	
Ageing of past due but not impaired loans	2022	2021	2022	2021
1 - 29 days	2 454	1 978	-105	-95
30 - 59 days	693	536	-112	-102
60 - 89 days	399	287	-73	-58
Total loans due but not impaired	**3 546**	**2 802**	**-291**	**-254**

	Gross outstanding		Loss reserves	
Ageing of impaired loans	2022	2021	2022	2021
90 - 119 days	312	241	-134	-109
120 - 149 days	228	153	-99	-71
150 - 179 days	136	92	-58	-42
180 + days	2 180	1 490	-1 448	-949
Economic doubtful*	1 144	2 489	-595	-1 227
Total impaired loans	**4 000**	**4 466**	**-2 335**	**-2 398**

* 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

2022	Balance		Net positions		Effect on OCI from change in foreign currency against NOK	
	Asset	Debt	In NOK	In foreign currency	5% Appreciation	5% Depreciation
SEK	65 295	65 197	98	103	5	-5
DKK	43 661	43 521	140	99	5	-5
EUR	30 182	29 783	399	38	2	-2
Total	**139 138**	**138 501**	**637**			

2021	Balance		Net positions		Effect on OCI from change in foreign currency against NOK	
	Asset	Debt	In NOK	In foreign currency	5% Appreciation	5% Depreciation
SEK	52 307	52 246	61	63	3	-3
DKK	45 054	44 916	138	103	5	-5
EUR	28 962	28 540	421	42	2	-2
Total	**126 323**	**125 703**	**620**			

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 Bank's maximum exposure to credit risk on these assets.

Loans not past due date includes exposures that are not in arrears and not in default. Standard monitoring includes exposures in early arrears.

ECL calculation under IFRS9 applies the New Default Definition since its implementation on December 2021. The Bank's strong reserve base at the end of 2022 reflects the changes in portfolio mix and the stable to improved quality of the portfolio, based on its risk appetite and prudent risk management model.

	2022				2021			
	Stage 1	**Stage 2**	**Stage 3**		**Stage 1**	**Stage 2**	**Stage 3**	
	12-month	**Lifetime**	**Lifetime**		**12-month**	**Lifetime**	**Lifetime**	
Unsecured loans	**ECL**	**ECL**	**ECL**	**Total**	**ECL**	**ECL**	**ECL**	**Total**
Credit grade								
Loans not past due date	20 477	872	-	**21 349**	22 015	1 516	-	**23 530**
Standard monitoring	363	615	-	**978**	304	549	-	**853**
Special monitoring	-	177	-	**177**	-	276	-	**276**
Default	-	-	2 296	**2 296**	-	-	2 714	**2 714**
Gross carrying amount	**20 840**	**1 665**	**2 296**	**24 800**	**22 319**	**2 341**	**2 714**	**27 374**
Loss allowance	-388	-330	-1 477	**-2 194**	-510	-365	-1 657	**-2 532**
Carrying amount	**20 452**	**1 335**	**819**	**22 606**	**21 809**	**1 976**	**1 057**	**24 842**
Loss allowance (off balance exposures)	-33	-6	-26	**-65**	-29	-9	-29	**-66**
Loss allowance (%)				**8,85%**				**9,25%**

	2022				2021			
	Stage 1	**Stage 2**	**Stage 3**		**Stage 1**	**Stage 2**	**Stage 3**	
	12-month	**Lifetime**	**Lifetime**		**12-month**	**Lifetime**	**Lifetime**	
Secured loans	**ECL**	**ECL**	**ECL**	**Total**	**ECL**	**ECL**	**ECL**	**Total**
Credit grade								
Loans not past due date	119 011	2 853	10	**121 874**	107 257	1 690	-	**108 947**
Standard monitoring	1 275	1 258	-	**2 533**	1 156	792	-	**1 949**
Special monitoring	-	173	5	**178**	-	281	-	**281**
Default	-	-	1 690	**1 690**	-	-	1 752	**1 752**
Gross carrying amount	**120 286**	**4 284**	**1 704**	**126 275**	**108 413**	**2 764**	**1 752**	**112 929**
Loss allowance	-421	-265	-858	**-1 544**	-651	-210	-853	**-1 714**
Carrying amount	**119 865**	**4 019**	**846**	**124 731**	**107 763**	**2 553**	**899**	**111 215**
Loss allowance (%)				**1,22%**				**1,52%**

Secured contracts consist of vehicles that act as guarantees for the loan and lease contracts. The Bank has a robust process to repossess the vehicle and recoup losses on non-performing contracts. The leased vehicles are owned by the Bank and hence are easier to repossess. No significant changes have been made to the collateral and repossession policies during 2022. The loan-to-value (LTV) ratio is considered a useful measure to evaluate the quality of the collateral, i.e. the credit extended divided by the appraised value of the collateral. The appraised value of the collateral is calculated by using statistical models and is based on the initial purchase price of the vehicle. The average LTV ratio for 2022 is estimated to be 123% and 122% for 2021.

	2022				2021			
Commercial papers and bonds	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Credit grade								
Investment grade	4 704	-	-	**4 704**	8 275	-	-	**8 275**
Standard monitoring	-	-	-	**-**	-	-	-	**-**
Special monitoring	-	-	-	**-**	-	-	-	**-**
Default	-	-	-	**-**	-	-	-	**-**
Gross carrying amount	**4 704**	**-**	**-**	**4 704**	**8 275**	**-**	**-**	**8 275**
Loss allowance	-0	-	-	**-0**	-	-	-	**-**
Carrying amount	**4 704**	**-**	**-**	**4 704**	**8 275**	**-**	**-**	**8 275**
Loss allowance (%)				**0,01%**				**0,00%**

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 and liabilities not subject to impairment (i.e. FVTPL):

Maximum exposure to credit risk	**2022**	**2021**
Financial derivatives Assets	-	-
Financial derivatives Liabilities	0	-

During 2022, it has been observed that the effects directly attributed to the pandemic are mostly over. With this prospect in mind, a revisit to the post-COVID payment holidays overlay of 99 MNOK booked as at December 31st, 2021, was performed and it was concluded to release it in full by the end of 2022, as the risk related to this specific segment of customers has been accounted for by the models as of December 31st, 2022. In essence this segment of customers is concluded to return to the general customer portfolios in SCB AS.

The Bank has observed positive credit performance mainly driven by the first three quarters of 2022. The positive performance has been supported by both credit strategy, but also influenced by customers repayment behaviors. Following COVID, interest rates have been very low and customers have elevated levels of disposable income available.

The early rise in interest rates at the end of 2021 and increasing energy prices sparked expectations for a potential increased risk of inflation and credit risk, which led to a Macroeconomic forward-looking reserve at the end of 2021 of 79MNOK for the Bank. During 2022 we saw that geopolitical factors (Russia/Ukraine situation) heavily influenced fuel and energy costs, which has led to increased consumer prices and inflation. The aforementioned war, increased energy and fuel prices, and elevated consumer demand have brought inflation to record levels in the Nordics, which has pointed monetary policy towards somewhat violent increases in interest rates across the Nordics. In the latter half of 2022 and onward, the increased costs and interest rates are expected to impact our customers in the Nordics, where reduced disposable income and diminished savings lead to expected higher credit risk in our Nordic customer base. It is notable that there is government support in the Nordics towards increased energy costs, which is expected to dampen the worst negative scenarios of increasing credit risk.

From the Bank perspective, our models are not, on their own, adequate to capture the negative forward looking scenarios of the expected worsening macroeconomic and inflationary impacts on credit risk across our portfolios.

Post-Model Adjustments

Macro and inflation:
To address uncertainty related to volatility in the forward-looking macros and inflationary environment, an assessment of the portfolios susceptibility to the macroeconomic and inflationary environment has been performed, where the forward-looking negative scenarios were stressed to more accurately estimate the underlying risk in the portfolios. This resulted in a post-model adjustment for the forward-looking Macroeconomic and Inflationary environment of 105 MNOK as at December 31, 2022, which has replaced the aforementioned 2021 Macroeconomic forward-looking overlay of 79 MNOK, where the approach was based on stressing the forward-looking factors.

Macro and inflation PMA	Stage 1	Stage 2	Stage 3	TOTAL
Norway	22,11	15,06	-	**37,17**
Denmark	32,66	9,84	-	**42,50**
Sweden	15,88	9,67	-	**25,55**
Total	**70,64**	**34,57**	**-**	**105,22**

ECL Forward Looking Scenario Weights:
Scenario weights applied in the ECL estimates for the period ended 31 December 2022 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	2,52%	5,20%	-1,85%	-3,46%
Sweden	2,05%	3,68%	-1,53%	-3,16%
Denmark	4,02%	6,85%	-1,69%	-3,45%

Below is a calculation of forward looking scenario impact for period ending 31 December 2022. For the period ending 31 December 2022, forward looking ECL parameters had resulted in additional reserves of 62,9 MM NOK for AS.

Forward looking impact	Local currency	Exchange rate	NOK
Norway	14,7	1,0000	14,7
Sweden	35,5	0,9450	33,5
Denmark	10,4	1,4145	14,7
Total			62,9

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:

	2022				2021			
Unsecured loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance at 1 January	**510**	**365**	**1 657**	**2 532**	**608**	**421**	**1 687**	**2 716**
Transfers:								
Transfer from Stage 1 to Stage 2	-141	832	-	**691**	-149	1 000	-	**851**
Transfer from Stage 1 to Stage 3	-6	-	70	**64**	-9	-	113	**104**
Transfer from Stage 2 to Stage 3	-	-371	655	**284**	-	-460	793	**332**
Transfer from Stage 2 to Stage 1	117	-530	-	**-413**	86	-656	-	**-570**
Transfer from Stage 3 to Stage 2	-	44	-155	**-111**	-	73	-209	**-136**
Transfer from Stage 3 to Stage 1	0	-	-4	**-4**	0	-	-7	**-6**
Assets remaining in same Stage	-119	324	521	**726**	-2	7	186	**191**
Methodological changes	-	-	-	**-**	-	-	-	**-**
Financial assets derecognised that are not write-offs	-247	-270	-633	**-1 151**	-93	-48	-113	**-254**
of which 'accounts that have closed in the period'	*-247*	*-270*	*-633*	***-1 151***	*-93*	*-48*	*-113*	***-254***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-676	**-676**	-	-	-663	**-663**
New financial assets originated or purchased	324	-	-	**324**	157	-	-	**157**
Changes in PDs/LGDs/EADs	-53	-45	76	**-21**	-61	20	-64	**-106**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	3	-20	-34	**-51**	-26	8	-66	**-84**
Loss allowance at 31 December	**388**	**330**	**1 477**	**2 194**	**510**	**365**	**1 657**	**2 532**

	2022				2021			
Secured loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance at 1 January	**651**	**210**	**853**	**1 714**	**599**	**197**	**817**	**1 613**
Transfers:								
Transfer from Stage 1 to Stage 2	-122	694	-	**572**	-80	579	-	**498**
Transfer from Stage 1 to Stage 3	-32	-	217	**185**	-22	-	301	**279**
Transfer from Stage 2 to Stage 3	-	-322	724	**402**	-	-204	578	**374**
Transfer from Stage 2 to Stage 1	57	-335	-	**-278**	53	-384	-	**-331**
Transfer from Stage 3 to Stage 2	-	204	-487	**-283**	-	86	-365	**-279**
Transfer from Stage 3 to Stage 1	0	-	-2	**-2**	1	-	-22	**-21**
Assets remaining in same Stage	-359	-127	164	**-322**	-248	-102	104	**-246**
Methodological changes	-	-	-	**-**	-	-	-	**-**
Financial assets derecognised that are not write-offs	-127	-53	-171	**-351**	-136	-54	-274	**-464**
of which 'accounts that have closed in the period'	*-127*	*-53*	*-171*	**-351**	*-136*	*-54*	*-274*	**-464**
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-446	**-446**	-	-	-374	**-374**
New financial assets originated or purchased	446	-	-	**446**	396	-	-	**396**
Changes in PDs/LGDs/EADs	-101	-1	-3	**-105**	104	90	97	**291**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	9	-6	9	**12**	-16	2	-9	**-24**
Loss allowance at 31 December	**421**	**265**	**858**	**1 544**	**651**	**210**	**853**	**1 714**

Commercial papers and bonds	2022 Stage 1 12-month ECL	2022 Stage 2 Lifetime ECL	2022 Stage 3 Lifetime ECL	2022 Total	2021 Stage 1 12-month ECL	2021 Stage 2 Lifetime ECL	2021 Stage 3 Lifetime ECL	2021 Total
Loss allowance at 1 January	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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	-0	-	-	**-0**	-	-	-	**-**
Methodological changes	-	-	-	**-**	-	-	-	**-**
Financial assets derecognised that are not write-offs	-	-	-	**-**	-	-	-	**-**
of which 'accounts 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	0	-	-	**0**	-	-	-	**-**
Changes in PDs/LGDs/EADs	-	-	-	**-**	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	0	-	-	**0**	-	-	-	**-**
Loss allowance at 31 December	**0**	**-**	**-**	**0**	**-**	**-**	**-**	**-**

	2022				2021			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime	
Off balance exposure*	**ECL**	**ECL**	**ECL**	**Total**	**ECL**	**ECL**	**ECL**	**Total**
Loss allowance at 1 January	**29**	**9**	**29**	**66**	**21**	**7**	**18**	**46**
Transfers:								
Transfer from Stage 1 to Stage 2	-1	10	-	**9**	-3	24	-	**21**
Transfer from Stage 1 to Stage 3	-0	-	20	**19**	-0	-	13	**13**
Transfer from Stage 2 to Stage 3	-	-2	8	**6**	-	-2	12	**10**
Transfer from Stage 2 to Stage 1	3	-17	-	**-14**	4	-28	-	**-25**
Transfer from Stage 3 to Stage 2	-	8	-16	**-7**	-	6	-18	**-12**
Transfer from Stage 3 to Stage 1	0	-	-2	**-2**	0	-	-2	**-2**
Assets remaining in same Stage	-20	2	17	**-2**	12	6	19	**36**
Methodological changes	-	-	-	**-**	-	-	-	**-**
Financial assets derecognised that are not write-offs	-5	-4	-24	**-33**	-9	-3	-12	**-24**
of which 'accounts that have closed in the period'	*-5*	*-4*	*-24*	***-33***	*-9*	*-3*	*-12*	***-24***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-5	**-5**	-	-	-2	**-2**
New financial assets originated or purchased	28	-	-	**28**	3	-	-	**3**
Changes in PDs/LGDs/EADs	-	-	-	**-**	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	0	-0	0	**0**	-0	0	-0	**-0**
Loss allowance at 31 December	**33**	**6**	**26**	**65**	**29**	**9**	**29**	**66**

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

The Bank does not have any engagements where no ECL provision has been made due to the value of the collateral.

Write off under management was 2 706 MM NOK as at December 31, 2022, and 1 938 MM NOK as at December 31, 2021.

Note 6 - Gross carrying amount

All amounts in millions of NOK

During 2022 the Outstanding distribution by stages and the resulting ECL has been impacted by several factors:

1. Reduced balances of Stage 3 Unsecured loans as the write-off process was updated to adopt the new default definition guidelines.

2. Secured loans have experienced a strong year with new business surpassing the previous 2 years. As the remaining COVID-19 pandemic restrictions were lifted very early in the year, a large portion of the customers that were planning to acquire or lease a vehicle during the pandemic (2020 and 2021) did so during 2022.

3. SICR thresholds were updated for some portfolios due to the yearly IFRS9 parameter update and made the overall Stage 2 balances higher in Secured loans and lower in Unsecured loans. Other parameters (PDs, LGDs, CCFs and forward-looking) were also part of the update but did not contribute to a change in the outstanding distribution, only to credit risk reserves.

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

	2022				2021			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime	
Unsecured loans	**ECL**	**ECL**	**ECL**	**Total**	**ECL**	**ECL**	**ECL**	**Total**
Gross carrying amount at 1 January	**22 319**	**2 341**	**2 714**	**27 374**	**26 340**	**2 654**	**2 713**	**31 707**
Transfers:								
Transfer from Stage 1 to Stage 2	-5 040	5 040	-	**-**	-7 013	7 013	-	**-**
Transfer from Stage 1 to Stage 3	-145	-	145	**-**	-300	-	300	**-**
Transfer from Stage 2 to Stage 3	-	-1 257	1 257	**-**	-	-1 484	1 484	**-**
Transfer from Stage 2 to Stage 1	3 992	-3 992	-	**-**	5 724	-5 724	-	**-**
Transfer from Stage 3 to Stage 2	-	282	-282	**-**	-	378	-378	**-**
Transfer from Stage 3 to Stage 1	8	-	-8	**-**	13	-	-13	**-**
Financial assets derecognised excl. write-offs	-6 583	-588	-584	**-7 755**	-6 762	-430	-388	**-7 580**
of which 'accounts that have closed in the period'	*-1 637*	*-114*	*-138*	***-1 888***	*-4 369*	*-289*	*-198*	***-4 857***
of which 'normal amortizations'	*-4 946*	*-474*	*-446*	***-5 867***	*-2 393*	*-141*	*-190*	***-2 723***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-1 165	**-1 165**	-	-	-927	**-927**
New financial assets originated or purchased	6 425	-	-	**6 425**	4 993	-	-	**4 993**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	-137	-161	219	**-79**	-676	-66	-78	**-820**
Gross carrying amount at 31 December	**20 840**	**1 665**	**2 296**	**24 800**	**22 319**	**2 341**	**2 714**	**27 374**

	2022				2021			
Secured loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount at 1 January	**108 413**	**2 764**	**1 752**	**112 929**	**105 325**	**2 879**	**1 575**	**109 779**
Transfers:								
Transfer from Stage 1 to Stage 2	-9 172	9 172	-	**-**	-7 551	7 551	-	**-**
Transfer from Stage 1 to Stage 3	-730	-	730	**-**	-975	-	975	**-**
Transfer from Stage 2 to Stage 3	-	-2 072	2 072	**-**	-	-1 625	1 625	**-**
Transfer from Stage 2 to Stage 1	5 146	-5 146	-	**-**	5 218	-5 218	-	**-**
Transfer from Stage 3 to Stage 2	-	1 251	-1 251	**-**	-	819	-819	**-**
Transfer from Stage 3 to Stage 1	4	-	-4	**-**	61	-	-61	**-**
Financial assets derecognised excl. write-offs	-45 990	-1 399	-756	**-48 145**	-51 845	-1 335	-692	**-53 872**
of which 'accounts that have closed in the period'	*-26 216*	*-782*	*-405*	***-27 404***	*-27 397*	*-849*	*-515*	***-28 761***
of which 'normal amortizations'	*-19 774*	*-617*	*-351*	***-20 741***	*-24 447*	*-486*	*-177*	***-25 110***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-536	**-536**	-	-	-572	**-572**
New financial assets originated or purchased	62 684	-	-	**62 684**	57 812	-	-	**57 812**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	-70	-286	-301	**-657**	367	-306	-279	**-218**
Gross carrying amount at 31 December	**120 286**	**4 284**	**1 704**	**126 275**	**108 413**	**2 764**	**1 752**	**112 929**

	2022				2021			
Commercial papers and bonds	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount at 1 January	**8 275**	**-**	**-**	**8 275**	**6 094**	**-**	**-**	**6 094**
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 derecognised excl. write-offs	-47 552	-	-	**-47 552**	-5 412	-	-	**-5 412**
of which 'accounts that have closed in the period'	-	-	-	**-**	-	-	-	**-**
of which 'normal amortizations'	-	-	-	**-**	-	-	-	**-**
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	*-47 552*	-	-	***-47 552***	*-5 412*	-	-	***-5 412***
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-	**-**	-	-	-	**-**
New financial assets originated or purchased	44 352	-	-	**44 352**	6 690	-	-	**6 690**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	-371	-	-	**-371**	904	-	-	**904**
Gross carrying amount at 31 December	**4 704**	**-**	**-**	**4 704**	**8 275**	**-**	**-**	**8 275**

	2022				2021			
Off balance exposure	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount at 1 January	**27 413**	**212**	**148**	**27 774**	**26 663**	**319**	**138**	**27 120**
Transfers:								
Transfer from Stage 1 to Stage 2	-345	345	-	**-**	-1 617	1 617	-	**-**
Transfer from Stage 1 to Stage 3	-105	-	105	**-**	-154	-	154	**-**
Transfer from Stage 2 to Stage 3	-	-51	51	**-**	-	-123	123	**-**
Transfer from Stage 2 to Stage 1	430	-430	-	**-**	1 774	-1 774	-	**-**
Transfer from Stage 3 to Stage 2	-	77	-77	**-**	-	132	-132	**-**
Transfer from Stage 3 to Stage 1	17	-	-17	**-**	57	-	-57	**-**
Financial assets derecognised excl. write-offs	-4 028	-99	-92	**-4 218**	-8 053	-145	-103	**-8 301**
of which 'accounts that have closed in the period'	*-4 028*	*-99*	*-92*	***-4 218***	*-8 053*	*-145*	*-103*	***-8 301***
of which 'normal amortizations'	-	-	-	**-**	-	-	-	**-**
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-	**-**	-	-	-	**-**
New financial assets originated or purchased	2 644	-	-	**2 644**	2 670	-	-	**2 670**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	1 779	107	-8	**1 878**	6 074	186	25	**6 285**
Gross carrying amount at 31 December	**27 806**	**160**	**111**	**28 078**	**27 413**	**212**	**148**	**27 774**

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

Note 7 - Liquidity risk

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

In 2022, we have made changes in how we present maturities in the note. To get correct comparative information, we have corrected the presentation of the 2021 figures.

All amounts in millions of NOK

2022	=< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	With no specific maturity	Total
Cash and receivables on central banks	-	-	-	-	-	5 680	**5 680**
Deposits with and receivables on financial institutions	-1	709	-	-	-	1 569	**2 277**
Loans to customers	3 041	6 257	35 203	98 967	28 480	4 553	**176 502**
Commercial papers and bonds	1 108	890	1 231	1 561	-	-	**4 790**
Financial derivatives	-	-	-	-	-	-	**-**
Loans to subsidiaries and SPV's	7	3 557	38	14 263	-	-	**17 865**
Investments in subsidiaries	-	-	-	-	-	1 717	**1 717**
Other assets	166	27	874	274	-	1 666	**3 007**
Total cash from assets	**4 322**	**11 439**	**37 346**	**115 065**	**28 480**	**15 185**	**211 838**
Debt to credit institutions	1 276	12 324	15 978	3 927	-	-	**33 503**
Deposits from customers	-	-	-	-	-	75 925	**75 925**
Debt established by issuing securities	31	5 822	1 879	27 550	-	-	**35 282**
Financial derivatives	-	0	-	-	-	-	**0**
Other liabilities	496	437	162	55	-	3 712	**4 862**
Subordinated loan capital	9	18	79	914	2 132	-	**3 151**
Senior non-preferred loans	14	28	126	4 513	1	-	**4 682**
Total cash from debt	**1 825**	**18 629**	**18 223**	**36 959**	**2 132**	**79 636**	**157 405**
Net liquidity risk	**2 497**	**-7 189**	**19 123**	**78 106**	**26 348**	**-64 451**	**54 433**

All amounts in millions of NOK

2021	=< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	With no specific maturity	Total
Cash and receivables on central banks	-	-	-	-	-	3 784	**3 784**
Deposits with and receivables on financial institutions	670	1 073	-	-	-	1 445	**3 188**
Loans to customers	3 205	6 134	31 454	87 730	20 555	4 848	**153 926**
Commercial papers and bonds	1 008	4 272	2 178	843	-	-	**8 301**
Financial derivatives	-	-	-	-	-	-	**-**
Loans to subsidiaries and SPV's	7	3 539	47	15 072	-	-	**18 666**
Investments in subsidiaries	-	-	-	-	-	1 647	**1 647**
Other assets	175	63	769	326	-	1 513	**2 846**
Total cash from assets	**5 066**	**15 081**	**34 448**	**103 972**	**20 555**	**13 237**	**192 358**
Debt to credit institutions	2 930	7 115	14 809	3 509	-	45	**28 409**
Deposits from customers	-	-	-	-	-	73 304	**73 304**
Debt established by issuing securities	18	8 173	2 473	28 037	-	-	**38 701**
Financial derivatives	-	-	-	-	-	-	**-**
Other liabilities	314	152	163	131	-	3 612	**4 371**
Subordinated loan capital	5	9	42	223	2 637	-	**2 915**
Total cash from debt	**3 266**	**15 449**	**17 487**	**31 900**	**2 637**	**76 961**	**147 700**
Net liquidity risk	**1 800**	**-368**	**16 961**	**72 072**	**17 918**	**-63 724**	**44 659**

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 / net liquidity outflows. The minimum LCR level (CRD IV) is 100% for SEK, DKK and EUR, and 50% for NOK. With a stable basis of High Quality Liquid Assets, the Bank fulfills the minimum LCR requirements.

Liquidity Coverage Ratio (LCR) %	2022	2021
Liquidity Coverage Ratio (LCR) Total	203%	189%
Liquidity Coverage Ratio (LCR) NOK	86%	77%
Liquidity Coverage Ratio (LCR) SEK	301%	212%
Liquidity Coverage Ratio (LCR) DKK	220%	201%
Liquidity Coverage Ratio (LCR) EUR	285%	169%

Note 8 - Interest rate risk

The tables 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

2022	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Cash and receivables on central banks	5 680	-	-	-	-	-	**5 680**
Deposits with and receivables on financial institutions	2 276	-	-	-	-	-	**2 276**
Loans to customers	4 298	132 877	5 120	4 948	94	-	**147 337**
Commercial papers and bonds	1 522	1 816	1 225	141	-	-	**4 704**
Financial derivatives	-	-	-	-	-	-	**-**
Other non-interest bearing assets	-	-	-	-	-	22 451	**22 451**
Total assets	**13 777**	**134 693**	**6 345**	**5 089**	**94**	**22 451**	**182 448**
Debt to credit institutions	11 604	18 395	3 079	-	-	-	**33 078**
Deposits from customers	12 870	63 055	-	-	-	-	**75 925**
Debt established by issuing securities	5 598	18 729	-	10 273	-	-	**34 599**
Financial Derivatives	0	-	-	-	-	-	**0**
Subordinated loan capital	-	1 921	-	501	-	-	**2 422**
Senior non-preferred loans	4 067	-	-	-	-	-	**4 067**
Other non-interest bearing liabilities	-	-	-	-	-	4 862	**4 862**
Equity	2 216	-	-	-	-	25 280	**27 496**
Total liabilities and equity	**36 355**	**102 100**	**3 079**	**10 773**	**-**	**30 142**	**182 448**
Net interest risk exposure	**-22 578**	**32 593**	**3 266**	**-5 685**	**94**	**-7 691**	**0**

Santander Consumer Bank AS

All amounts in millions of NOK

2021	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Cash and receivables on central banks	3 784	-	-	-	-	-	**3 784**
Deposits with and receivables on financial institutions	3 188	-	-	-	-	-	**3 188**
Loans to customers	3 172	122 707	5 383	4 793	2	-	**136 057**
Commercial papers and bonds	2 303	3 908	2 065	-	-	-	**8 275**
Financial derivatives	-	-	-	-	-	-	**-**
Other non-interest bearing assets	-	-	-	-	-	22 992	**22 992**
Total assets	**12 446**	**126 615**	**7 448**	**4 793**	**2**	**22 992**	**174 296**
Debt to credit institutions	8 185	17 715	2 500	-	-	-	**28 400**
Deposits from customers	12 271	61 033	-	-	-	-	**73 304**
Debt established by issuing securities	12 583	16 530	-	9 263	-	-	**38 375**
Financial Derivatives	-	-	-	-	-	-	**-**
Subordinated loan capital	-	1 963	-	501	-	-	**2 463**
Other non-interest bearing liabilities	-	-	-	-	-	4 371	**4 371**
Equity	2 020	-	-	-	-	25 362	**27 382**
Total liabilities and equity	**35 059**	**97 240**	**2 500**	**9 763**	**-**	**29 734**	**174 296**
Net interest risk exposure	**-22 613**	**29 375**	**4 947**	**-4 970**	**2**	**-6 742**	**-**

The tables below show the same as the tables above, but split per country. The accumulated tables below will not reconcile with the tables 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

2022	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	3 450	6 398	16 168	37 425	140	2 102	**65 684**
Liabilities	7 930	9 442	4 423	11 887	4 298	27 703	**65 684**
Net balance	**-4 481**	**-3 044**	**11 745**	**25 539**	**-4 158**	**-25 601**	**-**
Repricing gap	-4 481	-3 044	11 745	25 539	-4 158	-25 601	-
Cumulative gap	-4 481	-7 525	4 220	29 759	25 601	-	-

A +1,00 % parallel increase in market rates will result in a 152,19 million NOK increase in profit in Norway.

Santander Consumer Bank AS Norway

All amounts in millions of NOK

2021	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	4 430	5 261	16 579	33 921	41	2 468	**62 700**
Liabilities	7 119	8 235	4 260	10 827	3 901	28 358	**62 700**
Net balance	**-2 689**	**-2 974**	**12 319**	**23 094**	**-3 860**	**-25 891**	**-**
Repricing gap	-2 689	-2 974	12 319	23 094	-3 860	-25 891	-
Cumulative gap	-2 689	-5 663	6 656	29 750	25 891	-	-

A +1,00 % parallel increase in market rates will result in a 159,46 million NOK increase in profit in Norway.

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

All amounts in millions of EUR

2022	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	50	-	117	-	-	163	**331**
Liabilities	39	35	220	-	-	37	**331**
Net balance	**12**	**-35**	**-103**	**-**	**-**	**126**	**-**
Repricing gap	12	-35	-103	-	-	126	-
Cumulative gap	12	-23	-126	-126	-126	-	-

A +1,00 % parallel increase in market rates will result in a 0,68 million EUR decrease in profit in Norway.

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

All amounts in millions of EUR

2021	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	18	135	80	-	-	130	**363**
Liabilities	5	185	169	-	-	4	**363**
Net balance	**13**	**-50**	**-89**	**-**	**-**	**125**	**-**
Repricing gap	13	-50	-89	-	-	125	-
Cumulative gap	13	-37	-125	-125	-125	-	-

A +1,00 % parallel increase in market rates will result in a 0,81 million EUR decrease in profit in Norway.

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

2022	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	9 885	3 443	14 611	31 534	0	3 197	**62 669**
Liabilities	15 858	21 862	4 739	14 000	3 893	2 319	**62 669**
Net balance	**-5 973**	**-18 419**	**9 872**	**17 534**	**-3 892**	**878**	**-**
Repricing gap	-5 973	-18 419	9 872	17 534	-3 892	878	-
Cumulative gap	-5 973	-24 392	-14 519	3 014	-878	-	-

A +1,00 % parallel increase in market rates will result in a 75,78 million SEK decrease in profit in Sweden.

Santander Consumer Bank AS Sweden

All amounts in millions of SEK

2021	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	7 092	3 080	13 231	27 420	0	3 336	**54 160**
Liabilities	13 887	19 508	4 700	10 221	3 797	2 047	**54 160**
Net balance	**-6 796**	**-16 427**	**8 531**	**17 199**	**-3 796**	**1 289**	**-**
Repricing gap	-6 796	-16 427	8 531	17 199	-3 796	1 289	-
Cumulative gap	-6 796	-23 223	-14 692	2 507	-1 289	-	-

A +1,00 % parallel increase in market rates will result in a 53,28 million SEK decrease in profit in Sweden.

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

2022	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets	1 951	2 350	8 038	14 259	5	1 565	**28 168**
Liabilities	5 275	3 078	3 681	10 337	3 942	1 855	**28 168**
Net balance	**-3 324**	**-729**	**4 357**	**3 922**	**-3 937**	**-289**	**-**
Repricing gap	-3 324	-729	4 357	3 922	-3 937	-289	-
Cumulative gap	-3 324	-4 053	304	4 226	289	-	-

A +1,00 % parallel increase in market rates will result in a 0,93 million DKK increase in profit in Denmark

Santander Consumer Bank AS Denmark

All amounts in millions of DKK

2021	**< 1 months**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**> 5 years**	**Non-interest bearing**	**Total**
Assets	2 776	3 118	8 401	13 962	6	1 185	**29 449**
Liabilities	7 210	942	3 515	12 106	4 252	1 423	**29 449**
Net balance	**-4 434**	**2 176**	**4 886**	**1 856**	**-4 246**	**-238**	**-**
Repricing gap	-4 434	2 176	4 886	1 856	-4 246	-238	-
Cumulative gap	-4 434	-2 258	2 628	4 484	238	-	-

A +1,00 % parallel increase in market rates will result in a 14,3 million DKK increase in profit in Denmark

Note 9 - Capital adequacy

All amounts in millions of NOK

Balance sheet equity	**2022**	**2021**
Paid in equity	10 618	10 618
Share premium	1 926	1 926
Other equity	12 687	12 612
Tier 1 Capital	2 250	2 250
Other reserves	15	-24
Total Equity	**27 496**	**27 382**

Common Equity Tier 1 Capital		
(-) Profit not eligible as capital	-2 216	-2 000
Cash-flow hedge adjustment	-18	-36
IRB Expected Loss - Reserves	-258	-110
Goodwill	-400	-382
Other intangible assets	-96	-481
Deferred tax assets	-	-
Adjustment Prudent Valuation (AVA)	-4	-6
Tier 1 Capital	-2 250	-2 250
Total common Equity Tier 1 Capital	**22 253**	**22 117**
Capital adjustment according to IFRS9 Transitional rules	-	187
Total common Equity Tier 1 Capital with IFRS9 transitional rules)	**22 253**	**22 304**

Tier 1 Capital		
Paid in Tier 1 capital instruments	2 250	2 250
Total Tier 1 Capital	**24 503**	**24 367**
Total Tier 1 Capital (with IFRS9 transitional rules)	**24 503**	**24 554**

Total Capital		
Paid up subordinated loans	2 417	2 461
Subordinated loans not eligible	-31	-
Total Capital	**26 890**	**26 828**
Total Capital (with IFRS9 transitional rules)	**26 890**	**27 015**

Risk exposure on Standard Approach	2022	2021
Regional governments or local authorities	63	59
Institutions	600	409
Corporates	9 108	6 808
Retail Standard Approach	46 913	46 764
Exposures in default SA	2 918	2 760
Covered bonds	149	64
Other Exposures	21 801	22 482
Total Risk exposure amount on Standard Approach	**81 552**	**79 346**
Risk exposure on Internal Rating Based Approach		
Retail Other	30 286	29 084
Total Risk exposure amount on Internal Rating Based Approach	**30 286**	**29 084**
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**111 838**	**108 430**
Foreign exchange (zero if under threshold)	637	620
Risk exposure amount for position, foreign exchange and commodities risks	637	620
Basic indicator approach	11 671	12 314
Risk exposure amount for operational risk	**11 671**	**12 314**
Standardized method	24	30
Risk exposure amount for credit valuation adjustment	**24**	**30**
Total risk exposure amount	**124 171**	**121 395**
Risk Exposure adjustment according to IFRS9 Transitional rules	-	186
Total risk exposure amount (with IFRS9 transitional rules)	**124 171**	**121 581**
Total exposure for Leverage Ratio		
Derivatives: Add-on under SA-CCR	447	300
Off-balance sheet items with 10% CCF	2 850	2 823
Off-balance sheet items with 20% CCF	766	731
Off-balance sheet items with 50% CCF	38	37
Adjusted On balance sheet exposure	**184 622**	**173 317**
Total exposure for Leverage Ratio	**188 723**	**177 209**
Exposure adjustment according to IFRS9 Transitional rules	-	249
Total exposure for Leverage Ratio (after IFRS9 transitional rules)	**188 723**	**177 457**

Minimum Regulatory Capital	**2022**	**2021**
Minimum Core Equity	4,50%	4,50%
Pillar 2 Requirement	3,30%	3,30%
Pillar 2 Guidance	1,50%	1,00%
Countercyclical Buffer (combined)	1,35%	0,31%
Conservation Buffer	2,50%	2,50%
Systemic Risk Buffer	1,25%	1,40%
Minimum Regulatory Capital ratio (CET1)	**14,41%**	**13,01%**

Minimum Regulatory Capital		
Minimum Core Equity	5 588	5 463
Pillar 2 Requirement	4 098	4 006
Pillar 2 Guidance	1 863	1 214
Countercyclical Buffer (combined)	1 682	377
Conservation Buffer	3 104	3 035
Systemic Risk Buffer	**1 558**	**1 696**
Minimum Regulatory Capital amount	**17 892**	**15 791**

Surplus of Core Equity Tier 1 capital	4 361	6 326
Minimum Regulatory Capital amount (with IFRS9 transitional rules)	**17 892**	**15 815**
Surplus of Core Equity Tier 1 capital (with IFRS9 transitional rules)	-	6 489
Common equity tier 1 capital ratio	**17,92%**	**18,22%**
Common equity tier 1 capital ratio (with IFRS9 transitional rules)		**18,34%**
CET1 regulatory requirements	14,41%	13,01%
Tier 1 capital ratio	**19,73%**	**20,07%**
Tier 1 capital ratio (with IFRS9 transitional rules)		**20,20%**
Tier 1 regulatory requirements	15,91%	14,51%
Total capital ratio	**21,66%**	**22,10%**
Total capital ratio (with IFRS9 transitional rules)		**22,22%**
Total capital regulatory requirements	17,91%	16,51%
Leverage ratio	**12,98%**	**13,75%**
Leverage ratio (with IFRS9 transitional rules)		**13,84%**
LR regulatory requirements	3,00%	5,00%

Specification of IFRS Transition rules (based on initial impact)	2021
IFRS 9 Increase in Loss Reserves	-498
- whereof Internal Rating Based	-
Tax impact from increased loss reserves	124
Deferred tax assets impact on capital	-
Initial IFRS9 net impact on capital	**-374**
Base amount for IFRS9 transitional rule on capital	374
Transition %	50%
Capital adjustment due to Transitional rule	**187**
Std Approach value adjustments Spec Reserves	-498
- whereof Retail (75%RW)	-496
- whereof Covered Bonds (10%RW)	-2
Deferred tax assets impact on Risk Exposure Amount (250%RW) *)	-
Initial IFRS9 net impact on Risk Exposure Amount	**-372**
Base amount for IFRS9 transitional rule on Risk Exposure Amount	372
Transition %	50%
Risk Exposure adjustment due to Transitional rule	**186**
Impact from Transitional rules on capital ratios (same impact for Tier 1 and 2)	0,13%

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

Since December 2018, the Bank has reported capital ratios using IFRS9 transitional rules. From Q1 2022 and going forward, the Bank will only report capital ratios under the fully loaded approach.

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

Note 10 - Segment information

All amounts in millions of NOK

Financial management in the Bank 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 Bank. Reported figures for the various segments reflect the Bank's total sales of products and services in the geographical area.

Segment information is based on the internal financial reporting as it is reported to the Bank management. The Bank 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 the Bank's governance model and the Bank'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 Bank’s governance model. All the Bank's trade activities are divided into the reported segments with corresponding balances, income and expenses. Deficit liquidity from the segments are funded by the Bank treasury at market conditions. Surplus liquidity is transferred to the Bank 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 Bank’s central functions and staff are charged segments based on an allocation agreement.

Product segmentation per country (gross lending before expected losses)

2022

	Unsecured loans	Secured loans	Finance leases	Operating leases	Total
Norway	5 425	45 841	11 827	-	**63 093**
Sweden	12 853	20 666	18 031	-	**51 550**
Denmark	6 522	26 598	3 311	366	**36 798**
Total	**24 800**	**93 106**	**33 170**	**366**	**151 441**

2021

	Unsecured loans	Secured loans	Finance leases	Operating leases	Total
Norway	6 236	40 734	12 307	-	**59 277**
Sweden	15 129	18 878	13 534	-	**47 540**
Denmark	6 009	24 543	2 934	365	**33 851**
Total	**27 374**	**84 154**	**28 775**	**365**	**140 668**

Profit and Loss per Country			**2022**		
	Norway	**Sweden**	**Denmark**	**Eliminations**	**Total Bank**
Total interest income	3 397	2 127	1 753	-	**7 277**
Total interest expenses	-856	-544	-144	-	**-1 544**
Net interest income	**2 541**	**1 582**	**1 609**	**-**	**5 733**
Fee and commission income	217	221	81	-	**520**
Fee and commission expenses	-151	-51	-26	-	**-229**
Value change and gain/loss on foreign exchange and securities	1	-19	-12	-	**-29**
Other operating income	50	39	186	-	**274**
Other operating expenses	-182	-33	-76	-	**-292**
Gross margin	**2 475**	**1 739**	**1 762**	**-**	**5 977**
Salaries and personnel expenses	-480	-362	-277	-	**-1 118**
Administrative expenses	-428	-271	-277	-	**-977**
Depreciation and amortisation	-118	-71	-43	-	**-233**
Net operating income	**1 449**	**1 035**	**1 165**	**-**	**3 649**
Other income and costs	-58	-3	0	-	**-60**
Impairment losses on loan, guarantees etc.	38	-441	-256	-	**-659**
Profit before taxes	**1 430**	**591**	**909**	**-**	**2 929**
Income tax expense	-310	-135	-269	-	**-713**
Profit after tax	**1 120**	**456**	**640**	**-**	**2 216**

Profit and Loss per Country			**2021**		
	Norway	**Sweden**	**Denmark**	**Eliminations**	**Total Bank**
Total interest income	3 050	1 977	1 754	-	**6 781**
Total interest expenses	-522	-247	-64	-	**-834**
Net interest income	**2 528**	**1 730**	**1 690**	**-**	**5 948**
Fee and commission income	202	195	94	-	**491**
Fee and commission expenses	-119	-72	-26	-	**-217**
Value change and gain/loss on foreign exchange and securities	20	-5	-8	-	**8**
Other operating income	45	18	128	-	**191**
Other operating expenses	-83	-36	-86	-	**-205**
Gross margin	**2 594**	**1 830**	**1 792**	**-**	**6 216**
Salaries and personnel expenses	-507	-377	-296	-	**-1 180**
Administrative expenses	-430	-367	-266	-	**-1 063**
Depreciation and amortisation	-90	-72	-48	-	**-210**
Net operating income	**1 566**	**1 014**	**1 183**	**-**	**3 764**
Other income and costs	-26	-1	12	-	**-15**
Impairment losses on loan, guarantees etc.	-577	-419	-44	-	**-1 039**
Profit before taxes	**963**	**594**	**1 152**	**-**	**2 709**
Income tax expense	-310	-127	-253	-	**-690**
Profit after tax	**654**	**468**	**898**	**-**	**2 020**

Balance Sheet per Country	2022				
	Norway	Sweden	Denmark	Eliminations	Total Bank
Cash and receivables on central banks	66	5 615	-	-	**5 680**
Deposits with and receivables on financial institutions	581	777	918	-	**2 276**
Total gross loans to customers	63 093	51 550	36 432	0	**151 075**
Write-downs	-1 254	-1 316	-1 168	-	**-3 739**
Commercial papers and bonds	3 175	1 247	282	-	**4 704**
Financial derivatives	-	-	-	-	**-**
Investments in subsidiaries	1 717	-	-	-	**1 717**
Other assets	31 411	520	1 905	-13 102	**20 734**
Total assets	**98 788**	**58 393**	**38 370**	**-13 102**	**182 448**
Debt to credit institutions	8 886	29 893	7 323	-13 024	**33 078**
Deposits from customers	25 131	20 898	29 896	-	**75 925**
Debt established by issuing securities	29 883	4 708	8	-	**34 599**
Financial derivatives	0	-	-	-	**0**
Other liabilities	7 594	2 815	1 020	-78	**11 351**
Equity	27 294	79	123	-	**27 496**
Total liabilities and equity	**98 788**	**58 393**	**38 370**	**-13 102**	**182 448**

Balance Sheet per Country	2021				
	Norway	Sweden	Denmark	Eliminations	Total Bank
Cash and receivables on central banks	65	3 718	-	-	**3 784**
Deposits with and receivables on financial institutions	535	303	2 350	-	**3 188**
Total gross loans to customers	59 277	46 670	33 486	870	**140 303**
Write-downs	-1 822	-1 360	-1 064	-	**-4 246**
Commercial papers and bonds	4 200	1 654	2 421	-	**8 275**
Financial derivatives	-	-	-	-	**-**
Investments in subsidiaries	1 647	-	-	-	**1 647**
Other assets	26 205	388	1 355	-6 603	**21 344**
Total assets	**90 107**	**51 374**	**38 549**	**-5 733**	**174 296**
Debt to credit institutions	6 177	20 548	7 311	-5 635	**28 400**
Deposits from customers	22 792	21 201	29 312	-	**73 304**
Debt established by issuing securities	30 697	6 679	999	-	**38 375**
Financial derivatives	-	-	-	-	**-**
Other liabilities	3 264	2 886	783	-98	**6 835**
Equity	27 177	61	143	-	**27 382**
Total liabilities and equity	**90 107**	**51 374**	**38 549**	**-5 733**	**174 296**

Note 11 - Net interest income

Amounts in millions of NOK

	2022	2021
Interest and similar income on loans to and receivables from credit institutions	44	25
Interest and similar income on loans to and receivables from customers	7 034	6 596
Interest and similar income on comm. paper, bonds and other securities	34	10
Interest and similar income on loans to subsidiaries, branches and SPVs	165	150
Other interest income and similar income	-	-
Total interest income	**7 277**	**6 781**
Interest and similar expenses on debt to credit institutions	-374	-90
Interest and similar expenses on deposits from and debt to customers	-706	-427
Interest and similar expenses on issued securities	-292	-251
Interest on subordinated loan capital	-71	-56
Interest on senior non-preferred loans	-46	-
Other interest expenses and similar expenses	-56	-8
Total interest expense	**-1 544**	**-834**
Net interest income	**5 733**	**5 948**

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

To credit institutions	**2022**	**2021**
Interest expenses	-374	-90
Average loan	30 739	24 414
Average nominal interest rate	**1,22%**	**0,37 %**

To customers	**2022**	**2021**
Interest expenses	-706	-427
Average deposit	74 614	77 223
Average nominal interest rate	**0,95%**	**0,55 %**

To bondholders	**2022**	**2021**
Interest expenses	-292	-251
Average issued notes and bonds	36 487	36 951
Average nominal interest rate	**0,80%**	**0,68 %**

Subordinated loan capital	**2022**	**2021**
Interest expenses	-71	-56
Average subordinated loan capital	2 443	2 642
Average nominal interest rate	**2,91%**	**2,14 %**

Senior non-preferred loans	**2022**	**2021**
Interest expenses	-46	-
Average senior non-preferred loan capital	2 034	-
Average nominal interest rate	**2,27%**	**-**

Total of tables above	**2022**	**2021**
Interest expenses	-1 488	-825
Loan	146 317	141 230
Average nominal interest rate	**1,02%**	**0,58 %**

Note 12 - Other operating income and expenses

Amounts in millions of NOK

	2022	**2021**
Operating lease income	183	126
Dividends from investments	0	1
Other	91	64
Total other operating income	**274**	**191**
Depreciation on operating lease assets	-38	-40
Fee to The Norwegian Banks' Guarantee Fund	-84	-84
Other	-170	-80
Total other operating expenses	**-292**	**-205**

Note 13 - Tax

All amounts in millions of NOK

Income tax	**2022**	**2021**
Tax payable	-386	-602
Adjustments in respect of prior years	-45	-157
Residual tax supplement	-7	-
Currency effects foreign tax credits	-	-
Total current tax	**-438**	**-759**
Change in temporary differences	-331	69
Adjustments in respect of prior years	56	-
Currency effects	-	-
Total change in deferred tax	**-275**	**69**
Income tax expense	**-713**	**-690**

	2022	**2021**
Profit before tax	2 929	2 709
Estimated income tax at nominal tax rate 25%	-732	-677
Tax effects of:		
- Interest hybrid capital	35	30
- Non-deductible expenses	-20	-20
Adjustments in respect of prior years*	11	-22
Residual tax supplement**	-7	
Tax charge	**-713**	**-689**

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

2022	**Before tax**	**Total tax charge**	**After tax**
Actuarial assumption related to pension	26	6	19
Cash flow hedges	-24	-6	-18
Currency translation differences	5	1	3
Shares in VN Norge AS - value adjustment	-20	-	-20
Other comprehensive income	**-13**	**2**	**-15**
Tax payable		1	
Deferred tax		0	
Tax in OCI		**2**	

Deferred tax in the balance sheet	2022	2021
Deferred tax assets/deferred taxes as at 1 January	1 573	1 462
Changes recognized in income statement	315	65
Changes recognized in OCI	13	-19
Currency adjustment	16	21
Adjustments in respect of prior years*	-196	44
Net Deferred tax assets/deferred taxes at 31 December	**1 721**	**1 573**

Deferred taxes related to the following temporary differences	2022	2021
Fixed assets	6 463	5 556
Net pension commitments	26	-49
Financial instruments	-24	-48
Net other taxable temporary differences	422	834
Total deferred tax position	**6 887**	**6 293**
Fixed assets	1 615	1 389
Net pension commitments	6	-12
Financial instruments	-6	-12
Net other taxable temporary differences	106	209
Net Deferred tax assets/deferred taxes at 31 December	**1 721**	**1 574**

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

Tax Payable in the balance sheet of MNOK 126 consist of tax payable for the Danish branch.

Tax Payable for Santander Consumer Bank AS of MNOK 386 is presented net tax credit from the Swedish and Danish branch in other assets.

* The adjustment in respect of prior years relates to true-up adjustment of tax settlements.

** Tax supplement of residual tax payment

Note 14 - Loans to customers

All amounts in millions of NOK

	2022	2021
Credit Card	4 928	5 274
Unsecured loans	19 873	22 099
Auto loans	126 275	112 929
- Installment loans	*93 106*	*84 154*
- Finance leases	*33 170*	*28 775*
Total gross loans to customers	**151 075**	**140 303**
- Loan loss allowance - Stage 1	-809	-1 161
- Loan loss allowance - Stage 2	-595	-575
- Loan loss allowance - Stage 3	-2 335	-2 510
Total net loans to customers	**147 337**	**136 057**

Note 15 - Impairment losses on loan, guarantees etc.

All amounts in millions of NOK

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

	2022	2021
Change in loss allowance - Unsecured loans	331	68
Change in loss allowance - Secured loans	195	-132
Change in loss allowance - Commercial papers and bonds	-0	0
+ Total realized losses	-1 686	-1 511
- Recoveries on previously realized losses	248	244
- Gain on sold portfolios	253	292
Impairment losses on loan, guarantees etc.	**-659**	**-1 039**

Note 16 - Loans and impairment by main sectors

All amounts in millions of NOK

The following table shows the loans and impairment by main sectors.

The 2021 figures have been adjusted to be comparable to the current year.

2022	Gross carrying amount	Accumulated impairment	Net carrying amount
Private individuals	121 428	-3 367	**118 060**
Wholesale and retail trade	12 607	-84	**12 523**
Construction	7 017	-123	**6 894**
Administrative and support service activities	2 090	-33	**2 057**
Transport and storage	1 718	-44	**1 674**
Professional, scientific and technical activities	1 507	-17	**1 491**
Manufacturing	1 197	-15	**1 182**
Real estate activities	672	-8	**664**
Accommodation and food service activities	529	-11	**518**
Information and communication	475	-11	**464**
Other services	355	-11	**345**
Governments	354	-3	**351**
Human health services and social work activities	307	-4	**303**
Education	262	-3	**258**
Arts, entertainment and recreation	248	-3	**245**
Agriculture, forestry and fishing	180	-1	**179**
Water supply	81	-1	**79**
Electricity, gas, steam and air conditioning supply	28	-0	**28**
Other financial corporations	12	-0	**12**
Mining and quarrying	8	-0	**7**
Public administration and defence, compulsory social security	2	-0	**2**
Total	**151 075**	**-3 739**	**147 337**

2021	Gross carrying amount	Accumulated impairment	Net carrying amount
Private individuals	115 293	-3 852	**111 441**
Wholesale and retail trade	9 426	-84	**9 342**
Construction	6 367	-126	**6 241**
Transport and storage	1 673	-55	**1 618**
Professional, scientific and technical activities	1 278	-17	**1 261**
Administrative and support service activities	1 907	-38	**1 869**
Manufacturing	1 142	-18	**1 124**
Real estate activities	600	-11	**589**
Accommodation and food service activities	450	-10	**440**
Information and communication	435	-9	**426**
Other services	390	-7	**383**
Governments	358	-4	**354**
Human health services and social work activities	264	-3	**261**
Education	221	-4	**217**
Agriculture, forestry and fishing	151	-1	**150**
Arts, entertainment and recreation	212	-4	**208**
Water supply	90	-1	**89**
Electricity, gas, steam and air conditioning supply	23	-0	**23**
Other financial corporations	12	-0	**12**
Mining and quarrying	10	-0	**10**
Public administration and defence, compulsory social security	0	-0	**0**
Total	**140 303**	**-4 246**	**136 057**

Note 17 - Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 31 December 2022	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	-	-	5 680	5 680
Deposits with and receivables on financial institutions	-	-	2 276	2 276
Loans to customers	-	-	147 337	147 337
Commercial papers and bonds	-	-	4 704	4 704
Financial derivatives	-	-	-	-
Loans to subsidiaries and SPV's	-	-	17 728	17 728
Other ownership interests	-	12	-	12
Other financial assets			311	311
Total financial assets	**-**	**12**	**178 035**	**178 047**

Non-financial assets	4 401
Total assets	**182 448**

Classification of financial liabilities 31 December 2022	Financial liabilities at fair value through P&L	Financial liabilities at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	33 078	33 078
Deposits from customers	-	-	75 925	75 925
Debt established by issuing securities	-	-	34 599	34 599
Financial derivatives	0	-	-	0
Other financial liabilities	-	-	374	374
Subordinated loan capital	-	-	2 422	2 422
Senior non-preferred loans			4 067	4 067
Total financial liabilities	**0**	**-**	**150 464**	**150 464**

Non-financial liabilities and equity	31 984
Total liabilities and equity	**182 448**

Classification of financial assets 31 December 2021	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	-	-	3 784	3 784
Deposits with and receivables on financial institutions	-	-	3 188	3 188
Loans to customers	-	-	136 057	136 057
Commercial papers and bonds	-	-	8 275	8 275
Financial derivatives	-	-	-	-
Loans to subsidiaries and SPV's	-	-	18 498	18 498
Other ownership interests	-	20	-	20
Total financial assets	**-**	**20**	**169 802**	**169 822**

Non-financial assets	4 474
Total assets	**174 296**

Classification of financial liabilities 31 December 2021	Financial liabilities at fair value through P&L	Financial liabilities at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	28 400	28 400
Deposits from customers	-	-	73 304	73 304
Debt established by issuing securities	-	-	38 375	38 375
Financial derivatives	-	-	-	-
Other financial liabilities	-	-	393	393
Subordinated loan capital	-	-	2 463	2 463
Total financial liabilities	**-**	**-**	**142 935**	**142 935**

Non-financial liabilities and equity	31 360
Total liabilities and equity	**174 296**

Note 18 - Issued securities

All amounts in millions of NOK

	2022	2021
Senior unsecured issued securities	34 599	38 375
Total issued securities	**34 599**	**38 375**

Changes in liability issued securities	Book value 1 January 2022	New issues/ repurchase	Monthly payments and at maturity	Changes in foreign fx rates	Book value 31 December 2022
Senior unsecured issued securities	38 375	6 041	-10 487	669	34 599
Total issued securities	**38 375**	**6 041**	**-10 487**	**669**	**34 599**

Bonds Issuer	Net nominal value	Currency	Interest	Call date	Book value 31 December 2022
Senior unsecured issued securities					
Santander Consumer Bank AS	500	SEK	Floating	2023-01-18	475
Santander Consumer Bank AS	500	SEK	Floating	2023-08-14	474
Santander Consumer Bank AS	250	SEK	Floating	2023-08-14	237
Santander Consumer Bank AS	1 000	SEK	Floating	2023-05-12	948
Santander Consumer Bank AS	500	SEK	Floating	2025-01-15	475
Santander Consumer Bank AS	500	SEK	Floating	2026-01-19	475
Santander Consumer Bank AS	500	SEK	Floating	2025-01-15	475
Santander Consumer Bank AS	500	SEK	Floating	2024-04-29	474
Santander Consumer Bank AS	500	SEK	Floating	2024-04-29	474
Santander Consumer Bank AS	500	SEK	Floating	2024-10-11	475
Santander Consumer Bank AS	500	EUR	Fixed	2023-03-01	5 289
Santander Consumer Bank AS	500	EUR	Fixed	2024-09-11	5 152
Santander Consumer Bank AS	500	EUR	Fixed	2025-02-25	5 136
Santander Consumer Bank AS	800	NOK	Floating	2024-03-14	802
Santander Consumer Bank AS	500	NOK	Floating	2024-11-13	503
Santander Consumer Bank AS	500	NOK	Floating	2025-09-15	501
Santander Consumer Bank AS	500	EUR	Floating	2026-04-14	5 244
Santander Consumer Bank AS	750	NOK	Floating	2024-11-05	754
Santander Consumer Bank AS	250	NOK	Floating	2026-11-05	251
Santander Consumer Bank AS	500	EUR	Fixed	2025-08-11	4 981
Santander Consumer Bank AS	500	NOK	Floating	2027-08-31	502
Santander Consumer Bank AS	500	NOK	Floating	2025-08-29	502
Totals issued bonds					**34 599**

The Bank has not had any defaults of principal or interest or other breaches with respect to its issued securities during the years ended 31 December 2022 and 31 December 2021.

Note 19 - Valuation Hierarchy

All amounts in millions of NOK

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 Bank 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.

2022 **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***				
VN Norge	Equity	-	12	-	**12**
Norsk Gjeldsinformasjon AS	Equity	-	-	0	**0**
Vipps AS	Equity	-	-	0	**0**
Total other ownership interests		**-**	**12**	**0**	**12**
Total Assets		**-**	**12**	**0**	**12**

Financial liabilities			Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Name	***Type***	***Notional***				
FX Swap EUR/DKK	Cross Currency Swap	MM EUR 35	-	**0**	-	**0**
Total Liabilities			-	**0**	-	**0**
Derivatives designated for hedge accounting - assets						
Total derivatives designated for hedging - assets**			-	-	-	-
Derivatives designated for hedge accounting - liabilities						
Name	***Type***	***Notional***				
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	**1**	-	**1**
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	**113**	-	**113**
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	**135**	-	**135**
SV EMTN MEUR 350	Cross Currency Swap	MM EUR 350	-	49	-	**49**
Total derivatives designated for hedging - liabilities* **			-	**297**	-	**297**

* 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.

2021

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***				
VN Norge	Equity	-	20	-	**20**
Total other ownership interests		-	**20**	-	**20**
Total Assets		-	**20**	-	**20**
Financial liabilities					
Total Liabilities		-	-	-	-

Derivatives designated for hedge accounting - assets			Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Name	*Type*	*Notional*				
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	28	-	**28**
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	5	-	**5**
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	0	-	**0**
Total derivatives designated for hedging - assets**			**-**	**33**	**-**	**33**

Derivatives designated for hedge accounting - liabilities						
Name	*Type*	*Notional*				
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	9	-	**9**
Total derivatives designated for hedging - liabilities* **			**-**	**9**	**-**	**9**

* 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.

Offsetting of financial assets and financial liabilities

The disclosure in the table below includes 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 Bank or the counterparties or following other predetermined events. In addition, the Bank and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The Bank 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

2022	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	-	-	-	-	37	-
Reverse repurchase arrangements	707	-	707	707	-	-
Financial liabilities						
Derivatives	297	-	297	-	311	-
Repurchase arrangements	-	-	-	-	-	-

2021	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	33	-	33	-	45	-
Reverse repurchase arrangements	942	-	942	942	-	-
Financial liabilities						
Derivatives	9	-	9	-	34	-
Repurchase arrangements	-	-	-	-	-	-

Note 20 - Hedging

All amounts in millions of NOK

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 criteria's 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:

	2022			2021		
	Assets	Liabilities	Gains (losses) recognized in P&L	Assets	Liabilities	Gains (losses) recognized in P&L
Hedged item (Issued Bonds)	-	8 922	479	-	6 506	60
Hedge instruments (Cross currency swaps)	-	525	-499	29	32	-59
Fair value hedge item adjustment	-	-	-	-	-	-
Nominal of hedging instruments	-	8 922	-	-	6 506	-
Net exposure over P&L			**-20**			**1**

	2022	2021
Inefficiency	**Ineffectiveness recognized in P&L**	**Ineffectiveness recognized in P&L**
Fair value hedging ineffectiveness	-20	1

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 criteria's 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 criteria's 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 hypothetical derivative method. This method assess hedge ineffectiveness by comparing the change in fair value of the actual derivative designated as the hedging instrument and the change in fair value of a "hypothetical derivative" that would result in perfect hedge effectiveness for the designated item. The hypothetical derivative would have terms that exactly match the critical terms of the hedged item with the lower of the two cumulative changes always appearing in Equity.

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

		2022			2021	
	Assets	**Liabilities**	**Amount recognized in OCI**	**Assets**	**Liabilities**	**Amount recognized in OCI**
Hedged item (Bonds)	-	8 922	-	-	6 506	-
Hedge instruments (Cross currency interest rate swaps)	246	8	4	28	1	-20
Hedge instruments (Interest rate swaps)	-	-	-	-	-	-
Nominal of hedging instruments	-	8 922	-	-	6 506	-
Net exposure over P&L			**4**			**-20**

	2022	2021
Inefficiency	**Ineffectiveness recognized in P&L**	**Ineffectiveness recognized in P&L**
Cash flow hedging ineffectiveness	6	2

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

		2022			2021	
	< 1 year	**1-5 years**	**> 5 years**	**< 1 year**	**1-5 years**	**> 5 years**
Cash inflows (assets)	-	-	-	-	-	-
Cash outflows (liabilities)	2 104	6 818	-	1 496	5 010	-
Net cash flows	**2 104**	**6 818**	**-**	**1 496**	**5 010**	**-**

Reclass from OCI to profit and loss:	**2022**	**2021**
Reclassified amount	-	0

Fair value hedge of shares in subsidiary

The Bank's shares in Santander Consumer Finance Oy are denominated in EUR, as the Bank's 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 criteria's 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.

Net investment Hedge

Santander Consumer Bank AS has a Swedish branch and foreign currency risk arises from the net investments in foreign operations. In order to mitigate the exchange rate risk arising from the fact that the branch in Sweden is nominated in Swedish Krona while functional currency of the Santander Consumer Bank AS is Norwegian Krona, Santander Consumer Bank AS is funding it's operations in Sweden with loans nominated in SEK and designating it as a hedge relationship.

The fair values of derivatives designated as net investment hedges is as follows:

	2022			2021		
	Assets	**Liabilities**	**Amount recognized in P&L**	**Assets**	**Liabilities**	**Amount recognized in P&L**
Hedged item (Shares in SCF Oy)	1 366	-	70	1 296	-	-64
Hedge instrument (EUR-loan)	-	1 378	-70	-	-1 308	64
Hedged item (Net investment Sweden)	-	-	-	-	-	-
Hedge instrument (SEK-loan)	-	-	-	-	-	-
Net exposure over OCI			**-**			**-**

	2022	2021
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 Bank is closely monitoring the market and the output from the various industry working groups managing the transition to new benchmark interest rates. The Bank 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)	8 922	2024-08-30
Total	**8 922**	

Note 21 - Financial instruments measured at amortized cost

The financial instruments in the Bank's balance sheet are primarily measured and booked to amortized cost. This applies to cash and receivables on central banks, deposits with and receivables on financial institutions, loans to customers, commercial papers and bonds, deposits from customers and debt established by issuing securities. Accounting for these items at amortized cost implies that the Bank intends 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.

Cash and receivables on central banks:
This item consist of deposits with central banks. Due to the short term nature of this item, the fair value is assumed to equal the book value.

Level in fair value hierarchy: Level 3

Deposits with and receivables on financial institutions:
This item consists of deposits with financial institutions and reverse repurchase agreements. Due to their short term nature, the fair value is assumed to equal the book value.

Level in fair value hierarchy: Level 3

Loans to customers:
The Bank's portfolio of loans to customers consists of the following main groups; credit cards, finance leases, installment loans and unsecured loans. All loans in the portfolio are subject to continuous evaluation of whether an impairment or loan loss allowance should be booked for it. Interest rates for new business volume are 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

Commercial papers and bonds:
Quoted prices in active markets exist for HQLAs and the fair value is reported in level 1 for this group of financial instruments.

The Bank has also invested in issued securities by SPV’s. These securities are 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 1 for HQLAs and level 3 for investment in notes issued by SPV's.

Loans to subsidiaries and SPV's:
Consists of loans to subsidiaries and SPV's. Due to their short term nature, the fair value is assumed to equal the book value.

Level in fair value hierarchy: Level 3

Other financial assets:This item consists of posted swap collateral. Due to their short term nature, the fair value is assumed to equal the book value.

Level in fair value hierarchy: Level 3

Debt to credit institutions:
This item consists of debt to financial institutions. Due to their short term nature, the fair value is assumed to equal the book value.

Level in fair value hierarchy: Level 3

Deposits from customers:
Fair value is assessed to equal amortized cost, as the contractual maturity is short and the deposits are affected by changes in credit risk to a limited extent.

Level in fair value hierarchy: Level 3

Debt established by issuing securities:
The Group has 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 are used as fair value (level 1).

Level in fair value hierarchy: Level 1 for securities with quoted market prices.

Other financial liabilities:
This item consists of received swap collateral, lease liability, withheld taxes and accounts payable. Due to their short term nature, the fair value is assumed to equal the book value.

Level in fair value hierarchy: Level 3

Subordinated loan capital:
The Bank issues 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 repricings ensuring the debt is at market terms.

Level in fair value hierarchy: Level 3

Senior non-preferred loans:
The Group issues Senior non-preferred loans 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 repricings, ensuring the debt is at market terms.

Level in fair value hierarchy: Level 3

All amounts in millions of NOK

		2022		2021	
Financial assets	**Fair value level**	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and receivables on central banks	Level 3	5 680	5 680	3 784	3 784
Deposits with and receivables on financial institutions	Level 3	2 276	2 276	3 188	3 188
Loans to customers	Level 3	147 337	129 177	136 057	129 261
Commercial papers and bonds	Level 1 and 3	4 704	4 726	8 275	8 284
Loans to subsidiaries and SPV's	Level 3	17 728	17 728	18 498	18 498
Other financial assets	Level 3	311	311	-	-
Total financial assets		**178 035**	**159 898**	**169 802**	**163 015**

		2022		2021	
Financial liabilities	**Fair value level**	**Book value**	**Fair value**	**Book value**	**Fair value**
Debt to credit institutions	Level 3	33 078	33 078	28 400	28 400
Deposits from customers	Level 3	75 925	75 925	73 304	73 304
Debt established by issuing securities	Level 1	34 599	32 806	38 375	37 839
Other financial liabilities	Level 3	374	374	-	-
Subordinated loan capital	Level 3	2 422	2 422	2 463	2 463
Senior non-preferred loans	Level 3	4 067	4 067	-	-
Total financial liabilities		**150 464**	**148 671**	**142 542**	**142 007**

Note 22 - Securitization

The Bank securitizes auto loan to customers by selling the loans to special purpose companies, which fund 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. For the reporting period ending 31.12.2022, the Bank has not sold any auto loan portfolios to a SPV. (See note 33 for a list of SPVs)

In accordance with IFRS 9, the sold assets are not derecognized from the Bank's balance sheet, as the Bank retains basically all the risks and rewards of the transferred assets. The risks are retained through the Bank'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 rewards are retained as the Bank receives the margin between car loan costumer payments and payments to bondholders.

As the Bank continues to recognize the transferred assets in the balance sheet, a liability to transfer the future cash flows from the customers arises. The Bank therefore recognizes a financial liability for 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 at December 31, 2022.

All amounts in millions of NOK	**2022**	**2021**
Carrying amount of assets (Portfolio of auto loans)	-	870
Carrying amount of associated liabilities	-	870

Note 23 - Fixed assets

All amounts in millions of NOK

2022	Buildings	Machines, fittings, equipment	Operating lease assets	Total
Acquisition cost at 1 January	**335**	**112**	**428**	**875**
Additions	-	18	213	**231**
Disposals	-	-5	-218	**-223**
Net foreign exchange differences on translation	-4	-0	-	**-4**
Acquisition cost at 31 December	**331**	**124**	**423**	**879**
Accumulated depreciation and impairment at 1 January	**-153**	**-80**	**-74**	**-307**
Depreciation*	-51	-14	-48	**-113**
Disposals	-	3	53	**56**
Impairment	-	-	-1	**-1**
Net foreign exchange differences on translation	2	1	-	**2**
Accumulated depreciation and impairment at 31 December	**-202**	**-91**	**-69**	**-362**
Net book value at 31 December	**129**	**34**	**354**	**517**

* Depreciation on operating lease assets is reported as "Other operating expenses" in the profit and loss statement.

Method of measurement	Acquisition cost	Acquisition cost	Acquisition cost
Depreciation method	Straight-line	Straight-line	Straight-line
Depreciation plan and useful life	3 – 10 years	1 – 10 years	1 - 10 years
Average useful life	5 years	3 years	3 years

As at 31 December 2022, Buildings includes right-of-use assets of 129 MM NOK related to leased office premises.

2021	Buildings	Machines, fittings, equipment	Operating lease assets	Total
Acquisition cost at 1 January	**344**	**132**	**511**	**987**
Additions	-	18	32	**49**
Disposals	-	-34	-114	**-149**
Net foreign exchange differences on translation	-9	-4	-	**-13**
Acquisition cost at 31 December	**335**	**112**	**428**	**875**
Accumulated depreciation and impairment at 1 January	**-105**	**-92**	**-78**	**-275**
Depreciation*	-51	-19	-34	**-104**
Disposals	-	28	23	**51**
Impairment	-	-	15	**15**
Net foreign exchange differences on translation	3	2	-	**5**
Accumulated depreciation and impairment at 31 December	**-153**	**-80**	**-74**	**-307**
Net book value at 31 December	**182**	**32**	**354**	**568**

* Depreciation on operating lease assets is reported as "Other operating expenses" in the profit and loss statement.

Note 24 - Intangible assets

All amounts in millions of NOK

2022	Software and other intangible assets	Goodwill	Total
Acquisition cost at 1 January	**835**	**382**	**1 217**
Additions	150	-	**150**
Disposals	-	-	**-**
Net foreign exchange differences on translation	3	18	**22**
Acquisition cost at 31 December	**988**	**400**	**1 388**
Accumulated amortization and impairment at 1 January	**-354**	**-**	**-354**
Amortization	-188	-	**-188**
Disposals	-	-	**-**
Impairment	-	-	**-**
Net foreign exchange differences on translation	-2	-	**-2**
Accumulated amortization and impairment at 31 December	**-543**	**-**	**-543**
Net book value at 31 December	**445**	**400**	**845**

Method of measurement	Acquisition cost	Acquisition cost
Amortization method	Straight-line	Goodwill is not amortized
Amortization plan and useful life	3 – 7 years	-
Average useful life	5 years	-

The useful life regarding software is evaluated annually. Goodwill is related to the purchase of the portfolio from Eik Sparebank in 2007, the purchase of GE Money Oy in 2009 and GE Money Bank in 2014.

2021	Software and other intangible assets	Goodwill	Total
Acquisition cost at 1 January	**946**	**401**	**1 346**
Additions	177	-	**177**
Disposals	-273	-	**-273**
Net foreign exchange differences on translation	-15	-19	**-34**
Acquisition cost at 31 December	**835**	**382**	**1 217**
Accumulated amortization and impairment at 1 January	**-471**	**-**	**-471**
Amortization	-157	-	**-157**
Disposals	264	-	**264**
Impairment	-	-	**-**
Net foreign exchange differences on translation	10	-	**10**
Accumulated amortization and impairment at 31 December	**-354**	**-**	**-354**
Net book value at 31 December	**481**	**382**	**863**

Note 25 - Leasing

All amounts in millions of NOK

Finance leases (as lessor):

The Bank owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as "loans to customers" in the balance sheet, and are valued at the present value of future cash flows.

	2022	2021
Gross investment in the lease:		
Due in less than 1 year	11 688	9 540
Due in 1 - 5 years	21 417	19 178
Due later than 5 years	65	56
Total gross investment in the lease	**33 170**	**28 775**
Present value of minimum lease payments receivable:		
Due in less than 1 year	11 279	9 238
Due in 1 - 5 years	21 254	18 245
Due later than 5 years	51	45
Total present value of minimum lease payments receivable	**32 584**	**27 528**
Unearned finance income	**586**	**1 247**

Operating leases (as lessor)

The Bank owns assets leased to customers under operating lease agreements. Operating lease agreements are reported as fixed assets in the balance sheet.

	2022	2021
Future minimum lease payments under non-cancellable operating leases		
Due in less than 1 year	162	163
Due in 1 - 5 years	204	202
Due later than 5 years	-	-
Total future minimum lease payments under non-cancellable operating leases	**366**	**365**

Finance leases (as lessee):

Right-of-use assets

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

2022	Buildings	Machines, fittings, equipment	Total
Cost at 1 January	**335**	**21**	**356**
Additions	-	-	**-**
Disposals	-	-0	**-0**
Net foreign exchange differences on translation	-4	-	**-4**
Cost at 31 December	**331**	**21**	**352**
Accumulated depreciation at 1 January	**-153**	**-19**	**-172**
Charge for the year	-51	-2	**-53**
Net foreign exchange differences on translation	2	0	**2**
Accumulated depreciation at 31 December	**-202**	**-21**	**-223**
Carrying amount at 31 December	**129**	**-**	**129**

2021	Buildings	Machines, fittings, equipment	Total
Cost at 1 January	**344**	**22**	**366**
Additions	-	-1	**-1**
Net foreign exchange differences on translation	-9	-	**-9**
Cost at 31 December	**335**	**21**	**356**
Accumulated depreciation at 1 January	**-105**	**-14**	**-119**
Charge for the year	-51	-5	**-56**
Net foreign exchange differences on translation	3	0	**3**
Accumulated depreciation at 31 December	**-153**	**-19**	**-172**
Carrying amount at 31 December	**182**	**3**	**184**

	2022	2021
Amounts recognised in profit and loss		
Depreciation expenses relating to right-of-use assets	53	56
Interest expense on lease liabilities	2	3
Expense relating to short-term leases	21	23
Expense relating to leases of low value assets	2	3

At 31 December 2022, the Bank is committed to 21 MNOK in short-term leases.

Note 26 - Repossessed Assets

All amounts in millions of NOK

	2022	2021
Vehicles	5	17
Total repossessed assets	**5**	**17**

Note 27 - Changes in liabilities arising from financing activities

All amounts in millions of NOK

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

2022 **Liability**	**2021**	**Changes from financing cash flows**	**Changes in foreign exchange rates**	**Changes in fair value**	**Other changes***	**2022**
Debt to credit institutions	**28 400**	7 603	-2 054	-	-870	**33 078**
Debt established by issuing securities	**38 375**	-4 445	669	**-**	-	**34 599**
Subordinated loan capital	**2 463**	2	-43	-	-	**2 422**
Senior non-preferred loans	**-**	4 082	-14	-	-	**4 067**
Lease liability (IFRS16)	**169**	-65	-2	-	-	**102**

* Other changes regarding the line item Debt to credit institutions, consists of changes in the debt to SPVs on future cash flow of securitized loans.

2021 **Liability**	**2020**	**Changes from financing cash flows**	**Changes in foreign exchange rates**	**Changes in fair value**	**Other changes***	**2021**
Debt to credit institutions	**20 428**	5 362	3 867	-	-1 257	**28 400**
Debt established by issuing securities	**35 528**	4 487	-1 639	-	-	**38 375**
Subordinated loan capital	**2 821**	-250	-108	-	-	**2 463**
Lease liability (IFRS16)	**247**	-78	-	-	-	**169**

* Other changes regarding the line item Debt to credit institutions, consists of changes in the debt to SPVs on future cash flow of securitized loans.

Note 28 - Lease liabilities

All amounts in millions of NOK

Maturities of lease liabilities	2022	2021
Less than a year	47	38
From 1 year to 3 years	55	101
From 3 year to 5 years	-	30
More than 5 years	-	-
Total lease liabilities	**102**	**169**

The Bank does not face a significant liquidity risk with regard to its lease liabilities. Liquidity risk is monitored within the Bank'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 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	**2022**	**2021**
Present value of year's pension earnings	-10	-14
Curtailment (gain) / loss	-	-
Settlement (gain) / loss	-	-
Interest cost on accrued liability	-8	-7
Interest income on plan assets	7	5
Allowance for taxes	0	-0
Net Pension expenses	**-10**	**-16**

Pension expenses for defined contribution plans	**2022**	**2021**
Total expenses	97	89

Pension liabilities in balance sheet	**2022**	**2021**
Pension funds at market value	316	350
Estimated pension liability	-290	-399
Net pension liability	**26**	**-49**

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

2022	Present value of obligation	Fair value of plan assets	Net pension liability
At 1 January	**-399**	**350**	**-49**
Current service cost	-10	-	**-10**
Curtailment gain / (loss)	-	-	**-**
Settlement gain / (loss)	-	-	**-**
Interest expense / Income	-8	7	**-1**
	-18	**7**	**-11**
Remeasurements:			
- Return on plan assets	-	-41	**-41**
- Gain/(Loss) from change in demographic assumptions	-13	-	**-13**
- Gain/(Loss) from change in financial assumptions	114	-	**114**
- Gain/(Loss) from plan experience	4	-	**4**
- Change in asset ceiling	-	-	**-**
	106	**-41**	**65**
Exchange rate differences	12	-10	**1**
Contributions:			
- Employer	-	20	**20**
- Plan participants	-	-	**-**
Payments from plans:			
- Benefit payments	10	-10	**-**
Acquired in a business combination	-	-	**-**
Settlement	-	-	**-**
Others	-	-	**-**
	21	**-1**	**21**
At 31 December	**-290**	**316**	**26**

2021	Present value of obligation	Fair value of plan assets	Net pension liability
At 1 January	**-504**	**357**	**-147**
Current service cost	-14	-	**-14**
Curtailment gain / (loss)	-	-	**-**
Settlement gain / (loss)	-	-	**-**
Interest expense / Income	-7	5	**-2**
	-21	**5**	**-16**
Remeasurements:			
- Return on plan assets	-	-5	**-5**
- Gain/(Loss) from change in demographic assumptions	-	-	**-**
- Gain/(Loss) from change in financial assumptions	60	-	**60**
- Gain/(Loss) from plan experience	20	-	**20**
- Change in asset ceiling	-	-	**-**
	80	**-5**	**75**
Exchange rate differences	33	-24	**9**
Contributions:			
- Employer	-	29	**29**
- Plan participants	-	-	**-**
Payments from plans:			
- Benefit payments	12	-12	**-**
Acquired in a business combination	-	-	**-**
Settlement	-	-	**-**
Others	-	-	**-**
	45	**-7**	**38**
At 31 December	**-399**	**350**	**-49**

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

	2022			2021		
	Norway	**Sweden**	**Total**	**Norway**	**Sweden**	**Total**
Present value of obligation	-5	-285	-290	-10	-390	**-399**
Fair value of plan assets	-	316	316	-	350	**350**
Total	**-5**	**31**	**26**	**-10**	**-40**	**-49**

The following assumptions have been used calculating future pensions:

	2022		2021	
	Norway	Sweden	Norway	Sweden
Discount rate	2,40%	3,50%	1,50%	2,00%
Inflation	2,00%	2,00%	1,50%	1,75%
Salary growth rate	3,50%	3,50%	2,50%	3,25%
Pension growth rate	2,60%	2,00%	2,00%	1,75%
Rate of social security increases	2,60%	2,00%	2,00%	1,50%

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:

	2022		2021	
	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	-	24	-	24
- Female	-	26	-	26

The Mortality table K2013 is used for Norway and DUS21 (White collar) for Sweden.

* The Norwegian defined benefit schemes were terminated in 2017 and the table shows that there are no remaining members.

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

Norway	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 10,33%	Increase by 9,12%
Salary growth rate	1,00%	Increase by 0,99%	Decrease by 0,97%

Sweden	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 24,64%	Increase by 28,45%
Salary growth rate	1,00%	Increase by 1,21%	Decrease by 1,16%

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 Bank'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 18 878 TNOK.

The weighted average duration of the defined benefit obligation is 2.6 years in Norway and 26.4 years in Sweden.

Expected maturity of undiscounted pension benefit payments:

At 31 December 2022	Less than 1 year	Between 1 - 2 years	Between 2 - 5 years	Between 5 - 10 years	Total
Pension benefit payments	8	5	21	43	**77**

Note 30 - Remuneration

All amounts in thousands of NOK

The Bank's principles for determining remuneration, including criteria for the stipulation of any variable remuneration, are stipulated in the Bank's Remuneration Policy. Further, the Bank has established a remuneration committee, which is a subcommittee of the Board of Directors. The remuneration committee works as both a preparatory and advisory committee for the Board of Directors with respect to the Bank's Remuneration Policy.

The Remuneration Policy applies to all employees in the Bank, as well as the Bank's subsidiary in Finland. Special requirements apply to senior executives, employees with responsibilities which are of great importance to the company's risk exposure ('risk takers'), and employees in independent control functions. The overall objectives for the Bank's remuneration policy 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 Remuneration 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 Remuneration Policy intends to ensure that the overall remuneration structure reflects sound and effective risk management principles. As a result, a key element in the Remuneration 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 Remuneration Policy shall further ensure that the total variable remuneration paid out will not conflict with the requirement of maintaining a sound capital base.

Employees identified as "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) 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. The shares received are Banco Santander S.A. shares.

Conditions for the bonus scheme are to be based on a combination of an individual appraisal of each employee, the financial performance of the Bank, and a qualitative performance of the Bank. Control functions are not measured on financial performance. The financial performance is measured on e.g. Net Income or Risk adjusted Profit before Tax; also risk results e.g. Management delinquency variation. The qualitative performance is measured on e.g. 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 Bank's General Meeting.

Pension schemes

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

<u>Norway</u>

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 7,5 "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 11,65 % of salary, and employee contribution 5,25 % of salary (Optional additional payment). The employer contribution is regulated by the collective agreement.

Key management compensation:

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

	Salary	Bonus	Pension	Other benefits	Total 2022	Total 2021
Michael Hvidsten, Chief Executive Officer	4 925	1 500	155	889	**7 469**	**7 471**
Steve Franklin, Chief Commercial Officer	1 842	450	-	751	**3 043**	**2 719**
Peter Sjöberg, Chief Operating Officer	2 909	485	-	221	**3 615**	**3 009**
Anders Bruun-Olsen, Chief Financial Officer	2 009	358	155	369	**2 891**	**2 783**
Tina Krogsrud Fjeld, Chief T&O Officer	1 978	480	155	309	**2 922**	**2 819**
Espen Hovland, Chief Controlling Officer	1 765	350	155	293	**2 563**	**2 480**
Andres Diez, Chief Risk Officer	2 076	450	155	368	**3 049**	**2 873**
Marion Bout, Chief Compliance Officer*	1 310	335	-	649	**2 294**	**2 122**
Total	**18 814**	**4 408**	**775**	**3 849**	**27 846**	**26 276**

*Salary net of tax

Bonus shares (part of CBS program)	Number of shares earned in 2022	Total number of shares earned, but not issued as at 31 December 2022	Value of the shares earned, but not issued* as at 31 December 2022
Michael Hvidsten, Chief Executive Officer	25 454	64 885	1 912
Steve Franklin, Chief Commercial Officer	7 636	15 136	446
Peter Sjöberg, Chief Operating Officer	8 230	22 520	664
Anders Bruun-Olsen, Chief Financial Officer	6 075	17 602	519
Tina Krogsrud Fjeld, Chief T&O Officer	8 145	18 959	559
Espen Hovland, Chief Controlling Officer	5 939	14 449	426
Andres Diez, Chief Risk Officer	7 636	20 478	603
Marion Bout, Chief Compliance Officer	5 685	12 462	367
Total	**74 801**	**186 492**	**5 495**

* All amounts in thousands of NOK

Defined share value	2022	2021	2020
Share value - Banco Santander (EUR) *	3	3	3
Share value - Banco Santander (NOK) *	29	29	28

* Value of shares is an estimate based on the Santander S.A. share price from BME Stock Exchange as at 31 December 2022, and the exchange rate as at 31 December 2022.

Board of Directors		2022	2021
Jørn Borchgrevink (as of February 2022)	Chair of the Board	730	-
Henning Strøm (until February 2022)	Chair of the Board	-	750
Tina Stiegler (until June 2022)	Director/ Board Member External	265	530
Anne Kvam	Director/ Board Member External	555	530
Pedro De Elejabeitia Rodriguez (as of April 2022)	Director/ Board Member External	-	-
Sara Norberg	Director/ Employee Representative	250	250
Tone Bergsaker Strømsnes	Director/ Employee Representative	230	230
Christa Skovgaard	Deputy Director/ Employee Representative	25	25
Beate Folmo (as of April 2022)	Deputy Director/ Employee Representative	25	-
Lukas Rudolph Jansen van Vuuren (until February 2022)	Deputy Director/ Employee Representative	-	30
Arja Pynnönen	Observer	25	25
Federico Ysart Alvarez De Toledo	Deputy Chair/ Board Member Non-executive	-	-
Francisco Javier Anton San Pablo (until April 2022)	Director/ Board Member Internal Non-executive	-	-
Ramon Billordo	Director/ Board Member Non-executive	-	-
Total		**2 105**	**2 370**

Staff as at 31 December (permanent employees only)	2022 Number of employees	2022 Average FTE for the year	2021 Number of employees	2021 Average FTE for the year
Norway	545	484	593	535
Sweden	261	227	275	254
Denmark	203	195	225	217
Total	**1 009**	**905**	**1 093**	**1 007**

Audit services and advisory services (without VAT)*	2022	2021
Audit services	17 929	13 843
Other attestation services	469	265
Total	**18 399**	**14 108**

* All amounts in thousands of NOK

Advokatfirmaet PWC has performed tax services at 506 thousand NOK in 2022. The amount is not included in the overview of audit services and advisory services.

Note 31 - Ownership interests in group companies

All amounts in millions of NOK

Interests in consolidated entities

The Bank holds 100% of the shares in Santander Consumer Finance Oy. The subsidiary's address is Risto Rytin tie 33, 00570 Helsinki, Finland. The net investment in the subsidiary is subject to changes in foreign exchange rates. The investment is being hedged. See note 20 for further details.

	2022	2021
Number of shares held by the Bank	600 000	600 000
Net investment	1 717	1 647

Santander Consumer Finance Oy	2022	2021
Equity	3 891	3 127
Total assets	39 009	37 564
Profit for the year	491	547

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 in Sweden with a limited number of investors. The selected portfolio consists of SEK 1.9 Billion IRB Auto Loans at December 31, 2022. In the transaction investors agree 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 the Bank. At the same time, the SPV issued credit linked notes (CLN), which mirror the risk of the financial guarantee. The proceeds from the issuance of the notes are put in a deposit account in the Bank to fully collateralize the financial guarantee.

The received collateral amount is recognized in Other Liabilities, whereas the financial guarantee premium the Bank pays for the guarantee, is recognized in the Fee and Commission Expenses in the Profit and Loss statement.

The SPV is not included in the consolidated financial statement in accordance with IFRS 10, as the Bank does not control the SPV.

Svensk Autofinans Syn I DAC	2022	2021
Assets*	193	413
Liabilities*	193	413

* Amounts in millions of SEK

Note 32 - Receivables and liabilities to related parties

All amounts in millions of NOK

Debt to related parties:	2022	Accrued Interest 2022	2021	Accrued Interest 2021
Santander Consumer Finance S.A.	32 979	99	26 677	2
Debt to SPV on future cash flow of securitized loans	-	-	870	-
Total	**32 979**	**99**	**27 547**	**2**

Balance sheet line: "Subordinated loan capital" - Bonds	2022	Accrued Interest 2022	2021	Accrued Interest 2021
MNOK 500, maturity September 2027, 3 months NIBOR + 1.66% (Santander Consumer Finance S.A)	500	2	500	1
MSEK 750, maturity December 2029, 3 months STIBOR + 2.08% (Santander Consumer Finance S.A)	709	1	730	1
MSEK 750, maturity December 2030, 3 months STIBOR + 2.29% (Santander Consumer Finance S.A)	709	1	730	0
MNOK 500, maturity June 2031, 2.62% (Santander Consumer Finance S.A)	500	0	500	1
Total	**2 417**	**4**	**2 461**	**3**

Balance sheet line: "Senior non-preferred loans"	2022	Accrued Interest 2022	2021	Accrued Interest 2021
MSEK 600, maturity April 2026, 3 months STIBOR + 1.04% (Santander Consumer Finance S.A)	567	3	-	-
MNOK 650, maturity May 2026, 3 months NIBOR + 1.37% (Santander Consumer Finance S.A)	650	3	-	-
MSEK 1 000, maturity August 2026, 3 months STIBOR + 1.50% (Santander Consumer Finance S.A)	945	3	-	-
MSEK 1 000, maturity September 2026, 3 months STIBOR + 1.75% (Santander Consumer Finance S.A)	945	1	-	-
MSEK 1 000, maturity November 2027, 3 months STIBOR + 2.18% (Santander Consumer Finance S.A)	945	4	-	-
Total	**4 052**	**15**	**-**	**-**

Receivables on related parties:	2022	Accrued Interest 2022	2021	Accrued Interest 2021
Balance sheet line: "Commercial papers and bonds"				
B and C notes issued by SPVs	-	-	453	-
Balance sheet line :"Loans to subsidiaries and SPV's"				
Loan to subsidiary (Santander Consumer Bank Oy)	17 675	53	18 419	79

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.santanderconsumer.no

Note 33 - Transactions with related parties

All amounts in millions of NOK

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

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

	2022	2021
Interest income	113	176
Interest expenses	-453	-77
Interest payments additional Tier 1 capital	-140	-118
Fees	3	7
Other	-287	-58
Net transactions	**-765**	**-69**

Assets	**2022**	**2021**
Loans to customers	17 728	18 498
Deposits with and receivables on financial institutions	3	36
Commercial papers and bonds	-	453
Investments in subsidiaries	1 717	1 647
Other financial assets	294	-
Other assets	65	40
Total assets	**19 805**	**20 674**

Liabilities	**2022**	**2021**
Debt to credit institutions	33 078	27 549
Debt established by issuing securities	219	536
Other liabilities	388	40
Subordinated loan capital	6 489	2 463
Total liabilities	**40 174**	**30 588**

The Bank had transactions with the following related parties as at 31 December 2022:

Banco Santander S.A.
CACEIS Bank Spain SAU
Santander Consumer Finance Oy
Santander Consumer Finance S.A.
Santander Global Technology and Operations, S.L. Unipersonal
Santander Seguros Y Reaseguros S.A.
Santander Totta Seguros, Companhia de Seguros de Vida S.A

SPV:
Svensk Autofinans WH 1 Ltd

Note 34 - Contingent liabilities & commitments and provisions

All amounts in millions of NOK

	2022	**2021**
Contingent liabilities*	75	75
Commitments (Granted undrawn credits)	31 910	31 434

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

Note 35 - Result over total assets

All amounts in millions of NOK

	2022	**2021**
Profit after tax (PAT)	2 216	2 020
Total assets (Assets)	182 448	174 296
PAT over Assets	**1,21%**	**1,16%**

Santander
Consumer Bank

To the General Meeting of Santander Consumer Bank AS

Independent Auditor’s Report

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 2022, the profit and loss, statement of 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 2022, the profit and loss, statement of 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 comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, 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, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, 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.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with 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 relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 7 years from the election by the general meeting of the shareholders on 30 June 2016 for the accounting year 2016.

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 Group's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other event that qualified as new Key Audit Matters for our audit of the 2022 financial statements.

Key Audit Matters	How our audit addressed the 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 significant Management judgement and estimates. The high level of uncertainty and increased inflation has made the use of judgement more challenging. 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 and expected lifetime of loans, • the estimation 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	We tested the design and operating effectiveness of key controls, and performed tests of details with respect to the estimated provisions. Specifically, we obtained a detailed understanding of the processes and tested controls relevant to: • the calculation, parameter recalibration and back-testing of methodologies used by Management, • whether the Management-approved internal models worked as intended, • the reliability of the sources of data used for calculation purposes, • the appropriateness of the models. Our testing of internal controls did not indicate material errors in the use of models or reliability of data. For the main models, we carried out tests of details related to parameter calculation, 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 appropriately classified, and whether any corresponding impairment losses had been duly recognized. We carried out tests of details to assess the reasonableness of the post model overlay. Our focus was, among others, directed towards the assumptions applied by Management in the current environment of uncertainty. Any differences encountered as part of our detailed testing fell within a reasonable range.

characteristics of each of its geographical markets and products.

Its internal models are mainly designed to enable the Group to estimate impairment provisions collectively. Additionally, to cover increased risk due to macroeconomic risks related to the current market conditions, Management has calculated a post model overlay.

We refer to accounting principles 2.6.1 and notes 1, 2, 4, 5, 6, 14, 15 and 16 in the Annual Report for a description of the Group's loans to customers.

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. Consequently, 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 the Group's financial reporting, we tested the operating effectiveness of controls, including automated controls and IT general controls. Our work covered the IT governance framework, access controls and logical security of the applications, operating systems and databases that support relevant financial information, change management and application development and IT operation maintenance. Additionally, we performed test of details on relevant system generated reports.

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

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statement on Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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 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 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 and 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's 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 a true and fair view.

- 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 Audit Committee 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.

Oslo, 21 February 2023
PricewaterhouseCoopers AS

Erik Andersen
State Authorised Public Accountant
(This document is signed electronically)

Securely signed with Brevio

Revisjonsberetning

Signers:

Name	*Method*	*Date*
Andersen, Erik	BANKID	2023-02-21 15:20

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